

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**DODGE COUNTY**  
**MANTORVILLE, MINNESOTA**

YEAR ENDED DECEMBER 31, 2006

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

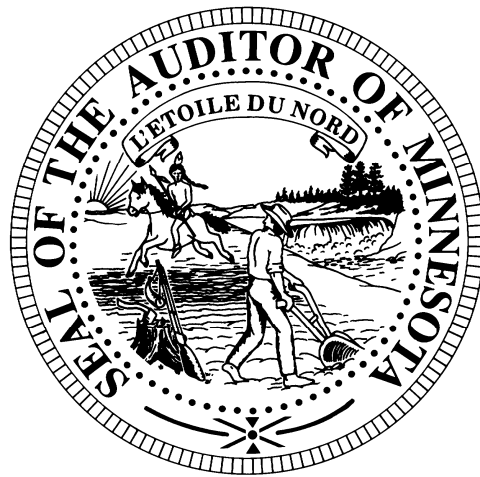
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**Year Ended December 31, 2006**



**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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MANTORVILLE, MINNESOTA**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2006

		Term Expires
<b>Elected</b>		
Commissioners		
Board Member	Klaus Alberts, Jr.	District 1 January 2007
Board Member	Lyle Tjosaas	District 2 January 2009
Chair	David Erickson	District 3 January 2007
Vice Chair (2007 Chair)	Don Gray	District 4 January 2009
Board Member	David Hanson	District 5 January 2007
Attorney	Paul Kiltinen	January 2008
Auditor/Treasurer	Janet Tripp	January 2007
Judge of County Court	Lawrence E. Agerter	January 2007
County Recorder	Sue Alberts	January 2007
Registrar of Titles	Sue Alberts	January 2007
County Sheriff	Gary Thompson	January 2007
<b>Appointed</b>		
Assessor	Wendell Engelstad	Indefinite
County Coordinator	David McKnight	Indefinite
County Engineer	Guy Kohlnhofer	May 2010
Coroner	Barry Dibble	Indefinite
Finance Director	Lisa Kramer	Indefinite
Social Services Director	Brian Hartung	Indefinite
Nursing Home Administrator	Jane Sheeran	Indefinite
Public Health Director	Peggy Espey	Indefinite
Surveyor	Roger Brand	December 31, 2007
Veteran Services Officer	Gary Hodge	March 2008
Weed Inspector/Planning Director	Duane Johnson	Indefinite
<b>Dodge County Four Seasons Ice Arena</b>		
Board Members		
Terry Meyers		
Lyle Tjosaas		
Larry Schaefer		
Mark Packard		
Kevin Lubahn		

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Dodge County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Dodge County, Minnesota, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Dodge County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dodge County Nursing Home, which is both the enterprise fund and the business-type activities of the County. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Dodge County Nursing Home, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Dodge County as of

December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information as listed in the table of contents and the Management's Discussion and Analysis are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dodge County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Dodge County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2008, on our consideration of Dodge County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

January 22, 2008

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006  
(Unaudited)**

Dodge County's Management Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2006. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$50,916,002, of which \$40,222,613 are invested in capital assets, net of related debt, and \$2,006,577 are restricted to specific purposes.
- Business-type activities have total net assets of \$615,908. Invested in capital assets, net of related debt, represents \$349,418 of the total, and \$4,102 are restricted for endowment.
- Dodge County's net assets increased by \$2,425,956 for the year ended December 31, 2006. Of the increase, \$2,434,432 was in the governmental activities' net assets, and \$8,476 represented the decrease in business-type activities' net assets. The net assets of the County's discretely presented component unit increased by \$47,378.
- The net cost of governmental activities increased by \$1,283,113 to \$6,862,443 for the current fiscal year. The net cost was funded by general revenues and other items.
- Governmental funds' fund balances increased by \$280,614.
- During 2006, Dodge County did not issue any new debt. The total bonded debt at the end of the year was \$1,520,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. Dodge County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are interrelated.

Management's Discussion and Analysis  
(MD&A)  
(required supplementary information)

Government-wide financial statements      ←      Fund financial statements  
Notes to the financial statements

Required supplementary information  
(other than MD&A)

There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements are Exhibits 3 through 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

### **Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities**

Our analysis of the County as a whole begins on Exhibits 1 and 2. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities--Most of the County's basic services are reported here, including general government, public safety, road and bridge, human services, health, environmental services, culture and recreation, and conservation of natural resources. Property taxes and state and federal grants finance most of these activities.
- Business-type activities--The County charges a fee to customers to help it cover all or most of the cost of services it provides. The County's nursing home is reported here.
- Component units--The County includes separate legal entities in its report. One of these entities, the Building Authority, is blended in with other funds of the County. The Four Seasons Ice Arena is presented in a separate column. The Economic Development Authority is not material and, therefore, is not presented. Although legally separate, these "component units" are important because the County is financially accountable for them.

### **Fund Financial Statements**

Our analysis of Dodge County's major funds begins with Exhibit 3 and provides detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds--governmental and proprietary--use different accounting methods.

- Governmental funds--Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation in a statement following each governmental fund financial statement.

- Proprietary funds--When the County charges customers for the services it provides, whether to outside customers or to other units of the County, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows, for proprietary funds.

## Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, over assets which can only be used for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## THE COUNTY AS A WHOLE

Dodge County's combined net assets increased from \$49,105,954 (restated) to \$51,531,910. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two different stories emerge. Our analysis that follows focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities.

**Table 1**  
**Net Assets**  
**(in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005 (Restated)	2006	2005	2006	2005 (Restated)
Current and other assets	\$ 13.4	\$ 13.4	\$ 0.6	\$ 0.6	\$ 14.0	\$ 14.0
Capital assets	41.4	39.3	0.6	0.7	42.0	40.0
<b>Total Assets</b>	<b>\$ 54.8</b>	<b>\$ 52.7</b>	<b>\$ 1.2</b>	<b>\$ 1.3</b>	<b>\$ 56.0</b>	<b>\$ 54.0</b>
Long-term debt outstanding	\$ 1.8	\$ 2.0	\$ 0.5	\$ 0.6	\$ 2.3	\$ 2.6
Other liabilities	2.1	2.2	0.1	0.1	2.2	2.3
<b>Total Liabilities</b>	<b>\$ 3.9</b>	<b>\$ 4.2</b>	<b>\$ 0.6</b>	<b>\$ 0.7</b>	<b>\$ 4.5</b>	<b>\$ 4.9</b>
<b>Net Assets</b>						
Invested in capital assets, net of debt	\$ 40.2	\$ 37.8	\$ 0.3	\$ 0.3	\$ 40.5	\$ 38.1
Restricted	2.0	2.7	-	-	2.0	2.7
Unrestricted	8.7	8.0	0.3	0.3	9.0	8.3
<b>Total Net Assets</b>	<b>\$ 50.9</b>	<b>\$ 48.5</b>	<b>\$ 0.6</b>	<b>\$ 0.6</b>	<b>\$ 51.5</b>	<b>\$ 49.1</b>

Net assets of the County's governmental activities increased by 4.9 percent (\$50.9 million compared to \$48.5 million). Unrestricted net assets--the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--changed from \$8.0 million at December 31, 2005, to \$8.7 million at the end of 2006. The unrestricted net assets of our business-type activities did not change from December 31, 2005 to 2006.

**Table 2**  
**Changes in Net Assets**  
**(in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 3.8	\$ 3.1	\$ 3.5	\$ 3.6	\$ 7.3	\$ 6.7
Operating grants and contributions	5.8	5.3	-	-	5.8	5.3
Capital grants and contributions	0.2	0.5	-	-	0.2	0.5
General revenues						
Property taxes	7.2	6.7	-	-	7.2	6.7
Unrestricted grants and contributions	1.8	1.8	-	-	1.8	1.8
Other general revenues	0.4	0.3	-	-	0.4	0.3
Total Revenues	\$ 19.2	\$ 17.7	\$ 3.5	\$ 3.6	\$ 22.7	\$ 21.3
Program expenses						
General government	\$ 4.0	\$ 2.8	\$ -	\$ -	\$ 4.0	\$ 2.8
Public safety	3.7	3.3	-	-	3.7	3.3
Highways and streets	3.2	3.1	-	-	3.2	3.1
Sanitation	1.3	1.4	-	-	1.3	1.4
Human services	3.4	3.0	-	-	3.4	3.0
Health	0.6	0.5	-	-	0.6	0.5
Culture and recreation	0.1	0.1	-	-	0.1	0.1
Conservation of natural resources	0.2	0.2	-	-	0.2	0.2
Interest	0.1	0.1	-	-	0.1	0.1
Nursing home	-	-	3.7	4.1	3.7	4.1
Total Program Expenses	\$ 16.6	\$ 14.5	\$ 3.7	\$ 4.1	\$ 20.3	\$ 18.6
Revenues Over (Under) Program Expenses	\$ 2.6	\$ 3.2	\$ (0.2)	\$ (0.5)	\$ 2.4	\$ 2.7
Transfers	(0.2)	(0.3)	0.2	0.3	-	-
Increase (Decrease) in Net Assets	\$ 2.4	\$ 2.9	\$ -	\$ (0.2)	\$ 2.4	\$ 2.7

The County's total revenues increased by about 6.6 percent (\$1.4 million). The total cost of all programs and services increased by 9.1 percent (\$1.7 million) over the previous year. A small portion of the increase in expenditures was attributed to extraordinary expenses arising from settling a tax court case and abatement and demolition costs for a tax-forfeited property. The largest portion of increase in expense is due to a change in reporting of the IGT Nursing Home Transfer. Our analysis below separately considers the operations of governmental and business-type activities.

### Governmental Activities

Revenues for the County's governmental activities increased by 8.3 percent, from \$17,759,724 in 2005 to \$19,229,879 for 2006, while total expenses increased by 14.7 percent, from \$14,498,708 in 2005 to \$16,634,183 in 2006.

The cost of all governmental activities this year was \$16,634,183 compared to \$14,498,708 last year. However, as shown in the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$6,862,443 because some of the cost was paid by those who directly benefited from the programs (\$3,803,351) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,749,176) and by capital grants and contributions (\$219,213). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2006 from \$8,919,378 to \$9,771,740, principally based on an increase in fees, charges, and fines, as well as an increase in capital grants and contributions. The County paid for the remaining "public benefit" portion of governmental activities with \$6,862,443 in general revenues, primarily taxes (some of which could only be used for certain programs), and other revenues, such as interest and general entitlements.

Table 3 presents the cost of each of the County's five largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**  
**(in Millions)**

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Public safety	\$ 3.7	\$ 3.3	\$ 2.9	\$ 2.4
Highways and streets	3.2	3.1	(0.1)	(0.3)
Human services	3.4	3.0	1.0	1.1
General government	4.0	2.8	2.6	2.1
Sanitation	1.3	1.4	0.2	0.2
All others	1.0	0.9	0.2	0.1
<b>Totals</b>	<b>\$ 16.6</b>	<b>\$ 14.5</b>	<b>\$ 6.8</b>	<b>\$ 5.6</b>



## Business-Type Activities

Revenues of the County's business-type activities (see Table 2) remained constant with a slight decrease in revenues of 1.7 percent (\$3,543,145 in 2006 compared to \$3,606,953 in 2005), and expenses decreased by 9.0 percent (\$3,712,885 in 2006 compared to \$4,092,913 in 2005). The factors driving these results include a reduction in nursing home beds from 72 to 55. The fairly significant decrease in beds was offset by maintaining higher census and by converting rooms to higher reimbursement single rooms.

## THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in Exhibit 3) reported a combined fund balance of \$8,877,590, which is above last year's total of \$8,596,976. Most of the fund balance, \$7,675,387, is unreserved and available for spending at the government's discretion. Another \$1,202,203 in fund balance is reserved for specific areas and departments of the County.

## General Fund Budgetary Highlights

The original budget, which was not amended, had an increase of 21.2 percent in expenditures and an increase in revenue of 4.6 percent over the previous year's actual budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2005, the County had \$40,049,468 (net of depreciation) invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of \$2,233,802 over last year.

