

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

GOODHUE COUNTY
RED WING, MINNESOTA

YEAR ENDED DECEMBER 31, 2006

Description of the Office of the State Auditor

The mission of the State Auditor's Office 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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**GOODHUE COUNTY
RED WING, MINNESOTA**

Year Ended December 31, 2006



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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

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RED WING, MINNESOTA**

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**GOODHUE COUNTY
RED WING, MINNESOTA**

CURRENT ORGANIZATION

			<u>Term Expires</u>
Elected Officers			
Commissioners			
Chair	Richard Samuelson	District 2	January 2011
Vice Chair	Dan Rehtzigel	District 3	January 2009
Board Member	Richard Mallan	District 1	January 2009
Board Member	Jim Bryant	District 4	January 2011
Board Member	Ted Seifert	District 5	January 2009
Attorney	Steven N. Betcher		January 2011
County Sheriff	Dean Albers		January 2011
 Appointed Managers			
Administrator	Scott Arneson		Indefinite
Court Services	Joanne Pohl		Indefinite
Finance	Carolyn Holmsten		Indefinite
Human Resources	Melissa Cushing		Indefinite
Human Services Director	Greg Schoener		Indefinite
Information Technology	Randy Johnson		Indefinite
Land Use Management/Recorder	Lisa Hanni		Indefinite
Public Health	Karen Main		Indefinite
Public Works	Greg Isakson		Indefinite
Veterans Service Officer	Robert Davis		March 2011

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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
Goodhue County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County, Minnesota, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Goodhue County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue 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 made for the purpose of forming opinions on the financial statements that collectively comprise Goodhue 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 required parts 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2007, on our consideration of Goodhue 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

November 29, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**GOODHUE COUNTY
RED WING, MINNESOTA**

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

In the Management's Discussion and Analysis (MD&A), we will provide readers with a narrative overview and both a short-term and long-term analysis of the financial activities of Goodhue County for the year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the County's financial activity and performance.

FINANCIAL HIGHLIGHTS

- On December 31, 2006, Goodhue County's total net assets exceed liabilities by \$137,128,638, of which \$107,988,964 is invested in capital assets (net of related debt), and \$2,985,843 is restricted to specific purposes. This leaves year-end unrestricted net assets of \$26,153,831.
- Goodhue County's net assets increased by \$7,520,006 from current operations and by \$2,178,230 from a restatement of net assets for a total of \$9,698,236 for the year ended December 31, 2006. Of this amount, capital assets (both non-depreciable and depreciable) increased by \$3,085,283.
- Total liabilities decreased in the amount of approximately \$5 million. The bulk of the decrease can be attributed to the repayment of \$3,750,000 on the 1998A Jail Bonds. Proceeds from a 2005 bond sale at lower interest rates made this possible.
- The South Country Health Alliance joint powers agreement was changed during 2006 whereby each original participating county was given an equity interest. This gave Goodhue County an equity interest of \$2,178,230 for its fiscal year ending December 31, 2005. The new joint powers agreement returned \$217,257 and \$1,089,167 of that equity interest to the County, thus, the year-end equity interest increased by \$820,762. As shown in Exhibit 1, Goodhue County's investment in this joint venture is recorded at \$1,692,568 for fiscal year ending December 31, 2006.
- The County's net expenses supported by fees, grants, and contributions increased by \$473,763 from 2005. The net costs were funded by general revenues and other items totaling \$28,182,251. These general revenues increased by \$1,182,328 largely due to the County's new investment strategy implemented in the fall of 2006.
- At the end of the year, the General Fund's unreserved, undesignated fund balance was \$7,535,570. This amount represents 40 percent of the expenditures for the year.

- Unused 2006 Capital Plan dollars housed in the General Fund increased the 2006 fund balance by \$2,285,749 over 2005. Newly established designated funds for Equipment Replacement and Building Projects include amounts of \$1,324,200 for the ongoing Sheriff Radio Project and \$1,026,308 for repairs in the Government Center and Public Health Building which were budgeted in 2006 but not yet spent.
- The County continues to make strides towards reducing debt service liabilities. In 2006, the County made the final debt payment on the 2001 Capital Equipment Note, and in January 2007, the final debt payment was made on the 2002 Capital Equipment Note.

OVERVIEW OF THE FINANCIAL STATEMENTS

The three main sections of this report are: introduction, financial, and supplementary. The introduction contains the County's organization structure and principal officials. The financial section includes the MD&A and is intended to serve as a roadmap of the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information section contains the budget to actual presentation for the County's major funds. Other supplementary information is included to enhance the reader's understanding of County financial activity. An example is information about federal grant programs.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a long-term and broad overview of the County's finances as a whole in a manner similar to a private sector business. To accomplish this goal, transactions are valued on a full accrual basis.

The Statement of Net Assets (Exhibit 1) presents information on all County assets (what we own) and liabilities (what we owe). The difference between assets and liabilities is reported as net assets. Over time, changes in net assets may be an indication of an improving or deteriorating County financial position. Other non-financial factors such as changes in the County's property tax base and the condition of County roads must also be considered to assess the overall health of the County.

The Statement of Activities (Exhibit 2) presents information on the change in net assets for the most recent year. Said changes are reported as soon as a financial event results in a change regardless of the timing of related cash flows. Therefore, certain results reported will result in cash flows in a future period (for example, uncollected property taxes and earned, but unused, vacation leave).

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

Governmental Activities: The principal support for governmental activities for Goodhue County is property taxes and intergovernmental revenue. Governmental activities include:

- General Government,
- Public Safety,
- Highways and Streets,
- Human and Social Services,
- Public Health, and
- Sanitation.

General government includes service such as general administration, courts, property assessment, records management, and tax collections. Additional information is included in the notes to the financial statements.

Component Units: The County includes one separate legal entity in its report, the Belle Creek Watershed. Although legally separate, the component unit is important because the County is accountable for it.

Budgetary comparisons - Goodhue County adopts an annual budget for the General Fund, all special revenue funds, and the Debt Service Fund. Budgetary comparison schedules are provided for the General Fund, special revenue funds, and the Debt Service Fund.

Notes to the financial statements - The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

A useful tool for analyzing financial statements is comparative information from previous years. Net assets may be a useful indicator of a government's financial position over time. As of December 31, 2006, assets exceeded liabilities by \$137,128,638. Table 1 provides a summary of Goodhue County's governmental net assets which increased \$9,698,236 from the previous year.

Table 1
Net Assets

	Governmental Activities		
	2006	2005	\$ Change
Current and other assets	\$ 36,582,804	\$ 37,071,984	\$ (489,180)
Capital assets	121,284,325	118,199,042	3,085,283
Total Assets	\$ 157,867,129	\$ 155,271,026	\$ 2,596,103
Long-term debt outstanding	\$ 17,770,765	\$ 23,185,643	\$ (5,414,878)
Other liabilities	2,967,726	2,476,751	490,975
Total Liabilities	\$ 20,738,491	\$ 25,662,394	\$ (4,923,903)
Net Assets			
Invested in capital assets, net of debt	\$ 107,988,964	\$ 99,878,185	\$ 8,110,779
Restricted	2,985,843	1,670,116	1,315,727
Unrestricted	26,153,831	28,060,331	(1,906,500)
Total Net Assets	\$ 137,128,638	\$ 129,608,632	\$ 7,520,006

The largest portion of Goodhue County's net assets, 79 percent, or approximately \$108 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Resources needed to repay the debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional \$26 million of net assets, or 19 percent, represents unrestricted net assets that may be used to meet ongoing obligations to citizens and creditors. In 2006, unrestricted net assets increased by \$271,730.

In 2006, government-wide revenues exceeded expenses by \$7.5 million, thereby increasing net assets. Changes in net assets are shown in Table 2.

Table 2
Changes in Net Assets

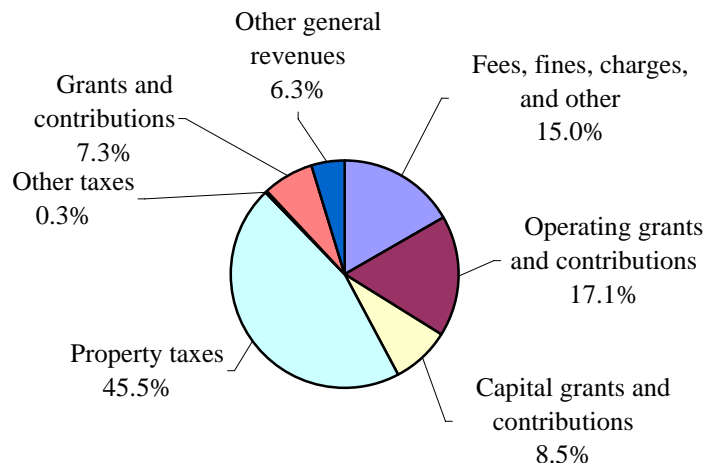
	Governmental Activities			Percent (%) Change
	2006	2005	\$ Change	
Revenues				
Program revenues				
Fees, fines, charges, and other	\$ 8,134,330	\$ 9,486,139 *	\$ (1,351,809)	(14.3)
Operating grants and contributions	8,356,172	8,302,626	53,546	0.6
Capital grants and contributions	4,137,528	3,054,386	1,083,142	35.5
General revenues				
Property taxes	22,212,800	22,136,781	76,019	0.3
Other taxes	151,243	129,305	21,938	17.0
Grants and contributions	3,558,734	3,644,214	(85,480)	(2.3)
Other general revenues	2,259,474	1,089,623	1,169,851	107.4
Total Revenues	\$ 48,810,281	\$ 47,843,074	\$ 967,207	2.0
Program expenses				
General government	\$ 8,678,929	\$ 7,094,733	\$ 1,584,196	22.3
Public safety	9,631,320	9,317,444	313,876	3.4
Highways and streets	8,348,546	8,829,255	(480,709)	(5.4)
Sanitation	775,501	543,779	231,722	42.6
Human services	8,683,562	8,121,481	562,081	6.9
Health	3,404,232	3,146,556	257,676	8.2
Culture and recreation	571,147	506,944	64,203	12.7
Conservation of natural resources	630,362	680,695	(50,333)	(7.4)
Economic development	12,589	20,030	(7,441)	(37.1)
Interest	554,087	592,486	(38,399)	(6.5)
Total Program Expenses	\$ 41,290,275	\$ 38,853,403	\$ 2,436,872	6.3
Increase (Decrease) in Net Assets	\$ 7,520,006	\$ 8,989,671	\$ (1,469,665)	(16.3)
Net Assets - January 1	129,608,632	120,618,961	8,989,671	7.5
Net Assets - December 31	\$ 137,128,638	\$ 129,608,632	\$ 7,520,006	5.8

*2005 fees, fines, charges, and other revenues increased by \$2,178,230 due to restatement of South Country Health Alliance equity interest in joint venture.

Governmental Activities

Total revenues for County governmental activities increased in 2006 by 6.9 percent (\$3,145,437) not counting a restatement of net assets equal to \$2,178,230, and total expenses increased 6.3 percent (\$2,436,872). This activity resulted in an increase to net assets for 2006 of \$7,520,006. The largest revenue change is capital grants and contributions where 2006 figures came in \$1,083,142 higher than 2005, a 35 percent increase, most of which can be found in Highways and Streets.

**Governmental Activities
Revenues by Source**



The cost of all governmental activities this year was \$41,290,275 compared to \$38,853,403 last year. However, as shown in the Statement of Activities (Exhibit 2), the amount that was financed for these activities through County general revenues was only \$20,662,245 because \$8,134,330 of the cost was paid by those who directly benefited from the programs. For example, direct users are charged things such as building permit fees, home health fees, recording fees, inmate boarding fees, etc. Another \$12,493,700 was covered by other governments and organizations that subsidized a specific program with grants and contributions. Some examples of grants received are State Construction Aid, State Police Aid, Probation Officer Salary Reimbursements, WIC (Women, Infants, and Children), and other Public Health and Human Services programs.

Overall, the County's governmental program revenues including intergovernmental aid and fees for services increased in 2006 from \$18,664,921 to \$20,628,030 which is mostly capital grants and contributions. The County paid for the remaining "public benefit" portion of governmental activities with 2006 general revenue dollars of \$28,182,251, up \$1,182,328 from 2005. General revenues, which are made up of primarily taxes (some of which could only be used for certain programs), also include investment earnings and other general entitlements. The large increase to unrestricted investment earnings (\$692,112) can be attributed to improved earning on cash investments.