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation, in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$ 1.3	\$ 1.3	\$ -	\$ -	\$ 1.3	\$ 1.3
Land improvements	0.2	0.3	-	-	0.2	0.3
Buildings and improvements	2.6	2.7	0.5	0.6	3.1	3.3
Machinery, vehicles, furniture, and equipment	2.0	1.7	0.1	0.1	2.1	1.8
Infrastructure	35.3	33.4	-	-	35.3	33.4
Total Net Assets	\$ 41.4	\$ 39.4	\$ 0.6	\$ 0.7	\$ 42.0	\$ 40.1

This year's major additions included:

- purchase of about \$627,000 in equipment for Highway, Landfill, Elections, and other departments; and
- purchase of about \$182,000 in vehicles for Human Services, Sheriff, Central Services, and other departments.

The County has no immediate plans to issue more debt for capital projects. More detailed information about the County's capital assets is presented in Note 3.A.3. to the financial statements.

### Debt

At year-end, the County had \$1.5 million in bonds and notes outstanding, versus \$1.9 million last year--a decrease of 33 percent--as shown in Table 5.

**Table 5**  
**Outstanding Debt at Year-End**  
**(in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Bonds	\$ 0.5	\$ 0.6	\$ 0.3	\$ 0.4	\$ 0.8	\$ 1.0
Certificates of participation	0.7	0.9	-	-	0.7	0.9
Totals	<u>\$ 1.2</u>	<u>\$ 1.5</u>	<u>\$ 0.3</u>	<u>\$ 0.4</u>	<u>\$ 1.5</u>	<u>\$ 1.9</u>

The County's general obligation bond rating continues to carry the third highest rating possible, a rating that has been assigned by national rating agencies to the County's debt since 1996.

Other obligations include accrued vacation pay and sick leave payable. More detailed information about the County's long-term liabilities is presented in Note 3.C. to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for the business-type activities.

- The unemployment rate in Dodge County remained constant, moving from 3.8 percent to 3.6 percent in 2006 for the annual average. This compared favorably with the Minnesota rate of 4.0 percent and the U.S. rate of 4.6 percent.
- County General Fund expenditures for 2007 are budgeted to increase 9.5 percent over 2006.
- Dodge County's population grew by 8.7 percent from 2001 to 2006, compared to an increase of 5.1 percent in Minnesota as a whole.
- Post-retirement benefits liability and the future impact on the County will be reviewed to get an actuarial estimate of the future County liability so a plan can be developed.
- The property tax levy has increased 6.37 percent for 2007.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Dodge County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Dodge County Finance Department, 22 - 6th Street East, Department 45, Mantorville, Minnesota 55955.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Four Seasons Ice Arena
<b>Assets</b>				
Cash and pooled investments	\$ 9,199,175	\$ 1,480	\$ 9,200,655	\$ 90,167
Petty cash and change funds	3,590	400	3,990	-
Investments	109,981	-	109,981	-
Investments in joint venture (SCHA)	772,070	-	772,070	-
Taxes receivable				
Prior - net	194,313	-	194,313	-
Special assessments receivable				
Prior - net	5,409	-	5,409	-
Accounts receivable - net	534,166	513,456	1,047,622	20,166
Loan receivable	229,415	-	229,415	-
Accrued interest receivable	97,221	-	97,221	-
Due from other governments - net	1,878,407	-	1,878,407	44,386
Due from primary government	-	-	-	37,546
Advance to component unit	170,212	-	170,212	-
Inventories	152,699	-	152,699	-
Restricted assets				
Cash and pooled investments	-	53,918	53,918	-
Deferred charges	20,112	2,247	22,359	-
Capital assets				
Nondepreciable	1,329,931	15,600	1,345,531	-
Depreciable - net of accumulated depreciation	40,112,617	619,998	40,732,615	766,497
<b>Total Assets</b>	<b>\$ 54,809,318</b>	<b>\$ 1,207,099</b>	<b>\$ 56,016,417</b>	<b>\$ 958,762</b>
<b>Liabilities</b>				
Accounts payable	\$ 262,338	\$ 93,322	\$ 355,660	\$ 6,138
Salaries payable	134,631	43,255	177,886	2,388
Contracts payable	114,317	-	114,317	-
Due to other governments	313,610	-	313,610	1,233
Due to component unit	37,546	-	37,546	-
Accrued interest payable	16,677	-	16,677	716
Advance from other governments	1,082,178	-	1,082,178	-
Customer deposits	140,437	-	140,437	-
Interest payable from restricted assets	-	4,314	4,314	-
Long-term liabilities				
Due within one year	328,319	108,747	437,066	42,933
Due in more than one year	1,463,263	341,553	1,804,816	181,790
<b>Total Liabilities</b>	<b>\$ 3,893,316</b>	<b>\$ 591,191</b>	<b>\$ 4,484,507</b>	<b>\$ 235,198</b>



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Four Seasons Ice Arena
<b>Net Assets</b>				
Invested in capital assets - net of related debt	\$ 40,222,613	\$ 349,418	\$ 40,572,031	\$ 723,564
Restricted for				
Highways and streets	970,541	-	970,541	-
Sanitation	-	-	-	-
General government	245,106	-	245,106	-
Public safety	122,367	-	122,367	-
Conservation of natural resources	-	-	-	-
Human services	600,745	-	600,745	-
Ditch	67,818	-	67,818	-
Donations	-	4,102	4,102	-
Other purposes	-	-	-	-
Unrestricted	8,686,812	262,388	8,949,200	-
<b>Total Net Assets</b>	<b>\$ 50,916,002</b>	<b>\$ 615,908</b>	<b>\$ 51,531,910</b>	<b>\$ 723,564</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>	<b>Program Revenues Operating Grants and Contributions</b>
<b>Primary government</b>			
<b>Governmental activities</b>			
General government	\$ 4,018,227	\$ 1,104,977	\$ 98,764
Public safety	3,655,134	555,385	245,114
Highways and streets	3,239,123	156,994	3,172,567
Sanitation	1,321,021	1,076,522	2,011
Human services	3,344,884	516,001	1,796,301
Health	612,571	369,777	357,246
Culture and recreation	150,427	-	72,825
Conservation of natural resources	210,838	23,695	4,348
Economic development	29,836	-	-
Interest	52,122	-	-
<b>Total governmental activities</b>	<b>\$ 16,634,183</b>	<b>\$ 3,803,351</b>	<b>\$ 5,749,176</b>
<b>Business-type activities</b>			
Nursing home	3,712,885	3,533,257	-
<b>Total Primary Government</b>	<b>\$ 20,347,068</b>	<b>\$ 7,336,608</b>	<b>\$ 5,749,176</b>
<b>Component unit</b>			
Four Seasons Ice Arena	\$ 237,863	\$ 210,077	\$ 75,164

**General Revenues**

Property taxes  
Gravel taxes  
Payments in lieu of tax  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Miscellaneous  
Gain on sale of capital assets

**Transfers**

**Total general revenues and transfers**

**Change in net assets**

**Net Assets - Beginning, restated (Note 1.E.)**

**Net Assets - Ending**

**EXHIBIT 2**

Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets			Discretely Presented Component Unit Four Seasons Ice Arena
	Governmental Activities	Primary Government Business-Type Activities	Total	
\$ 191,129	\$ (2,623,357)	\$ -	\$ (2,623,357)	
-	(2,854,635)	-	(2,854,635)	
28,084	118,522	-	118,522	
-	(242,488)	-	(242,488)	
-	(1,032,582)	-	(1,032,582)	
-	114,452	-	114,452	
-	(77,602)	-	(77,602)	
-	(182,795)	-	(182,795)	
-	(29,836)	-	(29,836)	
-	(52,122)	-	(52,122)	
<b>\$ 219,213</b>	<b>\$ (6,862,443)</b>	<b>\$ -</b>	<b>\$ (6,862,443)</b>	
8,289	-	(171,339)	(171,339)	
<b>\$ 227,502</b>	<b>\$ (6,862,443)</b>	<b>\$ (171,339)</b>	<b>\$ (7,033,782)</b>	
<b>\$ -</b>				<b>\$ 47,378</b>
	\$ 7,227,544	\$ -	\$ 7,227,544	\$ -
	20,274	-	20,274	-
	-	-	-	-
	1,791,563	-	1,791,563	-
	329,313	799	330,112	-
	82,413	-	82,413	-
	7,032	800	7,832	-
	(161,264)	161,264	-	-
	<b>\$ 9,296,875</b>	<b>\$ 162,863</b>	<b>\$ 9,459,738</b>	<b>\$ -</b>
	<b>\$ 2,434,432</b>	<b>\$ (8,476)</b>	<b>\$ 2,425,956</b>	<b>\$ 47,378</b>
	<b>48,481,570</b>	<b>624,384</b>	<b>49,105,954</b>	<b>676,186</b>
	<b>\$ 50,916,002</b>	<b>\$ 615,908</b>	<b>\$ 51,531,910</b>	<b>\$ 723,564</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and pooled investments	\$ 4,477,373	\$ 585,434	\$ 3,266,093	\$ 870,275	\$ 9,199,175
Petty cash and change funds	3,440	-	-	150	3,590
Investments	-	12,500	-	97,481	109,981
Taxes receivable					
Prior	122,624	28,977	34,363	8,349	194,313
Special assessments receivable					
Prior	-	-	-	5,409	5,409
Accounts receivable	74,272	-	372,749	87,145	534,166
Loans receivable	229,415	-	-	-	229,415
Accrued interest receivable	97,221	-	-	-	97,221
Due from other funds	2,691	3,339	-	-	6,030
Due from other governments	116,675	980,201	771,716	9,815	1,878,407
Inventories	-	152,699	-	-	152,699
Advances to other funds	75,000	-	-	-	75,000
Advance to component unit	170,212	-	-	-	170,212
<b>Total Assets</b>	<b><u>\$ 5,368,923</u></b>	<b><u>\$ 1,763,150</u></b>	<b><u>\$ 4,444,921</u></b>	<b><u>\$ 1,078,624</u></b>	<b><u>\$ 12,655,618</u></b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 49,335	\$ 55,332	\$ 134,225	\$ 23,446	\$ 262,338
Salaries payable	84,315	19,406	23,865	7,045	134,631
Contracts payable	-	114,317	-	-	114,317
Due to other funds	3,210	-	2,336	484	6,030
Due to other governments	251,841	577	20,574	40,618	313,610
Due to component units	37,546	-	-	-	37,546
Deferred revenue - unavailable	64,039	985,980	551,960	9,962	1,611,941
Advance from other funds	-	-	-	75,000	75,000
Advance from other governments	-	1,082,178	-	-	1,082,178
Deposits	140,437	-	-	-	140,437
<b>Total Liabilities</b>	<b>\$ 630,723</b>	<b>\$ 2,257,790</b>	<b>\$ 732,960</b>	<b>\$ 156,555</b>	<b>\$ 3,778,028</b>
<b>Fund Balances</b>					
Reserved for					
Inventories	\$ -	\$ 152,699	\$ -	\$ -	\$ 152,699
Advances to other funds	75,000	-	-	-	75,000
Debt service	-	-	-	97,481	97,481
Loan receivable	229,415	-	-	-	229,415
Advance to component unit	170,212	-	-	-	170,212
Recorder's equipment	81,223	-	-	-	81,223
Recorder's technology fund	96,808	-	-	-	96,808
Sheriff's forfeited property	19,746	-	-	-	19,746
Law library	27,418	-	-	-	27,418
Enhanced 911	79,471	-	-	-	79,471
DARE	11,430	-	-	-	11,430
Attorney's forfeited property	39,657	-	-	-	39,657
Highway projects	-	6,576	-	-	6,576
Sheriff's contingency	2,554	-	-	-	2,554
Sheriff's donations	9,166	-	-	-	9,166
Health care	-	-	103,347	-	103,347
Unreserved					
Designated for cash flows	3,007,000	-	748,000	-	3,755,000
Designated for compensated absences	274,269	-	105,294	-	379,563
Undesignated	614,831	(653,915)	2,755,320	-	2,716,236
Unreserved, reported in nonmajor					
Special revenue funds	-	-	-	815,842	815,842
Debt service funds	-	-	-	8,746	8,746
<b>Total Fund Balances</b>	<b>\$ 4,738,200</b>	<b>\$ (494,640)</b>	<b>\$ 3,711,961</b>	<b>\$ 922,069</b>	<b>\$ 8,877,590</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,368,923</b>	<b>\$ 1,763,150</b>	<b>\$ 4,444,921</b>	<b>\$ 1,078,624</b>	<b>\$ 12,655,618</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2006**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>8,877,590</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		41,442,548
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		772,070
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,611,941
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (495,000)	
Certificates of participation - net of unamortized discount	(730,851)	
Deferred issuance costs	20,112	
Capital leases	(6,280)	
Loans payable	(7,917)	
Compensated absences	(551,534)	
Accrued interest payable	(16,677)	
		(1,788,147)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b>\$ 50,916,002</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 4,624,762	\$ 1,066,429	\$ 1,235,524	\$ 291,281	\$ 7,217,996
Special assessments	-	-	-	130,909	130,909
Licenses and permits	25,668	-	-	108,716	134,384
Intergovernmental	2,007,070	3,861,335	2,143,819	192,902	8,205,126
Charges for services	1,975,413	85,128	-	830,195	2,890,736
Fines and forfeits	17,764	-	-	-	17,764
Gifts and contributions	8,850	-	-	-	8,850
Interest on investments	302,685	-	-	26,628	329,313
Miscellaneous	96,332	71,866	280,078	19,626	467,902
<b>Total Revenues</b>	<b>\$ 9,058,544</b>	<b>\$ 5,084,758</b>	<b>\$ 3,659,421</b>	<b>\$ 1,600,257</b>	<b>\$ 19,402,980</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 4,180,887	\$ -	\$ -	\$ -	\$ 4,180,887
Public safety	3,580,078	-	-	-	3,580,078
Highways and streets	-	5,221,357	-	-	5,221,357
Sanitation	-	-	-	1,299,228	1,299,228
Human services	3,000	-	3,377,704	-	3,380,704
Health	609,165	-	-	-	609,165
Culture and recreation	150,427	-	-	-	150,427
Conservation of natural resources	186,712	-	-	24,126	210,838
Economic development	29,836	-	-	-	29,836
<b>Debt service</b>					
Principal	-	-	-	294,996	294,996
Interest	-	-	-	48,171	48,171
Administrative charges	-	-	-	1,500	1,500
<b>Total Expenditures</b>	<b>\$ 8,740,105</b>	<b>\$ 5,221,357</b>	<b>\$ 3,377,704</b>	<b>\$ 1,668,021</b>	<b>\$ 19,007,187</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 318,439</b>	<b>\$ (136,599)</b>	<b>\$ 281,717</b>	<b>\$ (67,764)</b>	<b>\$ 395,793</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 3,842	\$ -	\$ 113,232	\$ 234,902	\$ 351,976
Transfers out	(294,496)	-	(3,842)	(214,902)	(513,240)
Proceeds from sale of capital assets	8,029	425	1,500	420	10,374
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (282,625)</b>	<b>\$ 425</b>	<b>\$ 110,890</b>	<b>\$ 20,420</b>	<b>\$ (150,890)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 35,814</b>	<b>\$ (136,174)</b>	<b>\$ 392,607</b>	<b>\$ (47,344)</b>	<b>\$ 244,903</b>
<b>Fund Balances - January 1</b>	<b>4,702,386</b>	<b>(394,177)</b>	<b>3,319,354</b>	<b>969,413</b>	<b>8,596,976</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>35,711</b>	<b>-</b>	<b>-</b>	<b>35,711</b>
<b>Fund Balances - December 31</b>	<b>\$ 4,738,200</b>	<b>\$ (494,640)</b>	<b>\$ 3,711,961</b>	<b>\$ 922,069</b>	<b>\$ 8,877,590</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 244,903**