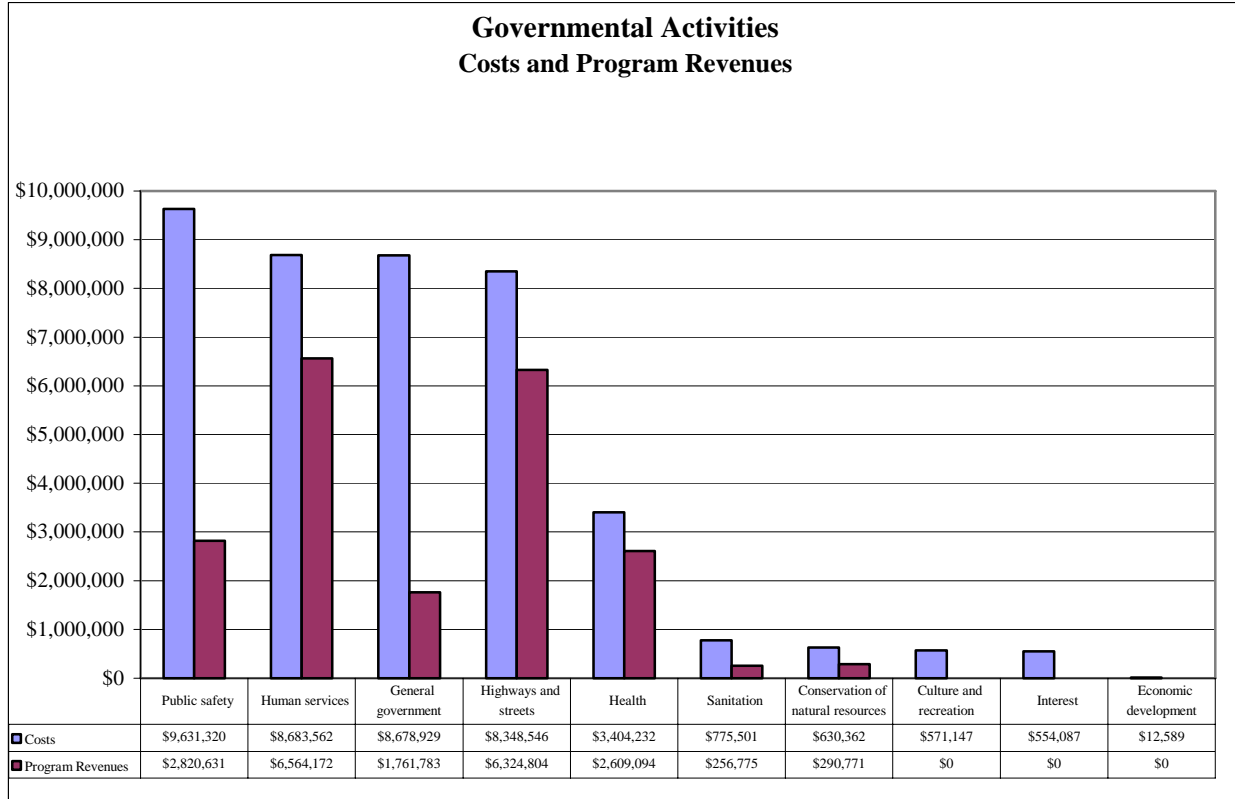
Table 3 presents the cost of each of the County's five largest program areas, as well as the area's net cost (total cost less revenues) generated by the activities. The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table 3
Governmental Activities
Cost of Services

	Total Cost of Services		
	2006	2005	\$ Change
Public safety	\$ 9,631,320	\$ 9,317,444	\$ 313,876
Human services	8,683,562	8,121,481	562,081
General government	8,678,929	7,094,733	1,584,196
Highways and streets	8,348,546	8,829,255	(480,709)
Health	3,404,232	3,146,556	257,676
All others	2,543,686	2,343,934	199,752
Totals	\$ 41,290,275	\$ 38,853,403	\$ 2,436,872

	Net Cost of Services		
	2006	2005	\$ Change
Public safety	\$ 6,810,689	\$ 6,496,277	\$ 314,412
Human services	2,119,390	650,203	1,469,187
General government	6,917,146	5,558,658	1,358,488
Highways and streets	2,023,742	2,983,329	(959,587)
Health	795,138	546,293	248,845
All others	1,996,140	1,775,492	220,648
Totals	\$ 20,662,245	\$ 18,010,252	\$ 2,651,993

The net cost of services increased \$2,651,993, or 14.7 percent. The following chart represents, by program, the costs incurred for these County services and the program revenues received in conjunction with those services. The difference is typically the amount of tax revenues needed to help offset operational costs.



Fund Level Financial Analysis

The fund financial statements provide more detailed information than the government-wide statements. Using separate funds provides a way to ensure and demonstrate compliance with finance-related legal requirements. 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 monies.

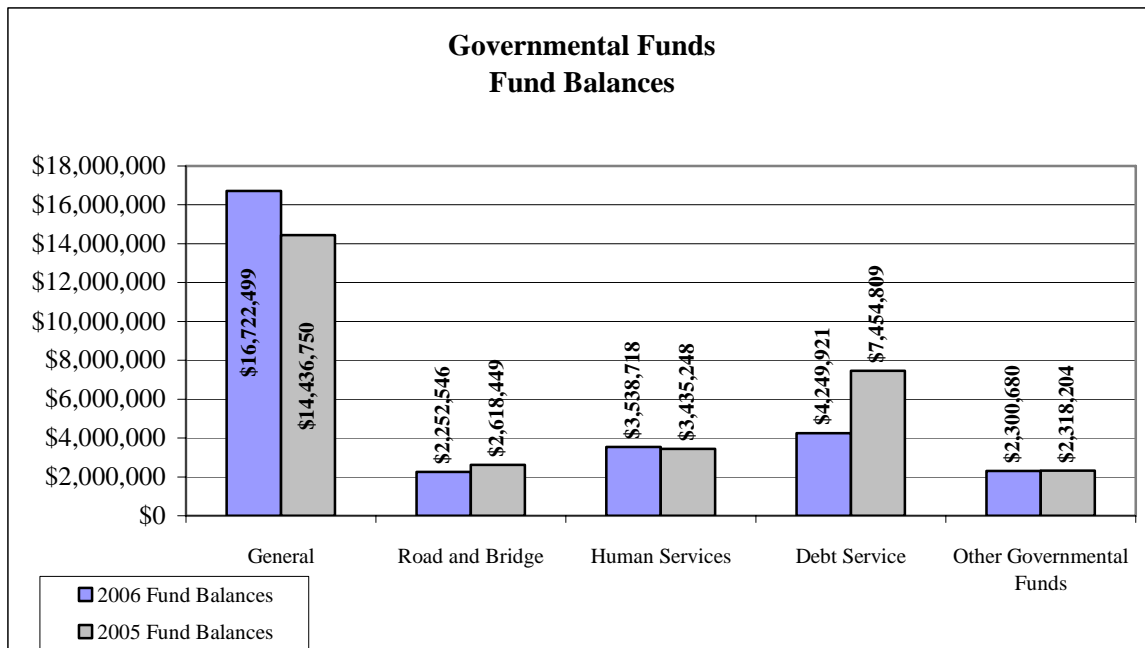
Governmental funds are used to account for the same functions or programs reported as governmental activities in the government-wide financial statements, such as general government or human services. However, the governmental fund financial statements differ from the government-wide statements.

The focus of Goodhue County’s governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Therefore, the timing of cash flows is taken into account in the governmental fund financial statements, while it is disregarded in the government-wide statements. This information may be useful in evaluating governments’ near-term financing requirements as well as the available resources. Reconciliations of governmental funds to government-wide governmental activities appear in Exhibits 4 and 6.

The County’s Funds

Goodhue County has four major governmental funds. These funds are: (1) General Fund, (2) Road and Bridge Special Revenue Fund, (3) Human Services Special Revenue Fund, and (4) Debt Service Fund.

At year-end, the County’s governmental funds (as presented in the balance sheet on Exhibit 3) reported a combined fund balance of \$29,064,364. This represents a \$1,199,096 decrease, or four percent less than December 31, 2005.



The General Fund is the primary operating fund of the Goodhue County government. Most of the County’s traditional services are reported here. The General Fund’s fund balance increased by \$2,285,749, or 16 percent, in 2006. The largest contributor to this increase was the appropriation of capital dollars for future years’ projects. As previously mentioned, the Equipment Replacement Designation had \$1,324,200 earmarked for the Sheriff’s 800 MHz Radio Project, and the Property Management Designation had \$1,026,308 earmarked for building improvements. The Board adopted finance policies in late 2005 which started allocating resources to these larger projects in an attempt to minimize the burden on any single year’s budget.

The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$2.25 million fund balance at the end of 2006 that represented a \$365,903, or 14 percent, decrease from 2005. The decrease in fund balance was mainly due to higher right-of-way and condemnation costs for the grading project on CSAH 1.

The Human Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$3.5 million fund balance at the end of 2006 that represented a \$103,470, or three percent, increase from 2005.

The Debt Service Fund contains resources designated for the repayment of debt obligations, such as yearly principal and interest payments on existing bonds. Most of these funds are derived from tax revenues. The fund had a \$4.3 million fund balance at the end of 2006 that represented a \$3,204,888, or 43 percent, decrease from 2005. This decrease is due to the 2005 refunding (or “refinancing”) of some of the County’s existing debt, the proceeds of which were included in the 2005 year-end Debt Service Fund balance and were expended in February 2006 to pay down existing debt.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Since the resources of those funds are not available to support the County’s programs, these funds are not included in the government-wide financial statements.

Goodhue County has three fiduciary funds, otherwise classified as agency funds. These funds are: (1) Family Collaborative Fund, (2) Taxes and Penalties Fund, and (3) Other Agency Fund. Agency funds are custodial in nature and do not involve measurement of the results of operations.

The basic fiduciary funds financial statement is Exhibit 7 of this report. Additional detail which breaks down the activity of these three funds, can be found on Statement 3.

General Fund Budgetary Highlights

The Goodhue County Board of Commissioners approves the budget for all governmental funds for the next year during a December Board meeting. Approval is done by resolution. The most significant budgeted fund is the General Fund.

On December 31, 2006, the County’s General Fund actual expenditures were \$2,284,969 below the projected budget. The majority was due to capital projects not started/completed during the year. Buildings and plant expenditures were at 50 percent of budget due to large capital projects which were delayed until future years. The two largest projects involve the replacement of water pipes and an elevator in the Government Center and have costs budgeted at \$700,000. These projects began in 2007 and are estimated to be finished sometime in 2008. The same can be said for costs in the Sheriff’s budget which came in at 74 percent where Radio Project funding makes up the majority of the difference.

The County Board took definitive action on September 4, 2007, by endorsing the development of a suitable 800 MHz trunked radio subsystem plan. The County intends to seek financial aid in the planning and construction of such an 800 MHz system from sources such as the State of Minnesota, the Minnesota Department of Public Safety, the Federal Department of Homeland Security, and other grant and financial aid mechanisms as may be appropriate.

The yearly amount that a county levies and budgets for tax revenues from its citizens is actually reduced by the State of Minnesota under Minn. Stat. § 273.1384. This property tax reduction, otherwise known as Market Value Homestead Credit, is then returned to the county in the form of an aid payment from the State of Minnesota in October and December of each year. In 2006, Goodhue County received \$1,664,633 in Market Value Homestead Credit Aid on real estate property taxes. These revenues, when received, were recorded as intergovernmental revenue instead of tax revenue to which they were originally budgeted. Due to the recording of monies in this fashion, tax revenues for 2006 appear with a significant negative variance of (\$888,621); whereas, intergovernmental revenues show a significant positive variance of \$1,113,324 (Schedule 1).