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, distributions of joint venture equity interest are recorded as revenue. In the statement of net assets, an asset is reported for the equity interest in joint ventures and distributions (decreases) and increases in joint venture equity are reported in the statement of activities. The change in net assets differs from the change in fund balance by the increases and decreases in the investment in joint venture.

Equity distribution	\$ (600,745)	
Increase in investment in joint venture	303,064	(297,681)

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and the statement of activities is the increase (decrease) in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 1,611,941	
Deferred revenue - January 1	(1,494,393)	117,548

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 3,592,634	
Current year depreciation	(1,497,144)	2,095,490

In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed of.

(7,714)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments		
General obligation bonds	\$ 80,000	
Certificates of participation	195,000	
Capital leases	12,080	
Loans	7,916	294,996

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 6  
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of discount on bonds	\$ (1,383)	
Amortization of deferred issuance costs	(4,729)	
Change in accrued interest payable	3,661	
Change in inventories	35,711	
Change in compensated absences	(46,370)	(13,110)
	<hr/>	<hr/>
<b>Change in Net Assets of Governmental Activities (Exhibit 2)</b>		<b><u>\$ 2,434,432</u></b>

**PROPRIETARY FUNDS**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET ASSETS  
NURSING HOME ENTERPRISE FUND  
DECEMBER 31, 2006**

**Assets**

Current assets	
Cash and pooled investments	\$ 1,480
Petty cash and change funds	400
Accounts receivable - net	513,456
	513,456
<b>Total current assets</b>	<b>\$ 515,336</b>
Restricted assets	
Cash and pooled investments	\$ 53,918
Noncurrent assets	
Deferred debt issuance costs	\$ 2,247
Capital assets	
Nondepreciable	15,600
Depreciable - net	619,998
	619,998
<b>Total noncurrent assets</b>	<b>\$ 637,845</b>
<b>Total Assets</b>	<b>\$ 1,207,099</b>

**Liabilities**

Current liabilities	
Accounts payable	\$ 93,322
Salaries payable	43,255
Compensated absences payable - current	63,747
	63,747
<b>Total current liabilities</b>	<b>\$ 200,324</b>
Current liabilities payable from restricted assets	
Interest payable	\$ 4,314
General obligation bonds payable - current	45,000
	45,000
<b>Total current liabilities payable from restricted assets</b>	<b>\$ 49,314</b>
Noncurrent liabilities	
Compensated absences payable - long-term	\$ 100,373
General obligation bonds payable - long-term	241,180
	241,180
<b>Total noncurrent liabilities</b>	<b>\$ 341,553</b>
<b>Total Liabilities</b>	<b>\$ 591,191</b>

**Net Assets**

Invested in capital assets - net of related debt	\$ 349,418
Restricted for donations	4,102
Unrestricted	262,388
	262,388
<b>Total Net Assets</b>	<b>\$ 615,908</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
NURSING HOME ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Operating Revenues</b>	
Charges for services	\$ 3,527,400
Miscellaneous	5,857
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 3,533,257</b>
<b>Operating Expenses</b>	
Employee benefits and payroll taxes	\$ 556,685
Nursing services	1,386,790
Administration and fiscal services	314,929
Other care-related	112,610
Ancillary services	363,107
Repairs and maintenance	194,375
Property and household	160,288
Laundry	76,389
Dietary	370,012
Housekeeping	102,064
Depreciation	62,362
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 3,699,611</b>
<b>Operating Income (Loss)</b>	<b>\$ (166,354)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 799
Gifts and contributions	8,289
Gain on sale/disposal of capital assets	800
Interest expense	(13,274)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (3,386)</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ (169,740)</b>
Transfers in	<hr/> 161,264
<b>Change in Net Assets</b>	<b>\$ (8,476)</b>
<b>Net Assets - January 1</b>	<hr/> <b>624,384</b>
<b>Net Assets - December 31</b>	<hr/> <b>\$ 615,908</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
NURSING HOME ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 3,486,975
Receipts from contributions	8,289
Payments to suppliers and employees	<u>(3,635,576)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ (140,312)</u></b>
<b>Cash Flows From Noncapital Financing Activities</b>	
Advance from other funds	\$ 35,000
Return of advance	(35,000)
Transfer in	<u>158,000</u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>\$ 158,000</u></b>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Principal paid on long-term debt	\$ (99,638)
Interest paid on long-term debt	(14,475)
Bond issuance costs and discount	1,192
Proceeds from sale of capital assets	<u>800</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (112,121)</u></b>
<b>Cash Flows From Investing Activities</b>	
Investment earnings received	<u>\$ 799</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (93,634)</b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>149,432</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 55,798</u></u></b>
<b>Cash and Cash Equivalents</b>	
Cash and pooled investments	\$ 1,480
Petty cash and change funds	400
Restricted cash and pooled investments	<u>53,918</u>
<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 55,798</u></u></b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

***EXHIBIT 9  
(Continued)***

**STATEMENT OF CASH FLOWS  
NURSING HOME ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
<b>Operating income (loss)</b>	<b>\$ (166,354)</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Receipts from contributions	\$ 8,289
Depreciation expense	62,362
(Increase) decrease in accounts receivable	(422,446)
(Increase) decrease in due from other governments	376,164
Increase (decrease) in accounts payable	18,354
Increase (decrease) in salaries payable	7,474
Increase (decrease) in compensated absences payable	1,603
Increase (decrease) in due to other governments	(25,758)
<b>Total adjustments</b>	<b>\$ 26,042</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (140,312)</b>

**FIDUCIARY FUNDS**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*EXHIBIT 10*

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2006**

	Cemetery Perpetual Care Private-Purpose Trust	Agency
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 10,490	\$ 575,931
Investments	134,153	-
Receivables		
Interest	1,151	-
<b>Total Assets</b>	<b>\$ 145,794</b>	<b>\$ 575,931</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ -	\$ 29,810
Due to other governments	-	546,121
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 575,931</b>
<b><u>Net Assets</u></b>		
Held in trust for other organizations		
Nonexpendable	\$ 79,973	
Expendable	65,821	
<b>Total Net Assets</b>	<b>\$ 145,794</b>	

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 11**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Cemetery Perpetual Care Private-Purpose Trust</b> <hr style="border: 0.5px solid black;"/>
<b><u>Additions</u></b>	
Investment earnings	
Interest	\$ 2,774
Other investment earnings	21
Net increase (decrease) in fair value of investments	<hr style="border: 0.5px solid black;"/> 22,373
<b>Total additions</b>	<b>\$ 25,168</b>
<b><u>Deductions</u></b>	
Payments in accordance with trust agreements	<hr style="border: 0.5px solid black;"/> 1,131
<b>Change in net assets</b>	<b>\$ 24,037</b>
<b>Net Assets - Beginning</b>	<hr style="border: 0.5px solid black;"/> <b>121,757</b>
<b>Net Assets - Ending</b>	<b><u><u>\$ 145,794</u></u></b>



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2006. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Dodge County was established February 20, 1855, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Dodge County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

Blended Component Units

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Dodge County has two blended component units.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Units (Continued)

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Dodge County Building Authority	County Commissioners are Building Authority Board.	No separate financial statements are prepared
Dodge County Regional Railroad Authority	County Commissioners are Regional Railroad Authority Board.	Inactive. No financial statements are prepared

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component unit of Dodge County is discretely presented:

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Four Seasons Ice Arena	County must approve all debt of the Ice Arena.	Separate financial statements are not prepared.

The Dodge County Economic Development Authority (EDA) is not presented discretely on the financial statements because it is not material to the financial statements of Dodge County.

Joint Ventures

The County participates in several joint ventures described in Note 5.C. The County also participates in jointly-governed organizations described in Note 5.D.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Social Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The County reports the following major enterprise fund:

The Nursing Home Fund is used to account for the operations of the County nursing home.

Additionally, the County reports the following fund types:

Private-purpose trust funds are used to account for resources legally held in trust for others.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Dodge County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2006, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2006 were \$302,685.

Dodge County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

3. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans).

All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

All receivables, including those of the discretely presented component units, are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

4. Inventories

The supplies inventory in the Road and Bridge Special Revenue Fund is valued at cost using the weighted moving average method. It consists of expendable supplies held for consumption. The cost of the inventory is recorded as an expenditure when purchased rather than when consumed. At the government-wide level, inventories are recorded as expenses when consumed.

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

Property, plant, and equipment of the County, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 40
Building improvements	20
Public domain infrastructure	25 - 75
Furniture, equipment, and vehicles	2 - 35

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if it has matured, for example, as a result of employee resignations and retirements.



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

8. Deferred Revenue

All County funds and the government-wide financial statements defer revenues for resources that have been received, but not yet earned. Governmental funds also report deferred revenues in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Restatement of Net Assets

During 2006, the South Country Health Alliance joint powers agreement was amended to give the original participating counties an equity interest. The equity interest was calculated retroactive to 2001. As a result, the January 1, 2006, net assets were restated to include the investment in joint venture of \$1,069,751.

Net Assets - January 1, as previously reported	\$	47,411,819
Investment in joint venture		1,069,751
Net Assets - January 1, as restated	\$	48,481,570

2. Stewardship, Compliance, and Accountability

A. Expenditures in Excess of Budget

The following is a summary of the individual funds that had expenditures in excess of budget for the year ended December 31, 2006.