With the completion of the County's first five-year financial plan, the County's General Fund is now considered stable and able to meet ongoing cash flow needs. This has given the County increased flexibility to take advantage of investments in the market. This change, paired with a more global and long-term investment strategy, lead to the increase in 2006 interest on investments showing \$830,272 over budget in the General Fund Budgetary Comparison Schedule (Schedule 1) and County-wide on the Statement of Activities (Exhibit 2) of \$1,512,874 over last year's revenue. The difference between Schedule 1 (modified accrual basis of accounting) and Exhibit 2 (full accrual basis of accounting) represents the appreciation in equity interest that Goodhue County received under the South Country Health Alliance joint venture agreement.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the County had \$121,284,325 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 \$3,085,283, or 2.6 percent, over the previous year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	2006	2005	Variance
Land	\$ 7,640,132	\$ 7,530,858	\$ 109,274
Construction in progress	3,579,165	1,540,014	2,039,151
Buildings and land improvements	25,999,904	26,669,658	(669,754)
Machinery, vehicles, furniture, and equipment	3,858,585	2,935,173	923,412
Infrastructure	80,206,539	79,523,339	683,200
Totals	<u>\$ 121,284,325</u>	<u>\$ 118,199,042</u>	<u>\$ 3,085,283</u>

The largest difference from 2005 to 2006 is due to an increase in highway construction in progress which increased by \$2,039,151. Infrastructure increased by \$683,200 mostly due to those completed road construction projects along with other construction projects fully completed in 2006. Machinery, vehicles, furniture, and equipment increased by \$923,412 mostly due to carryovers of 2005 budgeted items not purchased until 2006. This included Sheriff squad cars, a tandem truck for Sanitation and some larger equipment purchases for Highways and Streets.

Debt Administration

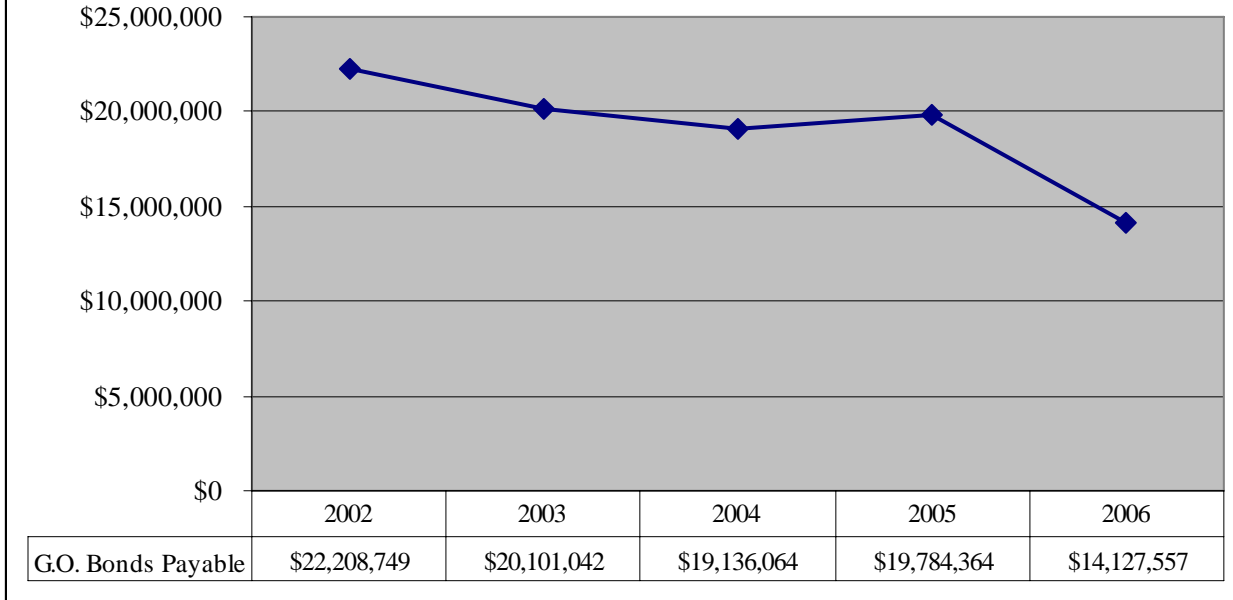
For the last few years, the County has actively pursued refinancing options for all applicable bond obligations. The intention of refinancing current and future debt obligations was to take advantage of lower interest rates in the market. The County was successful at refunding three debt obligations in 2004 and two debt obligations in 2005, which reduced future debt service payments by \$962,835.

The last refunding which took place in December 2005, effective in February 2006, replaced the 1998A Jail Lease Revenue Bonds with \$3,460,000 in General Obligation Jail Refunding Bonds. This current refunding reduced future debt service payments by \$182,865.

On December 31, 2006, the County had \$14,127,557 in bonds and notes outstanding versus \$19,784,364 last year--a decrease of 28.6 percent--as shown in Table 5. Since the \$3,460,000 in General Obligation Jail Refunding Bonds were issued in December 2005 and were not used until February 2006 to refund the 1998A Jail Lease Revenue Bonds, both bonds were carried at year-end 2005 as a long-term liability, thus reflecting a substantial decrease (-\$5,656,807) in 2006 over 2005.

In 2006, the County made the final payment on the 2001 Capital Equipment Note. As of January 2007, the remaining capital note, the 2002 Capital Equipment Note, will also be paid in full.

**Table 5
General Obligation Bonds and Notes Payable**



Other long-term liabilities carried at year-end 2006 include: compensated absence liability (accrued vacation and sick leave payable) of \$3,209,037, landfill closure and postclosure care liability of \$609,310, special assessments of \$44,508, and capital leases of \$12,152. More detailed information about the County’s long-term liabilities is presented in Note 3.C. of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

Unemployment

The 12-month average for unemployment in 2006 for the U.S., Minnesota, and Goodhue County was 4.6, 4.0, and 4.2 percent, respectively. This compared favorably to 2005 of 5.1, 4.1, and 4.5 percent, respectively.

Property Value Growth

The County’s tax base in recent years peaked in 2006 at 13 percent growth. Payable 2007’s growth of 10.5 percent was back to comparable levels of 9.5 percent for 2005 and 9 percent for payable 2004. With markets tightening and a Department of Revenue ruling on how utilities are to be valued, it is expected that the payable 2008 value will show an increase below the 9 percent level.

In December 2006, Goodhue County and NSP/Xcel Energy signed a ten-year Revenue Stabilization agreement detailing a payment in lieu of tax which NSP/Xcel agrees to pay to Goodhue County to replace tax revenue that the County will lose beginning in payable 2008 when a Minnesota Department of Revenue rule change occurs. With the agreement in place, lost tax revenue will be replaced dollar for dollar by a stabilization payment made by NSP/Xcel. NSP/Xcel has signed a similar agreement with the City of Red Wing.

State Financial Position

The Governor vetoed the Omnibus Tax Bill presented by the Legislature based in part on a provision to reinstate an inflation estimate to expenditures. Current thought is that the 2008 Legislature will pass the bill early in the 2008 session without the inflation provision in anticipation of the Governor signing the bill.

Budgeting Approach

In 2007, the Goodhue County Board began forecasting using a two-year budget cycle. While planning for both 2008 and 2009, they looked at reducing expenditures where possible and increasing revenue sources. In addition, they implemented a very thorough review and budgeting process for all capital expenditures. Final adoption of budgets for both years will take place during December of 2007.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Goodhue County's finances. If you have any questions about this report, or need additional information, please contact the Auditor/Treasurer's Office, Goodhue County Government Center, 509 W. 5th Street, Red Wing, Minnesota 55066.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 1

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

	Primary Government Governmental Activities	Belle Creek Watershed Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 28,953,887	\$ 214,894
Petty cash and change funds	3,900	-
Departmental cash	7,549	-
Cash with escrow agent	502,579	-
Taxes receivable		
Prior - net	655,431	-
Accounts receivable - net	373,201	-
Accrued interest receivable	134,267	5,140
Loans receivable	67,253	-
Due from other governments	3,096,732	-
Due from primary government	-	222
Prepaid items	249,746	-
Inventories	427,110	-
Restricted assets		
Cash and pooled investments	201,679	-
Investment in joint venture	1,692,568	-
Deferred charges	216,902	-
Capital assets		
Non-depreciable	11,219,297	378,550
Depreciable - net of accumulated depreciation	110,065,028	-
Total Assets	\$ 157,867,129	\$ 598,806
<u>Liabilities</u>		
Accounts payable	\$ 873,787	\$ -
Salaries payable	589,696	-
Contracts payable	254,297	-
Due to other governments	404,498	-
Accrued interest payable	175,465	-
Unearned revenue	242,279	-
Advance from other agencies	427,704	-
Long-term liabilities		
Due within one year	2,861,972	-
Due in more than one year	14,908,793	-
Total Liabilities	\$ 20,738,491	\$ -

**GOODHUE COUNTY
RED WING, MINNESOTA**

**EXHIBIT 1
(Continued)**

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

	Primary Government Governmental Activities	Belle Creek Watershed Component Unit
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 107,988,964	\$ 378,550
Restricted for		
General government	587,988	-
Public safety	379,578	-
Highways and streets	483,527	-
Conservation of natural resources	4,797	-
Human services	1,229	-
Debt service	502,579	-
Landfill postclosure	201,679	-
Gravel pit postclosure	46,969	-
Investments pledged as collateral	777,497	-
Unrestricted	26,153,831	220,256
Total Net Assets	\$ 137,128,638	\$ 598,806

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary Government		
Governmental activities		
General government	\$ 8,678,929	\$ 1,289,606
Public safety	9,631,320	2,012,086
Highways and streets	8,348,546	41,196
Sanitation	775,501	256,775
Human services	8,683,562	2,355,180
Health	3,404,232	2,177,236
Culture and recreation	571,147	-
Conservation of natural resources	630,362	2,251
Economic development	12,589	-
Interest	554,087	-
Total primary government	\$ 41,290,275	\$ 8,134,330
Component Unit		
Belle Creek Watershed	\$ 13,378	\$ -

General Revenues

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

Total general revenues

Change in net assets

Net Assets - Beginning (Restated - see Note 1.E.)

Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Belle Creek Watershed Discretely Presented Component Unit
\$ 453,053	\$ 19,124	\$ (6,917,146)	
808,545	-	(6,810,689)	
2,178,168	4,105,440	(2,023,742)	
-	-	(518,726)	
4,208,992	-	(2,119,390)	
431,858	-	(795,138)	
-	-	(571,147)	
275,556	12,964	(339,591)	
-	-	(12,589)	
-	-	(554,087)	
\$ 8,356,172	\$ 4,137,528	\$ (20,662,245)	
\$ -	\$ -		\$ (13,378)
		\$ 22,212,800	\$ 7,424
		69,025	-
		82,218	-
		199,922	-
		3,558,734	-
		1,560,787	4,780
		399,905	-
		98,860	-
		\$ 28,182,251	\$ 12,204
		\$ 7,520,006	\$ (1,174)
		129,608,632	599,980
		\$ 137,128,638	\$ 598,806

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 10,592,895	\$ 992,511
Petty cash and change funds	1,100	50
Undistributed cash in agency funds	6,213,055	1,499,713
Departmental cash	7,549	-
Cash with escrow agent	-	-
Taxes receivable		
Prior	363,795	89,175
Accounts receivable	185,751	13,289
Accrued interest receivable	134,267	-
Due from other funds	12,146	9,413
Due from other governments	410,727	575,145
Inventories	-	427,110
Loans receivable	67,253	-
Prepaid items	135,263	23,502
Restricted assets		
Cash and pooled investments	-	-
Total Assets	\$ 18,123,801	\$ 3,629,908
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 439,455	\$ 71,821
Salaries payable	314,384	58,777
Contracts payable	-	254,297
Due to other funds	23,698	365
Due to other governments	55,934	12,265
Deferred revenue - unavailable	567,831	552,133
Deferred revenue - unearned	-	-
Advance from other government	-	427,704
Total Liabilities	\$ 1,401,302	\$ 1,377,362