	Expenditures	Final Budget	Excess
General Fund	\$ 8,740,105	\$ 8,149,450	\$ 590,655
Special Revenue			
Road and Bridge Fund	5,221,357	5,203,224	18,133
Social Services Fund	3,377,704	3,132,755	244,949
Ditch Fund	22,126	12,000	10,126

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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2. Stewardship, Compliance, and Accountability (Continued)

B. Deficit Fund Equity

The Road and Bridge Special Revenue Fund had a deficit fund balance of \$494,640 as of December 31, 2006. The deficit can be attributed to the overspending of regular construction funds. In 2006, Dodge County had received an advance of \$1,082,178 on its 2007 regular construction allotment from the state.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 9,199,175
Petty cash and change funds	3,590
Investments	109,981
Business-type activities	
Cash and pooled investments	1,480
Petty cash and change funds	400
Cash and pooled investments - restricted assets	53,918
Discretely presented component unit	
Cash and pooled investments	90,167
Statement of fiduciary net assets	
Cash and pooled investments	586,421
Investments	134,153
	<hr/>
Total Cash and Investments	\$ 10,179,285
	<hr/>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

		Carrying (Fair) Value
Deposits	\$	5,171,800
Petty cash		3,990
Investments		
Equity investments (stock)		
AT&T	\$ 102,674	
Quest Communications	1,440	104,114
Investment pools/mutual funds		
MAGIC Fund	\$ 2,735,390	
Scottrade Mutual Fund	39	
Dreyfus - General Government Security Money Market	10,256	
First American Treasury Obligations Fund	97,481	2,843,166
Negotiable certificates of deposit		2,056,215
Total Deposits and Investments	\$	10,179,285

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2006, the County does not have any deposits exposed to custodial credit risk.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Interest rates that are fixed for long periods subject investments to variability in their fair value as a result of future changes in interest rates. The negotiable certificates of deposit have fixed interest rates. Following is a list of interest rates and maturity dates of the negotiable certificates.

<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Amount</u>
January 18, 2007	4.90	\$ 95,000
January 18, 2007	4.91	95,000
January 18, 2007	4.93	95,000
January 18, 2007	4.94	95,000
January 18, 2007	4.95	95,000
January 29, 2007	5.56	96,000
January 29, 2007	5.61	96,000
January 29, 2007	5.62	96,000
January 29, 2007	5.65	96,000
January 29, 2007	5.72	96,000
January 29, 2007	5.80	96,000
February 28, 2007	4.84	95,359
March 14, 2007	4.89	95,387
March 23, 2007	4.89	95,288
June 1, 2007	5.60	94,000

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Interest Rate Risk (Continued)

Maturity Date	Interest Rate (%)	Amount
June 1, 2007	5.60	94,000
June 1, 2007	5.60	94,000
June 1, 2007	5.62	94,000
June 1, 2007	5.64	94,000
July 14, 2007	5.45	59,005
September 25, 2007	5.23	95,011
November 1, 2007	5.13	95,165
Total Negotiable Certificates of Deposit		\$ 2,056,215

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy, as set by the Dodge County investment policy, to invest only in securities that meet the ratings requirements of state statute.

The County is required to disclose the credit quality ratings of investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed income securities. Dodge County invests in the following investment pools/mutual funds:

	Credit Rating	Rating Agency
MAGIC Fund	Not rated	-
Scottrade Mutual Fund	Not rated	-
Dreyfus - General Government Security Money Market	Not rated	-
First American Treasury Obligations Fund	AAA	Standard & Poor's

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does not have a policy on custodial credit risk. As of December 31, 2006, the County does not have any investments exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County's investment policy does not currently address this risk. Investments that represent five percent or more of Dodge County's investments include only the MAGIC Fund at 56 percent.

2. Receivables

Receivables as of December 31, 2006, for the County's governmental activities and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable, gross	\$ 990,028	\$ 524,462
Less: allowance for uncollectible social services and nursing services	<u>(455,862)</u>	<u>(11,006)</u>
Net Accounts Receivable	<u>\$ 534,166</u>	<u>\$ 513,456</u>



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,329,931	\$ -	\$ -	\$ 1,329,931
Capital assets depreciated				
Land improvements	\$ 279,369	\$ -	\$ -	\$ 279,369
Buildings	5,059,504	-	-	5,059,504
Machinery, furniture, and equipment	4,016,788	808,274	273,976	4,551,086
Infrastructure	42,622,514	2,784,374	14	45,406,874
Total capital assets depreciated	\$ 51,978,175	\$ 3,592,648	\$ 273,990	\$ 55,296,833
Less: accumulated depreciation for				
Land improvements	\$ 29,346	\$ 13,969	\$ -	\$ 43,315
Buildings	2,341,083	125,784	-	2,466,867
Machinery, furniture, and equipment	2,312,031	488,880	266,262	2,534,649
Infrastructure	9,270,874	868,511	-	10,139,385
Total accumulated depreciation	\$ 13,953,334	\$ 1,497,144	\$ 266,262	\$ 15,184,216
Total capital assets depreciated, net	\$ 38,024,841	\$ 2,095,504	\$ 7,728	\$ 40,112,617
Governmental Activities Capital Assets, Net	\$ 39,354,772	\$ 2,095,504	\$ 7,728	\$ 41,442,548

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 15,600	\$ -	\$ -	\$ 15,600
Capital assets depreciated				
Buildings	\$ 1,243,239	\$ -	\$ -	\$ 1,243,239
Improvements other than buildings	83,336	-	-	83,336
Machinery, furniture, and equipment	691,281	17,803	13,156	695,928
Total capital assets depreciated	\$ 2,017,856	\$ 17,803	\$ 13,156	\$ 2,022,503
Less: accumulated depreciation for				
Buildings	\$ 684,755	\$ 34,924	\$ -	\$ 719,679
Improvements other than buildings	81,670	881	-	82,551
Machinery, furniture, and equipment	572,335	41,096	13,156	600,275
Total accumulated depreciation	\$ 1,338,760	\$ 76,901	\$ 13,156	\$ 1,402,505
Total capital assets depreciated, net	\$ 679,096	\$ (59,098)	\$ -	\$ 619,998
Business-Type Activities Capital Assets, Net	\$ 694,696	\$ (59,098)	\$ -	\$ 635,598

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 174,938
Public safety	109,452
Highways and streets, including depreciation of infrastructure assets	1,102,226
Human services	8,611
Sanitation	101,917
Total Depreciation Expense - Governmental Activities	<u>\$ 1,497,144</u>
Business-Type Activities	
Nursing home	<u>\$ 62,362</u>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Social Services Fund Solid Waste Fund	Services and fuel charges
		\$ 2,336 355
Total Due to General Fund		\$ 2,691
Road and Bridge Fund	General Fund Solid Waste Fund	Fuel charges
		\$ 3,210 129
Total Due to Road and Bridge Fund		\$ 3,339
Total Due To/From Other Funds		\$ 6,030

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 75,000

3. Due To/From Primary Government and Component Units

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component Unit - Four Seasons Ice Arena	Primary Government - General Fund	\$ 37,546

4. Advances From Primary Government to Component Units

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government - General Fund	Component Unit - Four Seasons Ice Arena	\$ 170,212

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

5. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, consisted of the following:

Transfers to Nursing Home Enterprise Fund from General Fund	\$ 161,264	Provide funding
Transfers to Social Services Special Revenue Fund from General Fund	113,232	South Country Health Alliance equity distribution
Transfers to Dodge County Corporation Debt Service Fund from Building Special Revenue Fund	214,663	Provide funds for debt service payments
Transfers to General Fund from Social Services Special Revenue Fund	3,842	Provide funding
Transfer to Courthouse Improvements Debt Service Fund from Courthouse Improvements Special Revenue Fund	239	Close fund
Transfers to Solid Waste Special Revenue Fund from General Fund	<u>20,000</u>	Provide funding for septic system program
Total Interfund Transfers	<u>\$ 513,240</u>	

C. Liabilities

1. Other Postemployment Benefits - Retirees

The County provides postemployment health insurance for qualified employees for life. Qualified employees consist of:

- employees hired prior to 1983, and employees hired from 1984 through 1986 who have eight years of service at retirement who receive County-paid health insurance on the County's plan;
- employees hired from 1987 through 1991 who receive up to \$50 per month of County-paid health insurance; and
- employees hired after 1991 who receive no paid insurance benefits.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

1. Other Postemployment Benefits - Retirees (Continued)

During 2006, the County paid \$123,195 for 35 retired employees. The rates are based on the County's group policy rates. All benefits are paid by the General Fund.

2. Long-Term Debt

Governmental Activities

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2006:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
1999 Energy Efficiency	2007	Semi-annual	\$ 6,488	\$ 97,673	<u>\$ 6,280</u>
<div style="text-align: center;"> <u>Year Ending December 31</u> </div>					
				2007	\$ 6,462
				Less: amount representing interest	<u>(182)</u>
				Total Governmental Activities Capital Leases	<u>\$ 6,280</u>

The Energy Efficiency lease is being paid from the Building Special Revenue Fund.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Governmental Activities (Continued)

Bonds and Certificates

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2006</u>
General obligation bonds					
1999 Solid Waste General Crossover Refunding Bonds	2012	\$15,000 - \$25,000	3.80 - 4.80	\$ 215,000	\$ 130,000
2002 G.O. Courthouse Improvement Bonds	2009	\$50,000 - \$60,000	2.75 - 4.85	385,000	175,000
2004B G.O. Solid Waste Bonds	2019	\$10,000 - \$20,000	3.00 - 4.75	<u>210,000</u>	<u>190,000</u>
Total General Obligation Bonds				<u>\$ 810,000</u>	<u>\$ 495,000</u>
2004 Certificate of Participation	2009	\$195,000 - \$310,000	2.25 - 3.00	<u>\$ 930,000</u>	<u>\$ 735,000</u>

The Solid Waste Bonds are being paid from the Solid Waste Special Revenue Fund, the 2002 G.O. Courthouse Improvement Bonds are being paid from the Courthouse Improvements Debt Service Fund, the 2004B G.O. Solid Waste Bonds will be paid from the Building Special Revenue Fund, and the Certificate of Participation is being paid from the Dodge County Corporation Debt Service Fund.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Governmental Activities (Continued)

Loans Payable

In 1997, the County entered into a loan agreement with the Minnesota Department of Public Safety for financing of energy conservation.

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2006</u>
1997 Energy Conservation	2007	\$ 7,916	5.50	\$ 79,162	<u>\$ 7,917</u>

Payments on the 1997 Energy Conservation Loan are made from the Building Special Revenue Fund.

Business-Type Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2006</u>
2004 G.O. Nursing Home Bonds	2012	\$52,075 - \$57,700	2.500 - 4.150	\$ 335,000	\$ 290,000
Less: unamortized discount					<u>(3,820)</u>
2004 G.O. Nursing Home Bonds, Net					<u>\$ 286,180</u>

Payments on the 2004 Nursing Home Bonds are being made from the Nursing Home Enterprise Fund.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2006, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Certificates of Participation		Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 85,000	\$ 20,567	\$ 210,000	\$ 22,656	\$ 7,917	\$ 435
2008	90,000	16,903	215,000	17,838	-	-
2009	90,000	12,863	310,000	12,256	-	-
2010	35,000	10,097	-	4,650	-	-
2011	40,000	8,450	-	-	-	-
2012 - 2016	100,000	24,125	-	-	-	-
2017 - 2019	55,000	5,463	-	-	-	-
Total	<u>\$ 495,000</u>	<u>\$ 98,468</u>	<u>\$ 735,000</u>	<u>\$ 57,400</u>	<u>\$ 7,917</u>	<u>\$ 435</u>

Business-Type Activities

Year Ending December 31	General Obligation	
	Principal	Interest
2007	\$ 45,000	\$ 9,758
2008	45,000	8,420
2009	50,000	6,825
2010	50,000	5,012
2011	50,000	3,075
2012	50,000	1,038
Total	<u>\$ 290,000</u>	<u>\$ 34,128</u>



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation bonds	\$ 575,000	\$ -	\$ 80,000	\$ 495,000	\$ 85,000
Certificate of participation	930,000	-	195,000	735,000	210,000
Less: deferred amounts for issuance discounts	<u>(5,532)</u>	<u>-</u>	<u>(1,383)</u>	<u>(4,149)</u>	<u>-</u>
Total bonds payable	\$ 1,499,468	\$ -	\$ 273,617	\$ 1,225,851	\$ 295,000
Capital leases	18,360	-	12,080	6,280	6,280
Loans payable	15,833	-	7,916	7,917	7,917
Compensated absences	<u>505,164</u>	<u>46,370</u>	<u>-</u>	<u>551,534</u>	<u>19,122</u>
Governmental Activities Long-Term Liabilities	<u>\$ 2,038,825</u>	<u>\$ 46,370</u>	<u>\$ 293,613</u>	<u>\$ 1,791,582</u>	<u>\$ 328,319</u>

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
G.O. Revenue Notes	\$ 54,638	\$ -	\$ 54,638	\$ -	\$ -
G.O. Nursing Home Bonds	335,000	-	45,000	290,000	45,000
Less: unamortized discount	<u>(4,570)</u>	<u>-</u>	<u>(750)</u>	<u>(3,820)</u>	<u>-</u>
Total bonds payable	\$ 385,068	\$ -	\$ 98,888	\$ 286,180	\$ 45,000
Compensated absences	<u>162,517</u>	<u>1,603</u>	<u>-</u>	<u>164,120</u>	<u>63,747</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 547,585</u>	<u>\$ 1,603</u>	<u>\$ 98,888</u>	<u>\$ 450,300</u>	<u>\$ 108,747</u>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

4. Changes in Long-Term Liabilities (Continued)

Loan Agreements

On June 28, 2005, the County Board approved co-signing a loan with the Kasson State Bank for the Agricultural Society. The loan amount, payable by the Agricultural Society, was \$160,000 for 15 years at a rate of six percent for the first five years. As of December 31, 2006, the balance of the loan was \$155,781.

On October 10, 2006, the County Board approved co-signing a loan for the Agricultural Society with the Kasson State Bank for \$15,000. The loan is due October 1, 2007, payable at a rate of 8.25 percent.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Dodge County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund and the Public Employees Police and Fire Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered under the Public Employees Police and Fire Fund.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, and all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

amount required by state statutes. Public Employees Coordinated Plan and Defined Contribution Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2006. Contribution rated in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members are required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007.

The County is required to contribute the following percentages of annual covered payroll in 2006 and 2007:

	2006	2007
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.00	6.25
Public Employees Police and Fire Fund	10.50	11.70

The County's contributions for the years ending December 31, 2006, 2005, and 2004, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund
2006	\$ 386,581	\$ 117,600
2005	330,425	90,903
2004	335,304	87,702

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contributions for the years ending December 31, 2006, 2005, and 2004, were \$2,354 \$2,362, and \$2,342, respectively, equal to the contractually required contributions for each year as set by state statute.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$390,000 and \$400,000 per claim in 2006 and 2007, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items (Continued)

C. Joint Ventures

South Central Human Relations Center, Inc.

The South Central Human Relations Center, Inc., is a joint venture between Dodge, Steele, and Waseca Counties. The Center provides community mental health services to the counties' residents. Each individual county's interest in the Center is based on contractual requirements. During the year, Dodge County paid \$43,339 for contracted services and \$69,059 for other services.

Financial statements are available at South Central Human Relations Center, Inc., 610 Florence Avenue, Owatonna, Minnesota 55060.

Family Services Collaborative

The Dodge County Family Services Collaborative was established in 1999 under the authority of Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Dodge County and approximately seven other human services-related agencies serving Dodge County residents. The governing board consists of seven members, of which four represent the legally required participants of a collaborative (a school district, the county, public health, and a community action agency). The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success of every child.

Control of the Collaborative is vested in a Board of Directors. Dodge County Social Services acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2006, Dodge County did not provide any funding. Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of the termination, shall be distributed by the Dodge County Family Services Collaborative Board of Directors.

Currently, the Collaborative does not prepare complete financial statements. Financial information can be obtained by contacting Amy Kunkel, Coordinator, Dodge County Family Services Collaborative.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a Joint Powers Agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a board of directors to operate, control, and manage all matters concerning the nine participating member counties' health care functions, referred to as county-based purchasing.

The purpose of the SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health and medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the above-listed member counties.

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2006, was \$772,070. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as Human Services program expenses or revenues. The County reported distributions from the SCHA of \$600,745 in 2006 and does not anticipate any further distributions at this time.

Complete financial statements for the SCHA can be obtained from its fiscal agent at 630 Florence Avenue, P. O. Box 890, Owatonna, Minnesota 55060-0890.

Southeastern Minnesota Multi-County HRA

Dodge County is a member of the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) which provides housing and redevelopment services to member counties. The governing body consists of a Board of Commissioners which is appointed by the member counties. In 1994, the Dodge County Commissioners appointed a member to the HRA Board for a five-year term expiring in 1999. The



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southeastern Minnesota Multi-County HRA (Continued)

County has not appointed a member for the vacancy starting in 1999. Dodge County has requested to be released from this HRA. Dodge County made no contributions to the operations of the HRA in 2006.

Financial statements for the HRA may be obtained at its office at 134 East 2nd Street, Wabasha, Minnesota 55981.

D. Jointly-Governed Organizations

Dodge County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During the year, the County expended \$54,971 to the Cooperative.

The Minnesota Workforce Development (MWD) provides various job training services for member organizations. During the year, the County paid \$68,128 to the MWD.

The Southeast Minnesota Emergency Management Services (EMS) provides various health services to several counties. During the year, the County contributed \$80 to the EMS.

The Southeast Minnesota Water Resource Board provides regional water quality services to several counties. During the year, the County paid \$3,200 to the Water Resource Board.

The Southeastern Minnesota Library (SELCO) provides library services within the County. During the year, the County contributed \$102,345 to SELCO.

The Southeastern Minnesota Narcotics Task Force provides drug investigation services for member organizations. During the year, the County paid \$5,100 to the Task Force.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

The Southeastern Minnesota Recyclers' Exchange (SEMREX) provides recycled materials sales services for member organizations. During the year, the County paid \$932 to SEMREX.

6. Dodge County Four Seasons Ice Arena Component Unit Disclosures

In addition to those already identified, the Ice Arena has the following significant disclosures.

A. Summary of Significant Accounting Policies

Reporting Entity

The Four Seasons Ice Arena is a discretely presented component unit in the County's financial statements. The Ice Arena is governed by a six-member Board of Directors: one member appointed by each of the Cities of Kasson, Mantorville, and Dodge Center; two members appointed by the County Board; and one member appointed on a rotating basis by the Hayfield, Kasson-Mantorville, and Triton School Districts. Dodge County is responsible for half of the Ice Arena's operating losses. The remainder of the operating loss is the responsibility of the three member cities.

Basis of Presentation

The Four Seasons Ice Arena does not prepare separate financial statements. The Ice Arena presents its operations as an enterprise fund.

Basis of Accounting

The Four Seasons Ice Arena is accounted for on the full accrual basis of accounting.

Cash and Pooled Investments

All cash of the Ice Arena is on deposit with the Dodge County Treasurer and included with its pooled cash and investments. The Ice Arena's equity in the investment pool is treated as a cash equivalent because it can deposit or effectively withdraw cash at any time without prior notice or penalty.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

6. Dodge County Four Seasons Ice Arena Component Unit Disclosures (Continued)

B. Detailed Notes

1. Assets

Capital Assets

Component unit capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ 920,950	\$ -	\$ -	\$ 920,950
Machinery, furniture, and equipment	208,236	-	-	208,236
Total capital assets depreciated	\$ 1,129,186	\$ -	\$ -	\$ 1,129,186
Less: accumulated depreciation for				
Buildings	\$ 230,238	\$ 23,024	\$ -	\$ 253,262
Machinery, furniture, and equipment	97,461	11,966	-	109,427
Total accumulated depreciation	\$ 327,699	\$ 34,990	\$ -	\$ 362,689
Total Capital Assets, Net	\$ 801,487	\$ (34,990)	\$ -	\$ 766,497

Depreciation expense of \$34,990 was charged to the operations of the Ice Arena.

2. Liabilities

Long-Term Debt

Long-term debt outstanding at December 31, 2006, for the Four Seasons Ice Arena consists of the following:

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Remaining Commitment
1997 G.O. Arena Revenue Notes	2007	\$ 44,145	5.64	\$ 650,000	\$ 42,933

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

6. Dodge County Four Seasons Ice Arena Component Unit Disclosures

B. Detailed Notes

2. Liabilities (Continued)

Debt Service Requirements

Revenue note debt service requirements to maturity for the Ice Arena are as follows:

Year Ending December 31	Principal	Interest
2007	\$ 42,933	\$ 1,211

Changes in Long-Term Liabilities

The following is a summary of the changes in long-term liabilities of the Ice Arena for the year ended December 31, 2006.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Advance from Dodge County	\$ 170,212	\$ -	\$ -	\$ 170,212	\$ -
G.O. revenue notes payable	125,301	-	82,368	42,933	42,933
Compensated absences	11,676	-	98	11,578	-
Total Long-Term Liabilities	\$ 307,189	\$ -	\$ 82,466	\$ 224,723	\$ 42,933

**REQUIRED SUPPLEMENTARY INFORMATION**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 4,618,644	\$ 4,618,644	\$ 4,624,762	\$ 6,118
Licenses and permits	27,675	27,675	25,668	(2,007)
Intergovernmental	1,871,167	1,871,167	2,007,070	135,903
Charges for services	1,389,938	1,389,938	1,975,413	585,475
Fines and forfeits	-	-	17,764	17,764
Gifts and contributions	17,000	17,000	8,850	(8,150)
Investment earnings	105,000	105,000	302,685	197,685
Miscellaneous	105,026	105,026	96,332	(8,694)
<b>Total Revenues</b>	<b>\$ 8,134,450</b>	<b>\$ 8,134,450</b>	<b>\$ 9,058,544</b>	<b>\$ 924,094</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 254,734	\$ 254,734	\$ 278,315	\$ (23,581)
Courts	91,072	91,072	26,155	64,917
Law library	16,000	16,000	20,972	(4,972)
Personnel	163,685	163,685	158,621	5,064
County treasurer	65,121	65,121	63,677	1,444
County assessor	310,509	310,509	300,155	10,354
Elections	115,683	115,683	268,980	(153,297)
Finance	284,632	284,632	271,460	13,172
Data processing	362,983	362,983	432,337	(69,354)
Central services	129,300	129,300	102,604	26,696
Personnel	93,464	93,464	90,933	2,531
Attorney	251,225	251,225	232,325	18,900
Recorder	387,506	387,506	258,331	129,175
Surveyor	26,000	26,000	20,972	5,028
Planning and zoning	217,535	217,535	181,410	36,125
Buildings and plant	458,522	458,522	543,076	(84,554)
Veterans service officer	61,853	61,853	56,693	5,160
Other	472,020	472,020	873,871	(401,851)
<b>Total general government</b>	<b>\$ 3,761,844</b>	<b>\$ 3,761,844</b>	<b>\$ 4,180,887</b>	<b>\$ (419,043)</b>
<b>Public safety</b>				
Sheriff	\$ 3,050,789	\$ 3,050,789	\$ 3,188,975	\$ (138,186)
Emergency services	41,751	41,751	43,310	(1,559)
Coroner	23,000	23,000	16,753	6,247
E-911 system	44,500	44,500	37,963	6,537
Drug court	107,368	107,368	100,710	6,658
Community corrections	179,319	179,319	175,171	4,148
DARE program	-	-	3,948	(3,948)
Other public safety	-	-	13,248	(13,248)
<b>Total public safety</b>	<b>\$ 3,446,727</b>	<b>\$ 3,446,727</b>	<b>\$ 3,580,078</b>	<b>\$ (133,351)</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Human services</b>				
Other	\$ -	\$ -	\$ 3,000	\$ (3,000)
<b>Health</b>				
Nursing service	\$ 552,226	\$ 552,226	\$ 557,523	\$ (5,297)
Maternal and child health	64,884	64,884	51,642	13,242
<b>Total health</b>	<b>\$ 617,110</b>	<b>\$ 617,110</b>	<b>\$ 609,165</b>	<b>\$ 7,945</b>
<b>Culture and recreation</b>				
Historical society	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Regional library	102,345	102,345	102,345	-
Arena	-	-	37,582	(37,582)
Other	-	-	500	(500)
<b>Total culture and recreation</b>	<b>\$ 112,345</b>	<b>\$ 112,345</b>	<b>\$ 150,427</b>	<b>\$ (38,082)</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 90,244	\$ 90,244	\$ 89,712	\$ 532
Soil and water conservation	92,000	92,000	92,000	-
Agricultural society/County fair	5,000	5,000	5,000	-
<b>Total conservation of natural resources</b>	<b>\$ 187,244</b>	<b>\$ 187,244</b>	<b>\$ 186,712</b>	<b>\$ 532</b>
<b>Economic development</b>				
Community development	\$ 24,180	\$ 24,180	\$ 29,836	\$ (5,656)
<b>Total Expenditures</b>	<b>\$ 8,149,450</b>	<b>\$ 8,149,450</b>	<b>\$ 8,740,105</b>	<b>\$ (590,655)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (15,000)</b>	<b>\$ (15,000)</b>	<b>\$ 318,439</b>	<b>\$ 333,439</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 3,842	\$ 3,842
Transfers out	-	(20,000)	(294,496)	(274,496)
Proceeds from sale of assets	-	-	8,029	8,029
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ (20,000)</b>	<b>\$ (282,625)</b>	<b>\$ (262,625)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (15,000)</b>	<b>\$ (35,000)</b>	<b>\$ 35,814</b>	<b>\$ 70,814</b>
<b>Fund Balance - January 1</b>	<b>4,702,386</b>	<b>4,702,386</b>	<b>4,702,386</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,687,386</b>	<b>\$ 4,667,386</b>	<b>\$ 4,738,200</b>	<b>\$ 70,814</b>