EXHIBIT 3

<u>Human Services</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,488,143	\$ 2,390,231	\$ 1,803,933	\$ 18,267,713
450	-	2,300	3,900
1,378,866	1,338,577	255,963	10,686,174
-	-	-	7,549
-	502,579	-	502,579
83,423	85,488	33,550	655,431
71,183	-	102,978	373,201
-	-	-	134,267
5,298	-	48,858	75,715
1,970,788	-	140,072	3,096,732
-	-	-	427,110
-	-	-	67,253
48,966	-	42,015	249,746
-	-	201,679	201,679
<u>\$ 6,047,117</u>	<u>\$ 4,316,875</u>	<u>\$ 2,631,348</u>	<u>\$ 34,749,049</u>
\$ 266,125	\$ 55	\$ 96,331	\$ 873,787
110,873	-	105,662	589,696
-	-	-	254,297
48,508	-	3,144	75,715
320,598	-	15,701	404,498
1,520,016	66,899	109,830	2,816,709
242,279	-	-	242,279
-	-	-	427,704
<u>\$ 2,508,399</u>	<u>\$ 66,954</u>	<u>\$ 330,668</u>	<u>\$ 5,684,685</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
(Continued)		
Fund Balances		
Reserved for		
Encumbrances	\$ -	\$ 1,593,401
Sales and use tax	19,736	-
Inventories	-	427,110
Sheriff's contingency	4,476	-
Debt service	-	-
Enhanced 911	180,900	-
Victim assistance	5,362	-
Gravel pit closure	46,969	-
Individual sewage treatment systems	89,108	-
County Ditch #1	4,797	-
Prepaid items	135,263	23,502
Law library	110,460	-
Landfill closure	-	-
Recorder's compliance fund	189,920	-
Recorder's equipment purchases	153,593	-
Gun permit applications	11,077	-
Sheriff's forfeited property	2,883	-
Attorney's forfeited property	7,875	-
Veterans' transportation	491	-
HAVA grant	10,481	-
Unclaimed funds	962	-
Counteract	6,661	-
Correction service fee	28,373	-
Sheriff K-9	1,164	-
Local correctional fees	56,056	-
NPP funds	87,371	-
Juvenile accountability	617	-
Community support program	-	-
Unreserved, designated in major funds (see Note 3.D.)	8,032,334	185,775
Unreserved, undesignated	7,535,570	22,758
Unreserved in nonmajor special revenue funds	-	-
	\$ 16,722,499	\$ 2,252,546
Total Fund Balances		
	\$ 18,123,801	\$ 3,629,908
Total Liabilities and Fund Balances		

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 1,593,401
-	-	-	19,736
-	-	-	427,110
-	-	-	4,476
-	502,579	-	502,579
-	-	-	180,900
-	-	-	5,362
-	-	-	46,969
-	-	-	89,108
-	-	-	4,797
48,966	-	42,015	249,746
-	-	-	110,460
-	-	201,679	201,679
-	-	-	189,920
-	-	-	153,593
-	-	-	11,077
-	-	-	2,883
-	-	-	7,875
-	-	-	491
-	-	-	10,481
-	-	-	962
-	-	-	6,661
-	-	-	28,373
-	-	-	1,164
-	-	-	56,056
-	-	-	87,371
-	-	-	617
1,229	-	-	1,229
450	3,747,342	-	11,965,901
3,488,073	-	-	11,046,401
-	-	2,056,986	2,056,986
<u>\$ 3,538,718</u>	<u>\$ 4,249,921</u>	<u>\$ 2,300,680</u>	<u>\$ 29,064,364</u>
<u>\$ 6,047,117</u>	<u>\$ 4,316,875</u>	<u>\$ 2,631,348</u>	<u>\$ 34,749,049</u>

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**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)	\$	29,064,364
Amounts reported for governmental activities in the statement of net assets are different because:		
Investment in joint venture - South Country Health Alliance		1,692,568
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		121,284,325
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,816,709
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	\$	(9,475,000)
Revenue bonds		(4,241,486)
Bond issuance premiums		(34,364)
Deferred amounts on refunding		266,163
Capital notes		(255,000)
Notes payable		(156,071)
Deferred debt issuance charges		216,902
Capital leases		(12,152)
Special assessments		(44,508)
Compensated absences		(3,209,037)
Accrued interest payable		(175,465)
Landfill postclosure care liability		(609,310)
		(17,729,328)
Net Assets of Governmental Activities (Exhibit 1)	\$	<u>137,128,638</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

	General	Road and Bridge
Revenues		
Taxes	\$ 12,473,501	\$ 3,130,534
Special assessments	475	-
Licenses and permits	15,318	8,072
Intergovernmental	4,339,928	7,284,593
Charges for services	2,699,886	9,388
Fines and forfeits	26,738	-
Gifts and contributions	11,634	-
Interest on investments	1,451,272	-
Miscellaneous	640,633	26,200
	\$ 21,659,385	\$ 10,458,787
Expenditures		
Current		
General government	\$ 7,918,845	\$ -
Public safety	9,794,752	-
Highways and streets	-	11,055,563
Sanitation	15,331	-
Human services	-	-
Health	-	-
Culture and recreation	509,994	61,153
Conservation of natural resources	630,621	-
Economic development	-	-
Debt service		
Principal	9,722	-
Interest	1,390	-
Intergovernmental		
Highways and streets	-	292,240
	\$ 18,880,655	\$ 11,408,956
Excess of Revenues Over (Under) Expenditures	\$ 2,778,730	\$ (950,169)
Other Financing Sources (Uses)		
Transfers in	\$ 49,007	\$ 482,729
Transfers out	(654,802)	-
Proceeds from sale of capital assets	57,411	42,873
Special assessment obligation	44,508	-
Compensation for loss of capital assets	10,895	-
	\$ (492,981)	\$ 525,602
Net Change in Fund Balances	\$ 2,285,749	\$ (424,567)
Fund Balances - January 1	14,436,750	2,618,449
Increase (decrease) in reserved for inventories	-	58,664
Fund Balances - December 31	\$ 16,722,499	\$ 2,252,546

EXHIBIT 5

<u>Human Services</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,827,141	\$ 2,710,013	\$ 1,181,827	\$ 22,323,016
-	12,489	-	12,964
-	-	471,787	495,177
4,369,241	220,549	718,914	16,933,225
1,007,617	-	1,955,620	5,672,511
-	-	-	26,738
-	-	46	11,680
-	27,873	12,517	1,491,662
635,429	-	370,496	1,672,758
\$ 8,839,428	\$ 2,970,924	\$ 4,711,207	\$ 48,639,731
\$ -	\$ -	\$ 532,026	\$ 8,450,871
-	-	-	9,794,752
-	-	-	11,055,563
-	-	887,827	903,158
8,723,460	-	-	8,723,460
-	-	3,431,853	3,431,853
-	-	-	571,147
-	-	-	630,621
-	-	12,589	12,589
-	5,656,807	-	5,666,529
-	519,005	-	520,395
-	-	-	292,240
\$ 8,723,460	\$ 6,175,812	\$ 4,864,295	\$ 50,053,178
\$ 115,968	\$ (3,204,888)	\$ (153,088)	\$ (1,413,447)
\$ -	\$ -	\$ 172,073	\$ 703,809
(12,498)	-	(36,509)	(703,809)
-	-	-	100,284
-	-	-	44,508
-	-	-	10,895
\$ (12,498)	\$ -	\$ 135,564	\$ 155,687
\$ 103,470	\$ (3,204,888)	\$ (17,524)	\$ (1,257,760)
3,435,248	7,454,809	2,318,204	30,263,460
-	-	-	58,664
\$ 3,538,718	\$ 4,249,921	\$ 2,300,680	\$ 29,064,364

**GOODHUE COUNTY
RED WING, 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) **\$ (1,257,760)**

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

Transactions to record investment in South Country Health Alliance

Equity distributions	\$ (1,306,424)	
Increase in investment in joint venture	820,762	(485,662)

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	\$ 2,816,709	
Deferred revenue - January 1	(2,120,140)	696,569

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. Also 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.

Expenditures for general capital assets and infrastructure	\$ 7,227,169	
Net book value of disposed assets	(30,266)	
Current year depreciation	(4,111,620)	3,085,283

Issuance of debt provides current financial resources to the funds, while the repayment of debt principal consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.

Principal repayments (increases)		
Expenditures for principal retirement	\$ 5,656,807	
Recording of special assessment obligation	(44,508)	
Capital lease retirement	9,722	5,622,021

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 the funds.

Amortization of deferred issuance costs	\$ (33,328)	
Amortization of deferred charges on refunding	(41,726)	
Amortization of bond premiums	4,743	
Change in accrued interest payable	41,362	
Change in landfill postclosure care liability	13,098	
Change in compensated absences	(183,258)	
Change in inventories	58,664	(140,445)

Change in Net Assets of Governmental Activities (Exhibit 2) **\$ 7,520,006**

FIDUCIARY FUNDS

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**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 7

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

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	\$ 2,246,879
Accounts receivable	21,986
Due from other governments	<u>38,043</u>
Total Assets	<u>\$ 2,306,908</u>
<u>Liabilities</u>	
Due to component unit	\$ 222
Due to other governments	<u>2,306,686</u>
Total Liabilities	<u>\$ 2,306,908</u>

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**GOODHUE COUNTY
RED WING, MINNESOTA**

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

1. Summary of Significant Accounting Policies

Goodhue County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) 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 issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Goodhue County was established March 5, 1853, 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 Goodhue County (primary government) and its blended and discretely presented component units. 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.

Blended Component Unit

Blended component units are legally separate organizations that are 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. Goodhue County has one blended component unit.

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Economic Development Authority (EDA)	County Commissioners are the members of the EDA Board.	Separate financial statements are not prepared.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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. Goodhue County has one discretely presented component unit.

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Belle Creek Watershed District	County appoints members to a three-member Board of Managers. The County also issues debt for the District.	Separate financial statements are not prepared.

Joint Ventures

The County participates in several joint ventures described in Note 5.C.

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 discretely presented component unit. 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.

The government-wide statement of net assets is presented on a consolidated basis and is 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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental 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 that are 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 unit. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental 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 Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund type:

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.

C. Measurement Focus and Basis of Accounting

The government-wide 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. Goodhue 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.

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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/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 \$1,451,272.

Goodhue 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.

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;

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

2. 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."

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.

All receivables, including those of the discretely presented component unit, 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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. 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.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported 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. 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.

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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Land improvements	5 - 20
Buildings	25 - 50
Building improvements	20 - 50
Public domain infrastructure	25 - 75
Furniture, equipment, and vehicles	3 - 20

6. Compensated Absences

The liability for compensated absences reported in 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 financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Deferred Revenue (Continued)

resources that have been received, but not yet earned. At the end of the current year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 506,240	\$ -
Loans receivable	67,253	-
Rental receivable	218,336	-
Receivables that do not provide current financial resources	2,024,880	-
Grant drawdowns prior to meeting all eligibility requirements	-	242,279
	-	242,279
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 2,816,709	\$ 242,279

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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 an other financing source, while the discount on debt issuances is reported as an other financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. 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 that are subject to change.

10. 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 \$2,178,230.

Net Assets - January 1, as previously reported	\$ 127,430,402
Investment in joint venture	<u>2,178,230</u>
Net Assets - January 1, as restated	<u>\$ 129,608,632</u>

F. Revenues

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used by all governmental fund types. Under this basis, revenue is not recognized in the financial statements unless it is available to finance current expenditures.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

F. Revenues (Continued)

Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on nongovernmental entities and individuals. Property taxes, fines and penalties, and property forfeitures are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable but not available are reported as deferred revenue and will be recognized as revenue in the fiscal year that they become available. Fines and penalties and property forfeitures are recognized in the period received.

Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the County perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditure is incurred.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

Tax credits paid by the state are included in intergovernmental revenues and are recognized as revenue in the fiscal year that they become available. Subject to the availability criterion, state-aid highway allotments for highway maintenance and construction are recognized as revenue in the year of allotment.

Exchange Transactions

Special assessments levied against benefiting properties are recognized under the modified accrual basis when available to finance current expenditures. Other revenues, such as licenses and permits, charges for services, and investment income, are recognized as revenue when earned.

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Expenditures in Excess of Budget

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

	Budget	Expenditures	Excess
Special Revenue Funds			
Road and Bridge	\$ 10,070,863	\$ 11,408,956	\$ 1,338,093
Human Services	8,586,989	8,723,460	136,471
Waste Management (Sanitation)	836,662	887,827	51,165

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental funds	
Cash and pooled investments	\$ 28,953,887
Petty cash and change funds	3,900
Restricted cash	201,679
Cash with escrow agent	502,579
Fiduciary funds	
Agency funds	
Cash and pooled investments	2,246,879
Total Cash and Investments	\$ 31,908,924
Deposits	\$ 7,938,482
Petty cash and change funds	3,900
Investments	23,966,542
Total	\$ 31,908,924

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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 banking day that is 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 that is not owned or controlled by the financial institution furnishing the collateral.

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’s policy on custodial credit risk mirrors the state statutes. As of December 31, 2006, Goodhue County’s deposits were not exposed to custodial credit risk.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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.