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,042,426	\$ 1,042,426	\$ 1,066,429	\$ 24,003
Intergovernmental	3,818,797	3,818,797	3,861,335	42,538
Charges for services	252,000	252,000	85,128	(166,872)
Miscellaneous	-	-	71,866	71,866
<b>Total Revenues</b>	<b>\$ 5,113,223</b>	<b>\$ 5,113,223</b>	<b>\$ 5,084,758</b>	<b>\$ (28,465)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 413,386	\$ 413,386	\$ 407,594	\$ 5,792
Engineering	263,352	263,352	217,092	46,260
Maintenance	1,181,505	1,181,505	1,388,297	(206,792)
Construction	2,571,100	2,571,100	2,471,001	100,099
Equipment maintenance and shop	773,881	773,881	737,373	36,508
<b>Total Expenditures</b>	<b>\$ 5,203,224</b>	<b>\$ 5,203,224</b>	<b>\$ 5,221,357</b>	<b>\$ (18,133)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (90,001)</b>	<b>\$ (90,001)</b>	<b>\$ (136,599)</b>	<b>\$ (46,598)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of assets	-	-	425	425
<b>Net Change in Fund Balance</b>	<b>\$ (90,001)</b>	<b>\$ (90,001)</b>	<b>\$ (136,174)</b>	<b>\$ (46,173)</b>
<b>Fund Balance - January 1</b>	<b>(394,177)</b>	<b>(394,177)</b>	<b>(394,177)</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>35,711</b>	<b>35,711</b>
<b>Fund Balance - December 31</b>	<b>\$ (484,178)</b>	<b>\$ (484,178)</b>	<b>\$ (494,640)</b>	<b>\$ (10,462)</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,231,026	\$ 1,231,026	\$ 1,235,524	\$ 4,498
Intergovernmental	1,686,729	1,686,729	2,143,819	457,090
Miscellaneous	115,000	115,000	280,078	165,078
<b>Total Revenues</b>	<b>\$ 3,032,755</b>	<b>\$ 3,032,755</b>	<b>\$ 3,659,421</b>	<b>\$ 626,666</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 786,688	\$ 786,688	\$ 900,948	\$ (114,260)
Social services	2,346,067	2,346,067	2,454,153	(108,086)
Other	-	-	22,603	(22,603)
<b>Total Expenditures</b>	<b>\$ 3,132,755</b>	<b>\$ 3,132,755</b>	<b>\$ 3,377,704</b>	<b>\$ (244,949)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ 281,717</b>	<b>\$ 381,717</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 113,232	\$ 113,232
Transfers out	-	-	(3,842)	(3,842)
Proceeds from sale of assets	-	-	1,500	1,500
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 110,890</b>	<b>\$ 110,890</b>
<b>Net Change in Fund Balance</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ 392,607</b>	<b>\$ 492,607</b>
<b>Fund Balance - January 1</b>	<b>3,319,354</b>	<b>3,319,354</b>	<b>3,319,354</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,219,354</b>	<b>\$ 3,219,354</b>	<b>\$ 3,711,961</b>	<b>\$ 492,607</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Coordinator so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (that is, the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no supplemental budgetary appropriations.

Encumbrance accounting is employed in governmental funds. Encumbrances (such as purchase orders or contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Budget

The following is a summary of the major funds that had expenditures in excess of budget for the year ended December 31, 2006.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 8,740,105	\$ 8,149,450	\$ 590,655
Special Revenue			
Road and Bridge Fund	5,221,357	5,203,224	18,133
Social Services Fund	3,377,704	3,132,755	244,949

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**SUPPLEMENTARY INFORMATION**

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**GOVERNMENTAL FUNDS**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Ditch Fund accounts for construction, reconstruction, and maintenance of both County and joint County drainage systems. These public improvements and services are deemed to benefit the properties against which special assessments are levied.

The Courthouse Improvements Fund accounts for the expenditures to improve the Courthouse.

The Solid Waste Fund accounts for the financial activities of the solid waste landfill/recycling operations.

The Building Fund accounts for the expenditures to maintain capital assets used in County operations.

DEBT SERVICE FUNDS

The Dodge County Corporation Fund accounts for the accumulation of resources for and the payment of principal, interest, and related costs of the 1996 Certificates of Participation.

The Courthouse Improvements Fund accounts for the accumulation of resources for and the payment of principal, interest, and related costs of the 2002 General Obligation Courthouse Bonds.

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*Statement 1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	Special Revenue Funds			Debt Service Funds		Total
	Ditch	Solid Waste	Building	Dodge County Corporation	Courthouse Improvements	
<b>Assets</b>						
Cash and pooled investments	\$ 83,657	\$ 377,595	\$ 400,952	\$ -	\$ 8,071	\$ 870,275
Petty cash and change funds	-	150	-	-	-	150
Investments	-	-	-	97,481	-	97,481
Taxes receivable						
Prior	-	1,311	5,632	-	1,406	8,349
Special assessments receivable						
Prior	87	5,322	-	-	-	5,409
Accounts receivable	-	87,145	-	-	-	87,145
Due from other governments	659	9,156	-	-	-	9,815
<b>Total Assets</b>	<b>\$ 84,403</b>	<b>\$ 480,679</b>	<b>\$ 406,584</b>	<b>\$ 97,481</b>	<b>\$ 9,477</b>	<b>\$ 1,078,624</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 16,231	\$ 7,215	\$ -	\$ -	\$ -	\$ 23,446
Salaries payable	-	7,045	-	-	-	7,045
Due to other funds	-	484	-	-	-	484
Due to other governments	267	40,351	-	-	-	40,618
Deferred revenue - unavailable	87	6,040	3,104	-	731	9,962
Advance from other funds	-	75,000	-	-	-	75,000
<b>Total Liabilities</b>	<b>\$ 16,585</b>	<b>\$ 136,135</b>	<b>\$ 3,104</b>	<b>\$ -</b>	<b>\$ 731</b>	<b>\$ 156,555</b>
<b>Fund Balances</b>						
Reserved for debt service	\$ -	\$ -	\$ -	\$ 97,481	\$ -	\$ 97,481
Unreserved						
Designated for						
Debt service	-	-	-	-	8,746	8,746
Future expenditures	-	111,337	-	-	-	111,337
Compensated absences	-	52,523	-	-	-	52,523
Undesignated	67,818	180,684	403,480	-	-	651,982
<b>Total Fund Balances</b>	<b>\$ 67,818</b>	<b>\$ 344,544</b>	<b>\$ 403,480</b>	<b>\$ 97,481</b>	<b>\$ 8,746</b>	<b>\$ 922,069</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 84,403</b>	<b>\$ 480,679</b>	<b>\$ 406,584</b>	<b>\$ 97,481</b>	<b>\$ 9,477</b>	<b>\$ 1,078,624</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Ditch</u>	<u>Special Courthouse Improvements</u>
<b>Revenues</b>		
Taxes	\$ -	\$ -
Special assessments	7,933	-
Licenses and permits	-	-
Intergovernmental	9,084	-
Charges for services	-	-
Investment earnings	-	-
Miscellaneous	5,000	-
<b>Total Revenues</b>	<b>\$ 22,017</b>	<b>\$ -</b>
<b>Expenditures</b>		
<b>Current</b>		
Sanitation	\$ -	\$ -
Conservation of natural resources	22,126	-
<b>Debt service</b>		
Principal	-	-
Interest	-	-
Administrative charges	-	-
<b>Total Expenditures</b>	<b>\$ 22,126</b>	<b>\$ -</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (109)</b>	<b>\$ -</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	-	(239)
Proceeds from sale of assets	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ (239)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (109)</b>	<b>\$ (239)</b>
<b>Fund Balance - January 1</b>	<b>67,927</b>	<b>239</b>
<b>Fund Balance - December 31</b>	<b>\$ 67,818</b>	<b>\$ -</b>

**Statement 2**

<b>Revenue Funds</b>		<b>Debt Service Funds</b>		
<b>Solid Waste</b>	<b>Building</b>	<b>Dodge County Corporation</b>	<b>Courthouse Improvements</b>	<b>Total</b>
\$ 45,003	\$ 194,083	\$ -	\$ 52,195	\$ 291,281
122,976	-	-	-	130,909
108,716	-	-	-	108,716
123,279	47,716	-	12,823	192,902
830,195	-	-	-	830,195
22,470	-	4,158	-	26,628
14,626	-	-	-	19,626
<b>\$ 1,267,265</b>	<b>\$ 241,799</b>	<b>\$ 4,158</b>	<b>\$ 65,018</b>	<b>\$ 1,600,257</b>
\$ 1,299,228	\$ -	\$ -	\$ -	\$ 1,299,228
2,000	-	-	-	24,126
25,000	19,996	195,000	55,000	294,996
14,817	1,767	22,656	8,931	48,171
-	1,500	-	-	1,500
<b>\$ 1,341,045</b>	<b>\$ 23,263</b>	<b>\$ 217,656</b>	<b>\$ 63,931</b>	<b>\$ 1,668,021</b>
<b>\$ (73,780)</b>	<b>\$ 218,536</b>	<b>\$ (213,498)</b>	<b>\$ 1,087</b>	<b>\$ (67,764)</b>
\$ 20,000	\$ -	\$ 214,663	\$ 239	\$ 234,902
-	(214,663)	-	-	(214,902)
420	-	-	-	420
<b>\$ 20,420</b>	<b>\$ (214,663)</b>	<b>\$ 214,663</b>	<b>\$ 239</b>	<b>\$ 20,420</b>
<b>\$ (53,360)</b>	<b>\$ 3,873</b>	<b>\$ 1,165</b>	<b>\$ 1,326</b>	<b>\$ (47,344)</b>
<b>397,904</b>	<b>399,607</b>	<b>96,316</b>	<b>7,420</b>	<b>969,413</b>
<b>\$ 344,544</b>	<b>\$ 403,480</b>	<b>\$ 97,481</b>	<b>\$ 8,746</b>	<b>\$ 922,069</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 12,000	\$ 12,000	\$ 7,933	\$ (4,067)
Intergovernmental	-	-	9,084	9,084
Miscellaneous	-	-	5,000	5,000
<b>Total Revenues</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 22,017</b>	<b>\$ 10,017</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	12,000	12,000	22,126	(10,126)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (109)</b>	<b>\$ (109)</b>
<b>Fund Balance - January 1</b>	<b>67,927</b>	<b>67,927</b>	<b>67,927</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 67,927</b>	<b>\$ 67,927</b>	<b>\$ 67,818</b>	<b>\$ (109)</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
COURTHOUSE IMPROVEMENTS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (239)	\$ (239)
<b>Net Change in Fund Balance</b>	\$ -	\$ -	\$ (239)	\$ (239)
<b>Fund Balance - January 1</b>	239	239	239	-
<b>Fund Balance - December 31</b>	<u>\$ 239</u>	<u>\$ 239</u>	<u>\$ -</u>	<u>\$ (239)</u>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 44,774	\$ 44,774	\$ 45,003	\$ 229
Special assessments	115,361	115,361	122,976	7,615
Licenses and permits	112,774	112,774	108,716	(4,058)
Intergovernmental	136,137	136,137	123,279	(12,858)
Charges for services	834,573	834,573	830,195	(4,378)
Investment earnings	8,700	8,700	22,470	13,770
Miscellaneous	2,400	2,400	14,626	12,226
<b>Total Revenues</b>	<b>\$ 1,254,719</b>	<b>\$ 1,254,719</b>	<b>\$ 1,267,265</b>	<b>\$ 12,546</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 920,126	\$ 920,126	\$ 898,100	\$ 22,026
Recycling	303,179	303,179	295,936	7,243
Hazardous waste	21,140	21,140	23,072	(1,932)
Wastewater treatment	95,878	95,878	82,120	13,758
<b>Total sanitation</b>	<b>\$ 1,340,323</b>	<b>\$ 1,340,323</b>	<b>\$ 1,299,228</b>	<b>\$ 41,095</b>
<b>Conservation of natural resources</b>				
Water planning	-	-	2,000	(2,000)
<b>Debt service</b>				
Principal	53,500	53,500	25,000	28,500
Interest	14,191	14,191	14,817	(626)
<b>Total Expenditures</b>	<b>\$ 1,408,014</b>	<b>\$ 1,408,014</b>	<b>\$ 1,341,045</b>	<b>\$ 66,969</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (153,295)</b>	<b>\$ (153,295)</b>	<b>\$ (73,780)</b>	<b>\$ 79,515</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Proceeds from sale of assets	-	-	420	420
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 20,420</b>	<b>\$ 420</b>
<b>Net Change in Fund Balance</b>	<b>\$ (133,295)</b>	<b>\$ (133,295)</b>	<b>\$ (53,360)</b>	<b>\$ 79,935</b>
<b>Fund Balance - January 1</b>	<b>397,904</b>	<b>397,904</b>	<b>397,904</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 264,609</b>	<b>\$ 264,609</b>	<b>\$ 344,544</b>	<b>\$ 79,935</b>