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 to invest only in securities that meet the ratings requirements set by state statute.

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 has no policy concerning custodial credit risk. At December 31, 2006, all of the investments held in the escrow agent accounts listed below, total of \$502,579, were subject 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 does not have a policy on the concentration of credit risk.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's investment balances at December 31, 2006, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Fair Value
	Credit Rating	Rating Agency		Maturity Date	
Goodhue County Treasurer					
Mutual funds					
MAGIC - cash management funds	N/A	N/A	N/A	N/A	\$ 875,025
Wells Fargo Brokerage					
Money market mutual funds	Aaa	Moody's	N/A	N/A	1,624,781
Total mutual funds					\$ 2,499,806
Commercial paper					
Wells Fargo Brokerage					
Panterra Fdg	P1	Fitch	12.51%	01/02/2007	\$ 2,998,253
Working Cap Mgmt	A1	Moody's	12.51%	01/02/2007	2,998,250
Morrigan TRR Fdg	A1	Moody's	4.18%	01/16/2007	1,002,377
Golden Fish Fdg	A1	Moody's	12.55%	01/24/2007	3,007,707
Athos Fdg Corp	A1+	Moody's	8.42%	01/25/2007	2,017,018
Rhineland Fdg	P1	Fitch	16.62%	01/25/2007	3,982,267
Ebury Finance LLC	A1	Moody's	8.48%	01/30/2007	2,032,947
Morrigan TRR Fdg	A1	Moody's	8.84%	02/02/2007	2,118,566
Total commercial paper					\$ 20,157,385
Bonds					
Small Business Administration*					
Wells Fargo Brokerage			N/A	10/25/2023	\$ 104,794
Wells Fargo Brokerage			N/A	10/25/2011	45,941
Wells Fargo Brokerage			N/A	03/25/2022	139,231
Wells Fargo Brokerage			N/A	07/25/2024	320,589
Wells Fargo Brokerage			N/A	04/25/2024	166,942
Total bonds					\$ 777,497
EE U.S. Savings Bonds					
	N/A	N/A	N/A	07/25/2010	\$ 4,025
	N/A	N/A	N/A	01/28/2020	3,050
	N/A	N/A	N/A	07/28/2021	525
	N/A	N/A	N/A	10/25/2022	6,400
	N/A	N/A	N/A	09/28/2022	275
	N/A	N/A	N/A	09/16/2023	15,000
Total EE U.S. Savings Bonds					\$ 29,275

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Fair Value
	Credit Rating	Rating Agency		Maturity Date	
Escrow Agent					
Mutual funds					
US Bank - U.S. Treasury Money Market Fund	Aaa	Moody's	N/A	N/A	\$ 30
US Bank - U.S. Treasury Money Market Fund	Aaa	Moody's	N/A	N/A	558
US Bank - U.S. Treasury Money Market Fund	Aaa	Moody's	N/A	N/A	501,991
Total mutual funds					\$ 502,579
Total Investments					\$ 23,966,542

*Small Business Administration Bonds are guaranteed by the U.S. government and are not rated.
N/A - Not Applicable

2. Receivables

At December 31, 2006, \$777,497 market value--\$2,952,518 original par value--of Goodhue County's investments listed have been pledged as collateral to the bank issuing a letter of credit to ensure financing is available for landfill postclosure care.

Receivables as of December 31, 2006, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 655,431	\$ -
Due from other governments	3,096,732	-
Accounts	373,201	-
Interest	134,267	-
Loans receivable	67,253	67,253
Total Governmental Activities	\$ 4,326,884	\$ 67,253

**GOODHUE COUNTY
RED WING, 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:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 7,530,858	\$ 109,274	\$ -	\$ 7,640,132
Construction in progress	1,540,014	3,579,165	1,540,014	3,579,165
Total capital assets not depreciated	<u>\$ 9,070,872</u>	<u>\$ 3,688,439</u>	<u>\$ 1,540,014</u>	<u>\$ 11,219,297</u>
Capital assets depreciated				
Land improvements	\$ -	\$ 146,123	\$ -	\$ 146,123
Buildings	35,825,512	120,000	-	35,945,512
Machinery, furniture, and equipment	7,965,518	1,772,873	785,112	8,953,279
Infrastructure	125,577,985	3,039,748	340,870	128,276,863
Total capital assets depreciated	<u>\$ 169,369,015</u>	<u>\$ 5,078,744</u>	<u>\$ 1,125,982</u>	<u>\$ 173,321,777</u>
Less: accumulated depreciation for				
Land improvements	\$ -	\$ 29,225	\$ -	\$ 29,225
Buildings	9,155,854	906,652	-	10,062,506
Machinery, furniture, and equipment	5,030,345	816,940	752,591	5,094,694
Infrastructure	46,054,646	2,358,803	343,125	48,070,324
Total accumulated depreciation	<u>\$ 60,240,845</u>	<u>\$ 4,111,620</u>	<u>\$ 1,095,716</u>	<u>\$ 63,256,749</u>
Total capital assets depreciated, net	<u>\$ 109,128,170</u>	<u>\$ 967,124</u>	<u>\$ 30,266</u>	<u>\$ 110,065,028</u>
Capital Assets, Net	<u>\$ 118,199,042</u>	<u>\$ 4,655,563</u>	<u>\$ 1,570,280</u>	<u>\$ 121,284,325</u>

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

Governmental Activities	
General government	\$ 890,717
Public safety	385,259
Highways and streets, including depreciation of infrastructure assets	2,708,942
Human services	40,854
Health	30,979
Sanitation	54,869
	<u>4,111,620</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,111,620</u>

**GOODHUE COUNTY
RED WING, 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

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 365
	Land Use Management	294
	Human Services	10,973
	Public Health	514
Total Due to General Fund		\$ 12,146
Road and Bridge	General	\$ 7,078
	Land Use Management	289
	Waste Management	2,046
Total Due to Road and Bridge Fund		\$ 9,413
Human Services	General	\$ 5,297
	Land Use Management	1
Total Due to Human Services Fund		\$ 5,298
Public Health	General	\$ 11,323
	Human Services	37,535
Total Due to Public Health Fund		\$ 48,858
Total Due To/From Other Funds		\$ 75,715

These balances reflect the interfund goods and services provided and not paid at year-end but expected to be paid in the subsequent year.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Interfund Transfers

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

Transfers to Public Health Fund from the General Fund	\$ 10,073	Capital expenditures
Transfers to General Fund from the Land Use Management Fund	36,509	Ordinance enforcement funding
Transfers to General Fund from the Human Services Fund	12,498	Mental health screenings
Transfers to Land Use Management Fund from the General Fund	17,500	Capital expenditures
Transfers to Road and Bridge Fund from the General Fund	482,729	Capital expenditures
Transfers to the Waste Management Fund from the General Fund	<u>144,500</u>	Capital expenditures
Total Interfund Transfers	<u>\$ 703,809</u>	

C. Liabilities

1. Payables

Payables at December 31, 2006, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 873,787
Salaries	589,696
Contracts	254,297
Due to other governments	<u>404,498</u>
Total Payables	<u>\$ 2,122,278</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Capital Leases

The County has entered into a lease agreement as lessee for financing the acquisition of a global positioning system. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date for the acquisition amount of \$29,166. The future minimum lease obligations and the net present value of these minimum payments as of December 31, 2006, were as follows:

<u>Years Ending</u>	<u>Governmental Activities</u>
2007	\$ 11,112
2008	<u>2,778</u>
Total minimum lease payments	\$ 13,890
Less: amount representing interest	<u>(1,738)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 12,152</u></u>

3. Long-Term Debt

<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>
General Obligation Bonds					
1997B G.O. Welch Village Revenue Bonds	2018	\$3,120 - \$8,095	1.58	\$ 143,750	\$ 86,486
2004A Courts Building Lease Revenue Refunding Bonds	2013	\$240,000 - \$660,000	2.00 - 3.80	4,905,000	4,155,000
2004A Landfill Closure Refunding Bonds	2013	\$140,000 - \$170,000	1.375 - 3.80	1,235,000	1,095,000
2005A Jail Refunding Bonds	2012	\$750,000 - \$880,000	2.10 - 3.10	5,670,000	4,920,000
2005B Jail Refunding Bonds	2014	\$20,000 - \$1,860,000	3.60 - 3.625	<u>3,460,000</u>	<u>3,460,000</u>
Total General Obligation Bonds				<u>\$ 15,413,750</u>	<u>\$ 13,716,486</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2006
2002A G.O. Capital Equipment Note	2007	\$235,000 - \$255,000	2.00 - 2.75	\$ 975,000	\$ 255,000
1998, 2001 and 2003 G.O. Revenue Notes	2023	\$1,284 - \$7,804	-	\$ 175,670	\$ 156,071
1999 LEC Improvement Special Assessments	2010	\$11,127	5.00	\$ 111,271	\$ 44,508

4. Debt Service Requirements

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

Year Ending December 31	General Obligation Refunding Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 905,000	\$ 273,046	\$ 541,915	\$ 138,232
2008	965,000	252,141	562,024	121,078
2009	990,000	228,429	577,136	101,973
2010	1,015,000	202,445	597,249	81,560
2011	1,045,000	173,688	617,364	60,292
2012 - 2016	4,555,000	271,996	1,333,610	52,028
2017 - 2018	-	-	12,188	193
Total	\$ 9,475,000	\$ 1,401,745	\$ 4,241,486	\$ 555,356

Year Ending December 31	General Obligation Capital Notes		General Obligation Revenue Notes	
	Principal	Interest	Principal	Interest
2007	\$ 255,000	\$ 3,506	-	-
2008	-	-	-	-
2009	-	-	6,000	-
2010	-	-	6,000	-
2011	-	-	6,000	-
2012 - 2016	-	-	72,901	-
2017 - 2021	-	-	60,035	-
2022 - 2023	-	-	5,135	-
Total	\$ 255,000	\$ 3,506	\$ 156,071	\$ -

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

Year Ending December 31	Special Assessments	
	Principal	Interest
2007	\$ 11,127	\$ 2,225
2008	11,127	1,669
2009	11,127	1,113
2010	11,127	556
Total	<u>\$ 44,508</u>	<u>\$ 5,563</u>

5. Deferred Amount on Refunding

The reacquisition price of refunding bonds exceeded the net carrying amount of old debt refunded in previous years by a total of \$338,942. This amount is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

6. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activity					
Long-Term Liabilities					
Bonds and notes payable					
G.O. refunding bonds	\$ 10,365,000	\$ -	\$ 890,000	\$ 9,475,000	\$ 905,000
G.O. revenue bonds	8,508,293	-	4,266,807	4,241,486	541,915
G.O. capital notes	755,000	-	500,000	255,000	255,000
G.O. revenue notes	156,071	-	-	156,071	-
Deferred amounts					
Premiums	39,107	-	4,743	34,364	-
On refunding	(307,889)	-	(41,726)	(266,163)	-
Total bonds and notes payable	\$ 19,515,582	\$ -	\$ 5,619,824	\$ 13,895,758	\$ 1,701,915
Special assessments	-	44,508	-	44,508	11,127
Capital leases	21,874	-	9,722	12,152	9,722
Claims and judgments					
Closure and postclosure care	622,408	-	13,098	609,310	-
Compensated absences	3,025,779	1,508,475	1,325,217	3,209,037	1,139,208
Governmental Activity Long-Term Liabilities	<u>\$ 23,185,643</u>	<u>\$ 1,552,983</u>	<u>\$ 6,967,861</u>	<u>\$ 17,770,765</u>	<u>\$ 2,861,972</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County officially closed the landfill on December 20, 1996. The \$609,310 landfill closure and postclosure care liability at December 31, 2006, is based on what it would cost to perform all closure and postclosure care in 2006. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Not included in the above liability are \$850,674 of estimated contingency action costs which may be incurred.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2006, investments of \$201,679 are held for these purposes. These are reported as restricted assets on the balance sheet. Because the amount in trust is considerably smaller than the estimated postclosure care and contingency costs, the state has required Goodhue County to obtain a letter of credit for \$1,840,000 to ensure financing is available, if needed.

D. Fund Balance Designations

Fund balances of the major governmental funds were designated as follows at December 31, 2006.

Designation	General	Road and Bridge	Human Services	Debt Service
Petty cash and change	\$ 1,100	\$ 50	\$ 450	\$ -
Debt service	-	-	-	3,747,342
Operations	3,489,989	-	-	-
Buildings and grounds	19,985	37,286	-	-
Township turnbacks	-	50,000	-	-
TH 52 development	-	44,783	-	-
Employee training and development	54,261	-	-	-
Health and wellness	714,772	-	-	-
Compensated absences	467,832	-	-	-
Capital equipment	2,979,160	-	-	-
Extension - Project in the Park	2,766	-	-	-
Byllesby Dam	302,469	-	-	-
Byllesby Park	-	53,656	-	-
Total	<u>\$ 8,032,334</u>	<u>\$ 185,775</u>	<u>\$ 450</u>	<u>\$ 3,747,342</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Goodhue 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, the Public Employees Police and Fire Fund, and the Public Employees Correctional 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 by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional 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.

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. Under 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 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 Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional 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, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at 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 amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates 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. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

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
Public Employees Correctional Fund	8.75	8.75

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

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2006	\$ 703,621	\$ 223,645	\$ 168,894
2005	622,889	188,753	167,800
2004	626,160	183,962	162,116

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

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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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 \$1,019, \$1,025, and \$355, 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. 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. 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.

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 per claim in 2006. Should MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**GOODHUE COUNTY
RED WING, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 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 is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Joint Ventures

Southeastern Minnesota Multi-County Housing and Redevelopment Authority

Goodhue and other regional counties have formed the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) for the purposes of providing housing and redevelopment services to Southeastern Minnesota counties. The governing body consists of an eight-member Board of Commissioners. Two commissioners were appointed by each of the county boards. The HRA adopts its own budget. Complete financial statements for the HRA can be obtained at 134 East Second Street, Wabasha, Minnesota 55981.

**GOODHUE COUNTY
RED WING, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southeast Minnesota Water Resources Board

Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Wabasha, and Winona Counties have formed the Southeast Minnesota Water Resources Board. The purpose of this joint powers board is to receive and expend state and nonprofit grants and other related funds for the purpose of comprehensive water management planning. The governing body consists of 18 members. Two commissioners were appointed from each of the participating county boards. Olmsted County acts as the fiscal agent. Complete financial statements for the Water Resources Board can be obtained at P. O. Box 5838, Winona, Minnesota 55987.

Goodhue County Family Services Collaborative

The Goodhue County Family Services Collaborative was established June 24, 1999, under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Goodhue County Social Services, Goodhue County Court Services, Goodhue County Public Health, Goodhue County Mental Health, Goodhue County Education District, Cannon Falls School District, and Three Rivers Community Action Council. The purpose of the Collaborative is to provide culturally appropriate programs and services to children and families, prevent children from developing more severe disabilities, and provide for the safety and security of the community and its children.

Control of the Goodhue County Family Services Collaborative is vested in a seven-member governing board appointed by the member parties.

Financing is provided by state and federal grants and contributions from its member parties. Goodhue County, in an agent capacity, reports the cash transactions of the Goodhue County Family Services Collaborative as an agency fund in its financial statements.

**GOODHUE COUNTY
RED WING, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Country Health Alliance

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 amended in 2006 to give the original counties an equity interest in the joint venture, retroactive to 2001. 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 participating 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 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 \$1,692,568. 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 health and human services. The County reported distributions from the SCHA of \$1,306,424 in 2006, and does not anticipate any further distributions at this time.

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

D. Debt Obligation Contingency

The Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) issued \$3,360,000 Housing Development Revenue Bonds (Goodhue County, Minnesota General Obligation - Goodhue County Apartment Projects), Series 1999B, on August 19, 1999. The purpose of the issuance was to provide funds to undertake housing development projects and to acquire and construct multi-family rental housing for the purpose of providing housing for elderly persons and for persons and families of low and moderate income in accordance with Minn. Stat. § 469.034, subd. 2, for the HRA. The principal and interest on the bonds are payable primarily from revenues from operations and tax increments resulting from increases in valuation of real property in Tax Increment Financing District 1-3. In the event of a deficiency, the HRA has pledged to levy its special benefit tax. Should these revenues fail to provide sufficient revenue for payment of principal and interest on the debt issue, the full faith and credit of Goodhue County is irrevocably pledged for payment of the bond.

On April 3, 2007, the Southeastern Minnesota Multi-County Housing and Redevelopment Authority issued \$3,670,000 Housing Development Revenue Refunding Bonds (Goodhue County, Minnesota General Obligation - Goodhue County Apartment Projects), Series 2007B, to refinance the Series 1999B Bonds noted above. In the event of a deficiency, the HRA has pledged to levy its special benefit tax. Should these revenues fail to provide sufficient revenue for payment of principal and interest on the debt issue, the full faith and credit of Goodhue County is irrevocably pledged for payment of the bond.

E. County-Wide Individual Sewage Treatment Systems (ISTS) and Well Loan Program

The County entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to finance the ISTS. While the County is not liable for repayment of the loans in any manner, it does have certain responsibilities under the agreement.

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

E. County-Wide Individual Sewage Treatment Systems (ISTS) and Well Loan Program (Continued)

Loan activity for 2006 and prior years is:

	Prior Years	During 2006
Number of loans made	29	1
Loans outstanding - January 1	\$ -	\$ 74,282
Loans made	220,374	15,331
Payments made on loans	(146,092)	(22,360)
Loans outstanding - December 31	\$ 74,282	\$ 67,253

6. Belle Creek Watershed District Disclosures

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented component unit has the following significant accounting policies.

Reporting Entity

The Belle Creek Watershed District is governed by a three-member Board of Managers who are appointed by the County Board.

Because of the significance of the financial relationship, Goodhue County considers this entity a major component unit.

Basis of Presentation

The District does not prepare separate financial statements. The District presents its one fund as a governmental fund.

Basis of Accounting

The District's General Fund is accounted for on the modified accrual basis of accounting.

**GOODHUE COUNTY
RED WING, MINNESOTA**

6. Belle Creek Watershed District Disclosures (Continued)

B. Detailed Notes on the General Fund

Deposits

Reconciliation of the District's total deposits and cash on hand to the basic financial statements follows:

Governmental Fund	
Cash and pooled investments	\$ 214,894
	<hr/>
Deposits	\$ 214,894
	<hr/> <hr/>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all District 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 that is 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, and 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 that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to it. As of December 31, 2006, the District's deposits were not exposed to custodial credit risk.

**GOODHUE COUNTY
RED WING, MINNESOTA**

6. Belle Creek Watershed District Disclosures

B. Detailed Notes on the General Fund (Continued)

Capital Assets

The District's capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	<u>\$ 378,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 378,550</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 13,362,122	\$ 13,362,122	\$ 12,473,501	\$ (888,621)
Special assessments	-	-	475	475
Licenses and permits	12,420	12,420	15,318	2,898
Intergovernmental	2,878,604	3,226,604	4,339,928	1,113,324
Charges for services	2,876,250	2,876,250	2,699,886	(176,364)
Fines and forfeits	21,200	21,200	26,738	5,538
Gifts and contributions	7,700	7,700	11,634	3,934
Interest on investments	621,000	621,000	1,451,272	830,272
Miscellaneous	530,458	530,458	640,633	110,175
Total Revenues	\$ 20,309,754	\$ 20,657,754	\$ 21,659,385	\$ 1,001,631
Expenditures				
Current				
General government				
Commissioners	\$ 207,844	\$ 214,359	\$ 205,629	\$ 8,730
Courts	88,500	88,500	171,921	(83,421)
County administration	261,357	261,357	224,771	36,586
County auditor	441,151	451,855	396,705	55,150
County assessor	624,038	634,772	629,491	5,281
Elections	82,150	430,150	391,692	38,458
Data processing	932,150	972,728	926,909	45,819
Personnel	229,971	229,971	226,726	3,245
Attorney	1,176,214	1,176,214	1,154,834	21,380
Law library	83,220	83,220	74,313	8,907
Recorder	281,552	381,552	366,570	14,982
Surveyor	405,030	405,030	390,893	14,137
GIS	108,551	108,551	106,164	2,387
Buildings and plant	2,211,143	2,369,414	1,224,323	1,145,091
Veterans service officer	163,063	163,063	164,644	(1,581)
Other general government	869,500	869,500	1,263,260	(393,760)
Total general government	\$ 8,165,434	\$ 8,840,236	\$ 7,918,845	\$ 921,391

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 1
(Continued)

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,369,806	\$ 4,916,347	\$ 3,642,339	\$ 1,274,008
Sheriff - seasonal	228,590	293,443	289,698	3,745
E-911 system	727,500	727,500	785,367	(57,867)
Emergency services	229,937	243,235	273,782	(30,547)
Coroner	77,153	77,153	79,563	(2,410)
Law enforcement center	3,945,484	3,934,780	3,760,529	174,251
Court services	940,107	950,107	909,992	40,115
Family court services	51,727	51,727	53,482	(1,755)
Total public safety	\$ 10,570,304	\$ 11,194,292	\$ 9,794,752	\$ 1,399,540
Sanitation				
Individual septic treatment systems	\$ -	\$ -	\$ 15,331	\$ (15,331)
Culture and recreation				
Historical society	\$ 100,766	\$ 100,766	\$ 100,766	\$ -
Regional library	332,975	332,975	332,975	-
Byllesby Dam	30,000	30,000	44,971	(14,971)
Other	30,542	30,542	31,282	(740)
Total culture and recreation	\$ 494,283	\$ 494,283	\$ 509,994	\$ (15,711)
Conservation of natural resources				
County extension	\$ 133,341	\$ 133,701	\$ 154,880	\$ (21,179)
Soil and water conservation	467,711	467,711	440,133	27,578
Fairs	35,401	35,401	35,401	-
County ditch	-	-	207	(207)
Total conservation of natural resources	\$ 636,453	\$ 636,813	\$ 630,621	\$ 6,192
Debt service				
Principal	\$ -	\$ -	\$ 9,722	\$ (9,722)
Interest	-	-	1,390	(1,390)
Total debt service	\$ -	\$ -	\$ 11,112	\$ (11,112)
Total Expenditures	\$ 19,866,474	\$ 21,165,624	\$ 18,880,655	\$ 2,284,969
Excess of Revenues Over (Under) Expenditures	\$ 443,280	\$ (507,870)	\$ 2,778,730	\$ 3,286,600

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 1
(Continued)

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers in	\$ 23,000	\$ 23,000	\$ 49,007	\$ 26,007
Transfers out	(485,000)	(739,500)	(654,802)	84,698
Special assessment obligation	-	-	44,508	44,508
Proceeds from sale of capital assets	-	-	57,411	57,411
Compensation for the loss of capital assets	-	-	10,895	10,895
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ (462,000)	\$ (716,500)	\$ (492,981)	\$ 223,519
Net Change in Fund Balance	\$ (18,720)	\$ (1,224,370)	\$ 2,285,749	\$ 3,510,119
Fund Balance - January 1	14,436,750	14,436,750	14,436,750	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - December 31	\$ 14,418,030	\$ 13,212,380	\$ 16,722,499	\$ 3,510,119
	<hr/>	<hr/>	<hr/>	<hr/>

**GOODHUE COUNTY
RED WING, 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		
Revenues				
Taxes	\$ 3,375,472	\$ 3,375,472	\$ 3,130,534	\$ (244,938)
Licenses and permits	7,400	7,400	8,072	672
Intergovernmental	7,242,600	6,137,600	7,284,593	1,146,993
Charges for services	15,500	15,500	9,388	(6,112)
Miscellaneous	24,240	24,240	26,200	1,960
Total Revenues	\$ 10,665,212	\$ 9,560,212	\$ 10,458,787	\$ 898,575
Expenditures				
Current				
Highways and streets				
Administration	\$ 368,720	\$ 368,120	\$ 363,679	\$ 4,441
Maintenance	1,946,427	1,946,427	1,902,585	43,842
Construction	7,637,739	6,541,339	7,706,118	(1,164,779)
Equipment maintenance and shop	1,050,877	1,152,877	1,083,181	69,696
Total highways and streets	\$ 11,003,763	\$ 10,008,763	\$ 11,055,563	\$ (1,046,800)
Culture and recreation				
Parks	62,100	62,100	61,153	947
Intergovernmental				
Highways and streets	-	-	292,240	(292,240)
Total Expenditures	\$ 11,065,863	\$ 10,070,863	\$ 11,408,956	\$ (1,338,093)
Excess of Revenues Over (Under) Expenditures	\$ (400,651)	\$ (510,651)	\$ (950,169)	\$ (439,518)
Other Financing Sources (Uses)				
Transfers in	\$ 460,000	\$ 570,000	\$ 482,729	\$ (87,271)
Proceeds from sale of assets	-	-	42,873	42,873
Total Other Financing Sources (Uses)	\$ 460,000	\$ 570,000	\$ 525,602	\$ (44,398)
Net Change in Fund Balance	\$ 59,349	\$ 59,349	\$ (424,567)	\$ (483,916)
Fund Balance - January 1	2,618,449	2,618,449	2,618,449	-
Increase (decrease) in reserved for inventories	-	-	58,664	58,664
Fund Balance - December 31	\$ 2,677,798	\$ 2,677,798	\$ 2,252,546	\$ (425,252)