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*Schedule 7*

**BUDGETARY COMPARISON SCHEDULE  
BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 193,248	\$ 193,248	\$ 194,083	\$ 835
Intergovernmental	47,421	47,421	47,716	295
<b>Total Revenues</b>	<b>\$ 240,669</b>	<b>\$ 240,669</b>	<b>\$ 241,799</b>	<b>\$ 1,130</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 214,996	\$ 214,996	\$ 19,996	\$ 195,000
Interest	24,423	24,423	1,767	22,656
Administrative charges	1,250	1,250	1,500	(250)
<b>Total Expenditures</b>	<b>\$ 240,669</b>	<b>\$ 240,669</b>	<b>\$ 23,263</b>	<b>\$ 217,406</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 218,536</b>	<b>\$ 218,536</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(214,663)	(214,663)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,873</b>	<b>\$ 3,873</b>
<b>Fund Balance - January 1</b>	<b>399,607</b>	<b>399,607</b>	<b>399,607</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 399,607</b>	<b>\$ 399,607</b>	<b>\$ 403,480</b>	<b>\$ 3,873</b>

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**FIDUCIARY FUNDS**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**AGENCY FUNDS**

The EDA/HRA Fund accounts for transactions of the Dodge County Economic Development Authority for which the County is the fiscal agent.

The Settlement Fund accounts for the collection and distribution of all property taxes to County funds and local townships, cities, and school districts.

The Revolving Fund accounts for the transfer of fines through various local governments and transfers of the following items to the state: assurance, fines and surcharges, licenses, and sales tax.

The Agency Cluster Fund accounts for the transactions for the regional/agency cluster for which Dodge County is the fiscal agent.

The Family Services Collaborative Fund accounts for monies received and expended by the Family Services Collaborative.

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*Statement 3*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>EDA/HRA</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 29,815	\$ 7,366	\$ 12,085	\$ 25,096
<b><u>Liabilities</u></b>				
Accounts payable	\$ 29,815	\$ 7,366	\$ 12,085	\$ 25,096
 <b><u>SETTLEMENT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 81,719	\$ 10,977,256	\$ 10,997,630	\$ 61,345
<b><u>Liabilities</u></b>				
Accounts payable	\$ 9,952	\$ 4,714	\$ 9,952	\$ 4,714
Due to other governments	71,767	10,972,542	10,987,678	56,631
<b>Total Liabilities</b>	<b>\$ 81,719</b>	<b>\$ 10,977,256</b>	<b>\$ 10,997,630</b>	<b>\$ 61,345</b>
 <b><u>REVOLVING</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 109,704	\$ 2,292,126	\$ 2,318,173	\$ 83,657
<b><u>Liabilities</u></b>				
Due to other governments	\$ 109,704	\$ 2,292,126	\$ 2,318,173	\$ 83,657

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*Statement 3  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>AGENCY CLUSTER</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 562	\$ -	\$ -	\$ 562
<b><u>Liabilities</u></b>				
Due to other governments	\$ 562	\$ -	\$ -	\$ 562
 <b><u>FAMILY SERVICES COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 568,277	\$ 127,180	\$ 290,186	\$ 405,271
<b><u>Liabilities</u></b>				
Due to other governments	\$ 568,277	\$ 127,180	\$ 290,186	\$ 405,271
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 790,077	\$ 13,403,928	\$ 13,618,074	\$ 575,931
<b><u>Liabilities</u></b>				
Accounts payable	\$ 39,767	\$ 12,080	\$ 22,037	\$ 29,810
Due to other governments	750,310	13,391,848	13,596,037	546,121
<b>Total Liabilities</b>	<b>\$ 790,077</b>	<b>\$ 13,403,928</b>	<b>\$ 13,618,074</b>	<b>\$ 575,931</b>



## **COMPONENT UNIT**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**Statement 4**

**STATEMENT OF NET ASSETS  
FOUR SEASONS ICE ARENA COMPONENT UNIT  
DECEMBER 31, 2006**

**Assets**

Cash and pooled investments	\$	90,167
Accounts receivable		20,166
Due from other governments		44,386
Due from primary government		37,546
Capital assets		
Depreciable - net		766,497
		<hr/>
<b>Total Assets</b>	<b>\$</b>	<b>958,762</b>

**Liabilities**

Current liabilities		
Accounts payable	\$	6,138
Salaries payable		2,388
Due to other governments		1,233
Accrued interest payable		716
Long-term liabilities		
Due within one year		42,933
Due after one year		181,790
		<hr/>
<b>Total Liabilities</b>	<b>\$</b>	<b>235,198</b>

**Net Assets**

Invested in capital assets, net of related debt	<b>\$</b>	<b>723,564</b>
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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*Statement 5*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOUR SEASONS ICE ARENA COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Operating Revenues</b>	
Charges for services	\$ 198,501
Resale	6,695
Miscellaneous operating	4,881
	<hr/>
<b>Total Revenues</b>	<b>\$ 210,077</b>
<b>Operating Expenses</b>	
Personal services	\$ 133,037
Professional services	3,860
Other services and charges	25,402
Supplies	3,211
Utilities	32,803
Depreciation	34,990
	<hr/>
<b>Total Expenditures</b>	<b>\$ 233,303</b>
<b>Operating Income (Loss)</b>	<b>\$ (23,226)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest expense	\$ (4,560)
Local grants	75,164
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 70,604</b>
<b>Change in Net Assets</b>	<b>\$ 47,378</b>
<b>Net Assets - January 1</b>	<b>676,186</b>
	<hr/>
<b>Net Assets - December 31</b>	<b>\$ 723,564</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**Statement 6**

**STATEMENT OF CASH FLOWS  
FOUR SEASONS ICE ARENA COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Increase (Decrease) in Cash and Cash Equivalents**

	<b>Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 216,726
Payments to suppliers	(64,818)
Payments to employees	(133,233)
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 18,675</b>
<b>Cash Flows From Noncapital Financing Activities</b>	
Operating subsidies from other governments	\$ 37,582
Operating subsidies from primary government	37,582
	<hr/>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ 75,164</b>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Principal paid on bonds	\$ (82,368)
Interest paid on long-term debt	(5,921)
	<hr/>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (88,289)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 5,550</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>84,617</b>
	<hr/>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 90,167</b>
	<hr/> <hr/>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
<b>Operating income (loss)</b>	<b>\$ (23,226)</b>
	<hr/>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 34,990
(Increase) decrease in accounts receivable	(1,247)
(Increase) decrease in due from other governments	3,676
(Increase) decrease in due from primary government	4,220
Increase (decrease) in accounts payable	363
Increase (decrease) in salaries payable	(98)
Increase (decrease) in compensated absences payable	(98)
Increase (decrease) in due to other governments	95
	<hr/>
<b>Total adjustments</b>	<b>\$ 41,901</b>
	<hr/>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 18,675</b>
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**OTHER SCHEDULE**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*Schedule 8*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Funds	Component Unit
<b>Shared Revenue</b>		
<b>State</b>		
Highway users tax	\$ 3,568,666	\$ -
County program aid	790,994	-
PERA rate reimbursement	30,670	-
Disparity reduction aid	146,958	-
Police aid	100,745	-
Enhanced 911	92,862	-
Market value credit	812,965	-
	<b>\$ 5,543,860</b>	<b>\$ -</b>
<b>Reimbursement for Services</b>		
<b>State</b>		
Minnesota Department of Human Services	\$ 734,781	\$ -
<b>Payments</b>		
<b>Local</b>		
Local grant	\$ 71,987	\$ 75,164
<b>Grants</b>		
<b>State</b>		
Minnesota Department of		
Health	\$ 102,593	\$ -
Human Services	773,387	-
Natural Resources	18,377	-
Public Safety	6,612	-
Veterans Affairs	2,800	-
Water and Soil Resources Board	72,825	-
Pollution Control Agency	53,538	-
Peace Officer Standards and Training Board	8,682	-
	<b>\$ 1,038,814</b>	<b>\$ -</b>
<b>Federal</b>		
Department of		
Agriculture	\$ 64,528	\$ -
Transportation	2,762	-
Health and Human Services	497,681	-
Homeland Security	55,236	-
Environmental Protection Agency	4,348	-
Election Assistance Commission	191,129	-
	<b>\$ 815,684</b>	<b>\$ -</b>
<b>Total State and Federal Grants</b>	<b>\$ 1,854,498</b>	<b>\$ -</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 8,205,126</b>	<b>\$ 75,164</b>

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

*Schedule 9*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses unqualified opinions on the basic financial statements of Dodge County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Dodge County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Dodge County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Dodge County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Help America Vote Act	CFDA #90.401
Child Care Mandatory and Matching Funds	CFDA #93.575
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Dodge County was not determined to be a low-risk auditee.

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INTERNAL CONTROL

ITEMS ARISING THIS YEAR

06-1 Financial Statement Preparation

Dodge County is required to have knowledgeable financial management staff and clearly documented procedures for executing accounting and financial reporting activities. The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with generally accepted accounting principles requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

The County had the Office of the State Auditor assist in the preparation of the draft financial statements and notes without the controls of clearly documented procedures for executing accounting and financial reporting activities. Significant staffing changes within County financial management staff limited its ability to conduct the annual financial statement preparation process and contribute to lax procedures and controls for preparing and safeguarding financial data. Uniform policies and procedures for the financial statement preparation process are critical for ensuring that accounting personnel can produce complete, accurate, and consistent financial statements in a timely manner. In order for the Office of the State Auditor to assist in the preparation of the draft financial statements and notes, and maintain his/her independence, Dodge County must take responsibility for the statements and notes.

We recommend Dodge County have someone that possesses the necessary accounting expertise to prevent, detect, and correct a potential misstatement in the financial statements or notes drafted by the auditor. Also the County should have clearly documented procedures for executing accounting and financial reporting activities.

Client's Response:

*Dodge County is in the process of writing procedures for financial statement preparation. Dodge County has also scheduled training from the regional audit staff for key county audit personnel.*

06-2 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

Adjustments were made to reclassify various revenues in the General Fund, Social Services Special Revenue Fund, and Road and Bridge Special Revenue Fund. Various expenditures in the General Fund and Courthouse Improvements Debt Service Fund also needed adjustments for reclassification. Adjustments were needed in the General Fund to record interest receivable, reclassify a loan to the Fair Board, reclassify a payable, record additional receivables, and also to adjust fund balance reserves. In the Social Services Special Revenue Fund, adjustments were needed to record additional receivables and the allowance for uncollectible receivables. Adjustments were needed to receivables, payables, and deferred revenue in the Road and Bridge Special Revenue Fund for state-aid highway allotments and also an adjustment to correct the posting of a liability entry. The Courthouse Improvements Debt Service Fund had an adjustment to reclassify a transfer, and the Cemetery Perpetual Care Private-Purpose Trust Fund needed an adjustment to record the purchase of an investment. All of these adjustments were made by Dodge County.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

We recommend the County establish internal procedures to ensure the trial balances are correct.