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 3

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,039,211	\$ 3,039,211	\$ 2,827,141	\$ (212,070)
Intergovernmental	4,275,695	4,275,695	4,369,241	93,546
Charges for services	709,860	709,860	1,007,617	297,757
Gifts and contributions	20,000	20,000	-	(20,000)
Miscellaneous	442,223	442,223	635,429	193,206
Total Revenues	\$ 8,486,989	\$ 8,486,989	\$ 8,839,428	\$ 352,439
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,146,140	\$ 2,146,140	\$ 2,244,249	\$ (98,109)
Social services	6,440,849	6,440,849	6,479,211	(38,362)
Total Expenditures	\$ 8,586,989	\$ 8,586,989	\$ 8,723,460	\$ (136,471)
Excess of Revenues Over (Under) Expenditures	\$ (100,000)	\$ (100,000)	\$ 115,968	\$ 215,968
Other Financing Sources (Uses)				
Transfers out	-	-	(12,498)	(12,498)
Net Change in Fund Balance	\$ (100,000)	\$ (100,000)	\$ 103,470	\$ 203,470
Fund Balance - January 1	3,435,248	3,435,248	3,435,248	-
Fund Balance - December 31	\$ 3,335,248	\$ 3,335,248	\$ 3,538,718	\$ 203,470

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**GOODHUE COUNTY
RED WING, MINNESOTA**

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

1. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and major special revenue funds. All annual appropriations lapse at fiscal year-end.

On or before mid-July of each year, all departments and agencies submit requests for appropriations to the County Administrator so that a budget can be prepared. On or before September 15, 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 28.

The final budget is prepared by fund and department. During the calendar year, revisions that alter the budgeted revenues or expenditures of any fund must be approved by the Board of Commissioners. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, supplemental budgetary appropriations were not considered significant.

2. Excess of Expenditures over Appropriations

For the year ended December 31, 2006, expenditures exceeded appropriations (the legal level of budgetary control) in the Road and Bridge Special Revenue Fund by \$1,338,093 and in the Human Services Special Revenue Fund by \$136,471. Excess expenditures in the Road and Bridge Special Revenue Fund and Human Services Special Revenue Fund were funded by greater than anticipated revenues.

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SUPPLEMENTARY INFORMATION

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MAJOR FUND

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 4

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,922,865	\$ 2,922,865	\$ 2,710,013	\$ (212,852)
Special assessments	13,000	13,000	12,489	(511)
Intergovernmental	-	-	220,549	220,549
Interest on investments	-	-	27,873	27,873
Total Revenues	\$ 2,935,865	\$ 2,935,865	\$ 2,970,924	\$ 35,059
Expenditures				
Debt service				
Principal	\$ 2,256,807	\$ 5,656,807	\$ 5,656,807	\$ -
Interest	679,058	679,058	519,005	160,053
Total Expenditures	\$ 2,935,865	\$ 6,335,865	\$ 6,175,812	\$ 160,053
Net Change in Fund Balance	\$ -	\$ (3,400,000)	\$ (3,204,888)	\$ 195,112
Fund Balance - January 1	7,454,809	7,454,809	7,454,809	-
Fund Balance - December 31	\$ 7,454,809	\$ 4,054,809	\$ 4,249,921	\$ 195,112

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**GOODHUE COUNTY
RED WING, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Economic Development Authority - to account for the financial activities of the Goodhue County Economic Development Authority.

Land Use Management - to account for financial activities of planning and zoning and solid waste management.

Public Health - to account for the financial activities of the Public Health Department.

Waste Management - to account for the financial activities of the waste management facility, the recycling center, and the household hazardous waste facility.

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 1

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

	Economic Development Authority	Land Use Management	Public Health	Waste Management	Total
<u>Assets</u>					
Cash and pooled investments	\$ 74,723	\$ 523,515	\$ 1,017,917	\$ 187,778	\$ 1,803,933
Petty cash and change funds	-	-	2,300	-	2,300
Undistributed cash in agency funds	-	123,945	5,878	126,140	255,963
Taxes receivable					
Prior	-	7,843	18,999	6,708	33,550
Accounts receivable	-	1,252	82,619	19,107	102,978
Due from other funds	-	-	48,858	-	48,858
Due from other governments	-	1,407	87,455	51,210	140,072
Prepaid items	-	5,670	32,502	3,843	42,015
Restricted assets					
Cash and pooled investments	-	-	-	201,679	201,679
Total Assets	\$ 74,723	\$ 663,632	\$ 1,296,528	\$ 596,465	\$ 2,631,348
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 261	\$ 8,997	\$ 63,687	\$ 23,386	\$ 96,331
Salaries payable	-	13,946	81,871	9,845	105,662
Due to other funds	-	584	514	2,046	3,144
Due to other governments	-	1,904	11,733	2,064	15,701
Deferred revenue - unavailable	-	6,116	47,539	56,175	109,830
Total Liabilities	\$ 261	\$ 31,547	\$ 205,344	\$ 93,516	\$ 330,668
Fund Balances					
Reserved for prepaid items	\$ -	\$ 5,670	\$ 32,502	\$ 3,843	\$ 42,015
Reserved for landfill closure/postclosure	-	-	-	201,679	201,679
Unreserved					
Designated for petty cash	-	-	2,300	-	2,300
Undesignated	74,462	626,415	1,056,382	297,427	2,054,686
Total Fund Balances	\$ 74,462	\$ 632,085	\$ 1,091,184	\$ 502,949	\$ 2,300,680
Total Liabilities and Fund Balances	\$ 74,723	\$ 663,632	\$ 1,296,528	\$ 596,465	\$ 2,631,348

**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 2

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

	Economic Development Authority	Land Use Management	Public Health	Waste Management	Total
Revenues					
Taxes	\$ 5,000	\$ 254,085	\$ 664,109	\$ 258,633	\$ 1,181,827
Licenses and permits	-	262,718	202,604	6,465	471,787
Intergovernmental	-	23,052	616,611	79,251	718,914
Charges for services	-	4,836	1,879,394	71,390	1,955,620
Gifts and contributions	-	-	46	-	46
Interest on investments	181	-	-	12,336	12,517
Miscellaneous	-	45	203,867	166,584	370,496
Total Revenues	\$ 5,181	\$ 544,736	\$ 3,566,631	\$ 594,659	\$ 4,711,207
Expenditures					
Current					
General government	\$ -	\$ 532,026	\$ -	\$ -	\$ 532,026
Sanitation	-	-	-	887,827	887,827
Health	-	-	3,431,853	-	3,431,853
Economic development	12,589	-	-	-	12,589
Total Expenditures	\$ 12,589	\$ 532,026	\$ 3,431,853	\$ 887,827	\$ 4,864,295
Excess of Revenues Over (Under) Expenditures	\$ (7,408)	\$ 12,710	\$ 134,778	\$ (293,168)	\$ (153,088)
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ 17,500	\$ 10,073	\$ 144,500	\$ 172,073
Transfers out	-	(36,509)	-	-	(36,509)
Total Other Financing Sources (Uses)	\$ -	\$ (19,009)	\$ 10,073	\$ 144,500	\$ 135,564
Net Change in Fund Balance	\$ (7,408)	\$ (6,299)	\$ 144,851	\$ (148,668)	\$ (17,524)
Fund Balance - January 1	81,870	638,384	946,333	651,617	2,318,204
Fund Balance - December 31	\$ 74,462	\$ 632,085	\$ 1,091,184	\$ 502,949	\$ 2,300,680

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Interest on investments	-	-	181	181
Total Revenues	\$ 5,000	\$ 5,000	\$ 5,181	\$ 181
Expenditures				
Current				
Economic development				
Community development	21,135	21,135	12,589	8,546
Excess of Revenues Over (Under) Expenditures	\$ (16,135)	\$ (16,135)	\$ (7,408)	\$ 8,727
Fund Balance - January 1	81,870	81,870	81,870	-
Fund Balance - December 31	\$ 65,735	\$ 65,735	\$ 74,462	\$ 8,727

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
LAND USE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 273,106	\$ 273,106	\$ 254,085	\$ (19,021)
Licenses and permits	298,000	298,000	262,718	(35,282)
Intergovernmental	3,000	3,000	23,052	20,052
Charges for services	5,200	5,200	4,836	(364)
Miscellaneous	100	100	45	(55)
Total Revenues	\$ 579,406	\$ 579,406	\$ 544,736	\$ (34,670)
Expenditures				
Current				
General government				
Planning and zoning	579,406	597,061	532,026	65,035
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ (17,655)	\$ 12,710	\$ 30,365
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 17,500	\$ 17,500
Transfers out	-	-	(36,509)	(36,509)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (19,009)	\$ (19,009)
Net Change in Fund Balance	\$ -	\$ (17,655)	\$ (6,299)	\$ 11,356
Fund Balance - January 1	638,384	638,384	638,384	-
Fund Balance - December 31	\$ 638,384	\$ 620,729	\$ 632,085	\$ 11,356

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 7

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 714,274	\$ 714,274	\$ 664,109	\$ (50,165)
Licenses and permits	255,425	255,425	202,604	(52,821)
Intergovernmental	503,147	503,147	616,611	113,464
Charges for services	1,851,301	1,851,301	1,879,394	28,093
Gifts and contributions	1,000	1,000	46	(954)
Miscellaneous	60,000	60,000	203,867	143,867
Total Revenues	\$ 3,385,147	\$ 3,385,147	\$ 3,566,631	\$ 181,484
Expenditures				
Current				
Health				
Nursing service	\$ 1,349,262	\$ 1,349,262	\$ 1,448,652	\$ (99,390)
Transportation	43,843	43,843	69,280	(25,437)
Maternal and child health	113,563	113,563	129,403	(15,840)
Health center	1,937,169	1,939,254	1,784,518	154,736
Total Expenditures	\$ 3,443,837	\$ 3,445,922	\$ 3,431,853	\$ 14,069
Excess of Revenues Over (Under) Expenditures	\$ (58,690)	\$ (60,775)	\$ 134,778	\$ 195,553
Other Financing Sources (Uses)				
Transfers in	10,000	10,000	10,073	73
Net Change in Fund Balance	\$ (48,690)	\$ (50,775)	\$ 144,851	\$ 195,626
Fund Balance - January 1	946,333	946,333	946,333	-
Fund Balance - December 31	\$ 897,643	\$ 895,558	\$ 1,091,184	\$ 195,626

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 8

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 278,230	\$ 278,230	\$ 258,633	\$ (19,597)
Licenses and permits	6,000	6,000	6,465	465
Intergovernmental	103,000	110,500	79,251	(31,249)
Charges for services	70,100	70,100	71,390	1,290
Interest on investments	1,800	1,800	12,336	10,536
Miscellaneous	158,100	150,600	166,584	15,984
Total Revenues	\$ 617,230	\$ 617,230	\$ 594,659	\$ (22,571)
Expenditures				
Current				
Sanitation				
Solid waste	\$ 61,454	\$ 61,454	\$ 59,229	\$ 2,225
Recycling	301,034	445,534	490,499	(44,965)
Hazardous waste	99,624	99,624	97,404	2,220
Landfill	230,050	230,050	240,695	(10,645)
Total Expenditures	\$ 692,162	\$ 836,662	\$ 887,827	\$ (51,165)
Excess of Revenues Over (Under) Expenditures	\$ (74,932)	\$ (219,432)	\$ (293,168)	\$ (73,736)
Other Financing Sources (Uses)				
Transfers in	-	144,500	144,500	-
Net Change in Fund Balance	\$ (74,932)	\$ (74,932)	\$ (148,668)	\$ (73,736)
Fund Balance - January 1	651,617	651,617	651,617	-
Fund Balance - December 31	\$ 576,685	\$ 576,685	\$ 502,949	\$ (73,736)

**GOODHUE COUNTY
RED WING, MINNESOTA**

AGENCY FUNDS

Family Collaborative Fund - to account for grant money passed through to the Goodhue County Family Services Collaborative.

Taxes and Penalties Fund - to account for the collection and distribution of current and delinquent property taxes. This fund also accounts for refunds on abatements, court orders, and overpayments of real estate and personal property taxes..

Other Agency Fund - to account for collections made by the County on behalf of towns, cities, and the State of Minnesota.

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**GOODHUE COUNTY
RED WING, 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
<u>FAMILY COLLABORATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 511,097	\$ 382,572	\$ 279,408	\$ 614,261
Due from other governments	105,921	38,043	105,921	38,043
Total Assets	\$ 617,018	\$ 420,615	\$ 385,329	\$ 652,304
<u>Liabilities</u>				
Due to other governments	\$ 617,018	\$ 420,615	\$ 385,329	\$ 652,304
 <u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 983,750	\$ 41,203,541	\$ 41,207,309	\$ 979,982
<u>Liabilities</u>				
Due to component unit	\$ 3,459	\$ 7,424	\$ 10,661	\$ 222
Due to other governments	980,291	41,196,117	41,196,648	979,760
Total Liabilities	\$ 983,750	\$ 41,203,541	\$ 41,207,309	\$ 979,982
 <u>OTHER AGENCY FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 243,980	\$ 2,842,515	\$ 2,433,859	\$ 652,636
Accounts receivable	-	21,986	-	21,986
Total Assets	\$ 243,980	\$ 2,864,501	\$ 2,433,859	\$ 674,622
<u>Liabilities</u>				
Due to other governments	\$ 243,980	\$ 2,864,501	\$ 2,433,859	\$ 674,622

**GOODHUE COUNTY
RED WING, 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
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,738,827	\$ 44,428,628	\$ 43,920,576	\$ 2,246,879
Accounts receivable	-	21,986	-	21,986
Due from other governments	105,921	38,043	105,921	38,043
Total Assets	<u>\$ 1,844,748</u>	<u>\$ 44,488,657</u>	<u>\$ 44,026,497</u>	<u>\$ 2,306,908</u>
<u>Liabilities</u>				
Due to component unit	\$ 3,459	\$ 7,424	\$ 10,661	\$ 222
Due to other governments	1,841,289	44,481,233	44,015,836	2,306,686
Total Liabilities	<u>\$ 1,844,748</u>	<u>\$ 44,488,657</u>	<u>\$ 44,026,497</u>	<u>\$ 2,306,908</u>

BELLE CREEK WATERSHED COMPONENT UNIT

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 4

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
BELLE CREEK WATERSHED COMPONENT UNIT
DECEMBER 31, 2006**

	General Fund	Reconciliation	Statement of Net Assets
<u>Assets</u>			
Cash and pooled investments	\$ 214,894	\$ -	\$ 214,894
Accrued interest receivable	5,140	-	5,140
Due from primary government	222	-	222
Capital assets			
Non-depreciable	-	378,550	378,550
	\$ 220,256	\$ 378,550	\$ 598,806
Total Assets	\$ 220,256	\$ 378,550	\$ 598,806
 <u>Fund Balance/Net Assets</u>			
Fund Balance			
Unreserved			
Undesignated	\$ 220,256	\$ (220,256)	\$ -
 Net Assets			
Invested in capital assets		\$ 378,550	\$ 378,550
Unrestricted		220,256	220,256
Total Net Assets		\$ 598,806	\$ 598,806
 Reconciliation of the Governmental Fund Balance to Net Assets			
Fund Balance - Governmental Fund			\$ 220,256
Capital assets are reported on the Statement of Net Assets but not on the fund balance sheet.			378,550
Net Assets - Governmental Activities			\$ 598,806

**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 5

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
BELLE CREEK WATERSHED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General Fund	Reconciliation	Statement of Activities
Revenues			
Taxes	\$ 7,424	\$ -	\$ 7,424
Investment earnings	4,780	-	4,780
Total Revenues	\$ 12,204	\$ -	\$ 12,204
Expenditures/Expenses			
Current			
General government	13,378	-	13,378
Excess of Revenues Over (Under) Expenditures/Expenses	\$ (1,174)	\$ -	\$ (1,174)
Fund Balance/Net Assets - January 1	221,430	378,550	599,980
Fund Balance/Net Assets - December 31	\$ 220,256	\$ 378,550	\$ 598,806

OTHER SCHEDULES

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 9

TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS

	2005		2006		2007	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 44,631,927		\$ 50,462,673		\$ 55,649,626	
Personal property	607,244		617,070		644,947	
Tax increment	(1,606,948)		(1,694,924)		(1,691,338)	
Net Tax Capacity	\$ 43,632,223		\$ 49,384,819		\$ 54,603,235	
Taxes Levied for County Purposes						
General	\$ 13,010,618	29.818	\$ 13,122,622	27.565	\$ 13,846,041	26.321
Road and Bridge	3,008,398	6.895	3,305,472	6.693	3,854,533	7.065
County Welfare	3,039,211	6.965	3,039,211	6.154	3,039,211	5.571
Public Health Service	707,177	1.621	714,274	1.446	714,274	1.309
Land Use Management	270,482	0.620	273,106	0.553	341,408	0.626
Economic Development Authority	5,000	0.011	5,000	0.010	38,135	0.070
Debt Service	3,010,402	6.899	2,922,865	5.918	2,007,995	3.678
Waste Management	307,272	0.704	278,230	0.563	269,183	0.493
Total Taxes Levied for County Purposes	\$ 23,358,560	53.533	\$ 23,660,780	48.902	\$ 24,110,780	45.133
Tax Capacity - Light and Power						
Transmission	\$ 43,576		\$ 44,542		\$ 47,442	
Distribution	6,034		6,164		6,560	
Total Tax Capacity - Light and Power	\$ 49,610		\$ 50,706		\$ 54,002	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.40, as amended)						
Transmission	\$ 52,404		\$ 48,654		\$ 49,034	
Distribution	7,256		6,734		6,781	
Total Light and Power Tax Levies	\$ 59,660	120.258	\$ 55,388	109.231	\$ 55,815	103.355

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 9
(Continued)

TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS

	2005		2006		2007	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Market Value - Light and Power						
Transmission	\$ 2,216,300		\$ 2,264,600		\$ 2,409,600	
Distribution	301,700		308,200		328,000	
Total Market Value - Light and Power	\$ 2,518,000		\$ 2,572,800		\$ 2,737,600	
Light and Power Tax Market Value Levies						
Transmission	\$ 2,454		\$ 2,692		\$ 2,924	
Distribution	334		366		398	
Total Light and Power Tax Market Value Levies	\$ 2,788	0.111	\$ 3,058	0.119	\$ 3,322	0.121
Market Value - State General Tax						
Transmission	\$ 43,576		\$ 48,654		\$ 47,442	
Distribution	6,034		6,734		6,560	
Total Market Value - State General Tax	\$ 49,610		\$ 55,388		\$ 54,002	
State General Tax Market Value Levies						
Transmission	\$ 22,660		\$ 22,273		\$ 22,788	
Distribution	3,138		3,082		3,152	
Total State General Tax Market Value Levies	\$ 25,798	52.000	\$ 25,355	50.004	\$ 25,940	48.032
Special Assessments						
Belle Creek Watershed Improvement Bonds	\$ 8,000	0.542	\$ 8,000	0.453	\$ 10,000	0.491
Percentage of Tax Collections for All Purposes	99.36%		99.13%			

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 10

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

Shared Revenue

State

Highway users tax	\$	5,383,611
PERA rate reimbursement		61,078
Disparity reduction aid		29,305
Police aid		189,800
Local government aid		1,745,039
Enhanced 911		129,488
Market value credit		1,664,633
Indian casino aid		52,848
		52,848

Total Shared Revenue **\$ 9,255,802**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	2,436,545
		2,436,545

Payments in lieu of taxes

\$ 199,922

Grants

State

Minnesota Department of		
Corrections	\$	297,639
Public Safety		135,287
Health		174,632
Natural Resources		173,164
Human Services		1,200,105
Veterans Services		4,200
Office of Environmental Assistance		51,196
Pollution Control Agency		7,643
Peace Officer Standards and Training Board		15,555
		15,555

Total State **\$ 2,059,421**

Federal

Department of		
Agriculture	\$	124,960
Justice		2,577
Transportation		1,659,968
Health and Human Services		781,821
Homeland Security		64,209
Election Assistance Commission		348,000
		348,000

Total Federal **\$ 2,981,535**

Total Grants **\$ 5,040,956**

Total Intergovernmental Revenue **\$ 16,933,225**

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 11

**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 Goodhue County.
- B. No matters involving internal control over financial reporting were 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*."
- C. No instances of noncompliance material to the financial statements of Goodhue 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 Goodhue 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:

Highway Planning and Construction	CFDA #20.205
Help America Vote Act	CFDA #90.401
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Goodhue County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

Sheriff's Office (05-1)

The Sheriff's Office had not been reconciling the check register with the inmate trust account.

Resolution

The Sheriff's Office has implemented a new inmate accounting system so it can reconcile the check register with the inmate trust account.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

Sheriff's Office - Recording Receipts and Disbursements (05-2)

Many financial transactions relating to canteen and bail operations were not presented to the Auditor/Treasurer's Office for recording, depositing, and disbursing.

Resolution

All canteen money is now turned in weekly to the Auditor/Treasurer's Office, and bail money is turned in to the courts.

Unclaimed Property (05-3)

The inmate trust bank account had numerous outstanding checks that should be turned over to the Auditor/Treasurer to be reported to the Commissioner of Commerce.

Resolution

The money in the inmate trust account for old outstanding checks has been turned over to the Auditor/Treasurer.

B. **OTHER ITEM FOR CONSIDERATION**

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (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 are similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, which is to provide the accounting and reporting standards for the various other postemployment benefits that 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 by 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.

Schedule 11
(Continued)

Some of the issues 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 Goodhue County, GASB Statements 43 and 45 would have to be implemented for the years ended December 31, 2007 and 2008, respectively.



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
Goodhue County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County as of and for the year ended December 31, 2006, and have issued our report thereon dated November 29, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Goodhue 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Goodhue 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, Goodhue County complied with the material terms and conditions of applicable legal provisions.

Included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to Goodhue County, and it is reported for that purpose.

This report is intended solely for the information and use of the Board of County Commissioners, management, 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

November 29, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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REBECCA OTTO
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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
Goodhue County

Compliance

We have audited the compliance of Goodhue 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. Goodhue 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 Goodhue 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, Goodhue 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 Goodhue 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 the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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 the 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County as of and for the year ended December 31, 2006, and have issued our report thereon dated November 29, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Goodhue 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, 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 29, 2007

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 12

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 117,569
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	7,391
Total U.S. Department of Agriculture		\$ 124,960
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	\$ 2,577
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,654,056
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	5,912
Total U.S. Department of Transportation		\$ 1,659,968
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State Help America Vote Act	90.401	\$ 337,519
U.S. Department of Health and Human Services		
Passed Through Southeastern Minnesota Area Agency on Aging Title III-B Special Programs for the Aging	93.044	\$ 11,487
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	72,349
Temporary Assistance for Needy Families (TANF)	93.558	17,676
Maternal and Child Health Services Block Grant	93.994	41,863
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families (TANF)	93.558	188,389
Child Care Mandatory and Matching Funds	93.596	27,033
Foster Care Title IV-E	93.658	93,842
Social Services Block Grant Title XX	93.667	230,130
Chafee Foster Care Independent Living	93.674	8,067
Medical Assistance	93.778	80,452
Block Grant - Community Mental Health Services	93.958	10,533
Total U.S. Department of Health and Human Services		\$ 781,821

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 12
(Continued)

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	\$ 4,570
Emergency Management Performance Grants	97.042	19,124
Homeland Security Grant	97.067	33,015
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	7,500
Total U.S. Department of Homeland Security		\$ 64,209
Total Federal Awards		\$ 2,971,054

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Goodhue County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. In 2006, \$10,481 of current year federal revenues for CFDA No. 90.401 were not recognized as expenditures because they had not been spent by year-end.
3. During 2006, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.