Client's Response:

*Dodge County is addressing this by obtaining training from the regional audit staff for the employees who complete the county's audit. This training will equip the county staff to turn in more accurate statements and reduce audit entries.*

06-3 Controls Over Disbursements and Receipts

During our review of the receipting and disbursing process, we noted the following items of concern over internal controls:

- The County does not have adequate segregation of duties over the disbursing and receipting processes. No independent verification of disbursement processing is being performed during the processing or printing of the warrants. The same employees have the ability to add a new vendor, enter disbursements, enter receipts, and print and mail warrants. These employees also perform the bank reconciliations.
- Batch totals are not always being used for input totals, processing totals, or output totals during the disbursements process. Batch totals should be used to detect errors during processing.
- Manual warrants are not being approved by department heads.
- The check stock cabinet is not kept locked at all times.
- The beginning warrant number for a check run is not always being verified to the computer-generated manual warrant register. An Excel spreadsheet is used to keep track of the warrant numbers issued. If someone runs checks and forgets to enter the warrants into this spreadsheet, duplicate warrant numbers may end up being used.
- The Verified Form that is attached to the invoices and supporting documentation is being canceled by writing the warrant number on this form, but the actual invoices are not being canceled to prevent duplicate payments.
- When the information is being interfaced from the Highway Cost Accounting System to the Integrated Financial System (IFS), report codes are not properly being carried over. During the testing of payables, it was noted the Highway Department had classified a contracts payable in the Highway Annual Report, but in the IFS disbursements ledger, it was not classified as a payable.



In order for the County to provide adequate internal controls, we recommend that the following duties should be segregated, if possible:

- Bank reconciliations should be prepared by someone who is independent of the cash disbursement and cash receipting function. If this is not possible, someone independent of these functions should review the bank reconciliations.
  
- Individuals who collect and receipt cash should not also:
  - post cash receipts to the general ledger system,
  - process cash disbursements,
  - maintain the general ledger,
  - make bank deposits,
  - make wire transfers,
  - make general journal entries, and
  - prepare billings.
  
- Individuals who process vouchers for payments should not also:
  - print or sign checks,
  - make journal entries, and
  - add new vendors.

If it is not possible to segregate these duties, Dodge County management should be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being followed by staff. One oversight procedure which could be implemented is to distribute detailed monthly revenue and expenditure reports to department heads and require them to affirm they have reviewed the reports and concur with the revenues and expenditures reported. Dodge County is already distributing the reports, but they are not being affirmed. Another procedure would be to have someone independent of the cash receipting and disbursing set up new vendors. Dodge County could also grant temporary access to employees who are filling in for employees on leave.

We also recommend that the County use batch totals at all times, check the beginning warrant number to the warrant register each time, get approval for manual warrants, keep the check stock locked at all times, cancel all invoices and supporting documentation after payment has been made to prevent duplicate payment, and ensure that the interfacing from the Highway costing system is properly identifying payables at year-end.

Client's Response:

*Bank reconciliations are now reviewed and approved by the Finance Director.*

*The Accounting Services Director and Finance Director are the principal employees who make deposits and wire transfers. Receipts posting and general journal entries are primarily processed by the Taxpayer Services Director and are reviewed by the Finance Director. Billings are completed at a departmental level and reviewed by the appropriate supervisor. Cash disbursements are initiated at the departmental level with appropriate approval and processed within finance by Account Technicians.*

*The check printing is part of the warrant process, so it does not make practical sense to have a different person release the check spool file than has created and processed the voucher batch. We use laser checks and all check information including signatures is stored within the profile of each warrant type (auditor's or commissioner's), and prints all of the necessary information on the blank check stock. Warrant registers are promptly filed with the Accounting Services Director who reviews them for appropriateness and enters them into the 'cash book'.*

*The Taxpayer Services Director and Finance Director are now the only employees who have the ability to add/delete/change vendor information.*

*Batch totals are now used as a check when processing disbursement batches.*

*Account Technicians do not process journal entries with the exception of the payroll account technician. Payroll information posts from the MCIS Payroll System to the IFS System via journal entries, but the batch is created automatically and interfaces as a step in the payroll process, and we have adequate payroll controls in place to reasonably accept this journal batch as accurate.*

*The timing involved with getting department heads' signatures on recurring manual warrants (sales/use tax, drivers' license, health insurance premiums) would be impractical, so the finance director approves these manual warrants. Departments see these transactions by vendor and account number on the account activity report they receive each month. Warrant corrections/cancellations are initiated by each department. All supporting documents are filed with the manual warrant register.*

*The check stock cabinet is kept locked now except when checks are actually being printed. At that time the cabinet door is left ajar to remind the person printing checks to pull the unused forms from the print tray, replace them in the cabinet, and lock it back up.*

*We now verify the beginning warrant number by checking the actual register rather than relying on the tracking spreadsheet.*

*We now cancel each invoice with a 'paid' stamp. This stamp is applied at the time the checks are being stuffed for mailing.*

*We will work with the highway department accountant to verify that all transactions are marked payable/receivable on their costing system and on the County's IFS records.*

06-4 **Investment Oversight**

In Dodge County, the Finance Director and Accounting Services Director are doing the exchanging, renewing, or purchasing of investments as well as having access to these investments. We noted there is no review of the investment transactions by anyone other than those making the investments. Also, while reviewing the year-end cash and investments, we found the County's cash book and the IFS did not balance.

We recommend someone other than those persons making the investment purchases, exchanges, and renewals, review the investments. The investments should be reviewed for both appropriateness and legality. Local CDs should also be stored in a place not accessible to those renewing, exchanging, or purchasing them. We also recommend the cash book be reconciled to the IFS at least on a monthly basis.

**Client's Response:**

*The County finance staff will now give the County Administrator a monthly listing of investments and account balances for his review. The cash book will now be balanced to IFS on a monthly basis. Investment options will be reviewed with the County Administrator before a purchase/transaction is initiated.*

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

ITEMS ARISING THIS YEAR

06-5 Compliance with Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989

While reviewing the County's cash and investments, we noted the Finance Officer did not have documentation demonstrating that the County had a perfected security interest for pledged collateral in compliance with the Financial Institutions Reform, Recovery and Enforcement Act, 12 U.S.C. § 1823(e). A 1992 U.S. Court of Appeals decision stated that, if a municipality fails to perfect a security interest under federal law, its right to such collateral in the event of default is not enforceable. To obtain an enforceable security interest in the collateral, FIRREA requires the pledging institution's security agreement or pledge of collateral to meet certain requirements.

We recommend that when the County receives the written collateral assignment, it also review the assignment to determine that:

- the assignment is approved by the depository's Board of Directors or loan committee, and
- the assignment of collateral is continuously, from the time of its execution, an official record of the depository.

We also recommend the County require its depository institutions to comply with FIRREA and to provide proof of compliance in the form of a copy of the depository's Board of Directors or loan committee resolution. The agreement or pledge should include a list of particular securities pledged at the time of the resolution.

Client's Response:

*Collateral records have been requested from the County's banking institutions and will be tracked in bank specific files.*

06-6 Publication of Disbursements

Dodge County uses a credit card to make certain purchases. When the credit card bill is paid, the County reports the credit card company as the vendor.

A purchase by credit card must comply with all statutes, rules, or county policy applicable to county purchases. *See* Minn. Stat. § 375.171. For example, Minn. Stat. § 375.12 requires publication of individualized itemized accounts, claims, or demand allowed by the county board if the amount of each claim is over \$300. Listing only the credit card company on a claims list would merely identify the method of payment. It would not identify the vendors providing the goods and services.

Client's Response:

*The County will now list each vendor amount paid with the County credit cards rather than the cardholder.*

06-7 Co-Signing of Loans

Dodge County co-signed on two different loans for the Agricultural Society in 2005 and 2006 for \$150,000 and \$15,000. By co-signing these loans, the County is creating an obligation under Minn. Stat. § 475.51, subd. 3, that is not permissible.

We recommend the County review the legality of co-signing loans for the Agricultural Society. If there is no legal basis for it to co-sign a loan, the County should not do so.

Client's Response:

*The County Board will not co-sign loans for the Dodge County Agricultural and Mechanical Society in the future.*

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

**Budgets (04-2)**

The County Board-approved tax levy was not entered onto the IFS for 2005.

**Resolution**

The Board-approved tax levy was posted to the IFS by fund.

ITEMS ARISING THIS YEAR

06-8 Investment Policy

While reviewing the County's investment policy for compliance with Governmental Accounting Standards Board (GASB) Statement 40, we noticed the County has not developed language in its investment policy to address the risks listed in GASB Statement 40. In order to determine compliance with the level of risk, it is prudent for the County to establish the level of risk it will assume in the investment policy.

We recommend the County update its investment policy to address the risks listed in GASB Statement 40.

Client's Response:

*The County has approved a new investment policy that addresses the risks listed in GASB 40.*

06-9 Budget Reconciliation

During our review of County budgets, we noticed the Human Services expenditure budget was not entered into the IFS. The Board-approved budget was also not properly calculated or reconciled prior to approval. The County approved fund balance increase/use as part of revenues and expenditures. All budget information for each individual fund should be entered into the IFS. The Board-approved budget amounts should be entered and reconciled, and any fund balance increase or usage should not be included during approval or broken out when approved and placed in the County Board minutes.

We recommend Dodge County's Board-approved budget be recalculated prior to approval, and then entered into the IFS for all funds. The Board-approved budget should then reconcile to the IFS budget information. The Board should also break out the fund balance increase or usage and not include it in the revenues and expenditures.

Client's Response:

*The Human services budget has been entered on the IFS System for 2007. All funds are reconciled to the Board approved amounts, and for the 2008 budget usage of fund balance is noted separately in the budget packet the Board receives.*

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The GASB recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the County Board will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

If applicable for Dodge County, GASB Statements 43 and 45 would be implemented for the years ending December 31, 2007 and 2008, respectively.



## **OTHER REQUIRED REPORTS**

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of County Commissioners  
Dodge County

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Dodge County as of and for the year ended December 31, 2006, and have issued our report thereon dated January 22, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Dodge County Nursing Home, presented as the enterprise fund and the business-type activities of the County, as described in our report on Dodge County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dodge County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 06-1 through 06-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 06-2 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dodge County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Dodge County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 06-5 through 06-7.

Also included in the Schedule of Findings and Questioned Costs are management practices comments and an other item for consideration. We believe these recommendations and information to be of benefit to Dodge County, and they are reported for that purpose.

Dodge County's written responses to the significant deficiencies identified in our audit have not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Dodge County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

January 22, 2008

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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### **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Dodge County

#### Compliance

We have audited the compliance of Dodge County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Dodge County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dodge County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Dodge County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

## Internal Control Over Compliance

The management of Dodge County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Dodge County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Dodge County as of and for the year ended December 31, 2006, and have issued our report thereon dated January 22, 2008. We did not audit the financial statements of the Dodge County Nursing Home, reported as the business-type activities and the enterprise fund of the County. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

January 22, 2008

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

Schedule 10

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 56,980
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	7,548
<b>Total U.S. Department of Agriculture</b>		<b>\$ 64,528</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	<b>\$ 2,762</b>
<b>U.S. Environmental Protection Agency</b>		
Passed Through Southeastern Minnesota Water Resources Board Nonpoint Source Implementation	66.460	<b>\$ 4,348</b>
<b>U.S. Election Assistance Commission</b>		
Passed Through Minnesota Secretary of State Help America Vote Act Requirement Payments	90.401	<b>\$ 191,129</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services Family Preservation and Support Services	93.556	\$ 5,843
Temporary Assistance for Needy Families (TANF)	93.558	77,044
Child Care Development Block Grant	93.575	241,514
Social Services Block Grant Title XX	93.667	102,216
Chafee Foster Care Independent Living	93.674	5,767
Community Mental Health Services	93.958	6,561
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	34,907
Temporary Assistance for Needy Families (TANF)	93.558	5,061
Maternal and Child Health Services Block Grant	93.994	18,768
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 497,681</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety Public Assistance Grant	97.036	\$ 44,362
Emergency Management Performance Grant	97.042	10,874
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 55,236</b>
<b>Total Federal Awards</b>		<b>\$ 815,684</b>

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**Schedule 11**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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1. The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Dodge County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

3. During 2006, Dodge County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.