

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2005

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

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

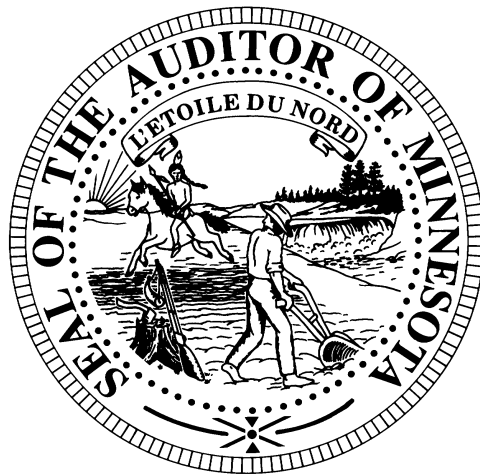
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

For the Year Ended December 31, 2005



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

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**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

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**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

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**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

**ORGANIZATION
AS OF DECEMBER 31, 2005**

		<u>Term Expires</u>
Elected Supervisors	Orville Rosenberry	March 2008
	Connie Kaylor	March 2006
	Tim Orton	March 2008
	Ron Geiser	March 2006
	Brad Fagerman	March 2007
Appointed Clerk/Treasurer	Ann Swanson	Indefinite

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PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Town Board of Supervisors
Town of Shingobee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shingobee, Cass County, Minnesota, as of and for the year ended December 31, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town'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. 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.

As described in Note 1.C., the Town's policy is to prepare its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shingobee, as of December 31, 2005, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the cash basis of accounting described in Note 1.C.

The Town of Shingobee has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison statements, Schedules 1, 2, and 3 in the financial statements, are not a required part of the basic financial statements but are supplementary information required by GASB. 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 the Town of Shingobee's basic financial statements. The supplementary information and other schedule listed in the table of contents are presented for purposes of additional analysis and are 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 presented in all material respects in relation to the basic financial statements taken as a whole.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: May 2, 2006

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET CASH ASSETS
DECEMBER 31, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash	<u>\$ 818,487</u>	<u>\$ 10,808</u>	<u>\$ 829,295</u>
Net Cash Assets			
Unrestricted	<u>\$ 818,487</u>	<u>\$ 10,808</u>	<u>\$ 829,295</u>

**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements), Receipts, and Changes in Net Cash Assets		
		Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General government	\$ 72,295	\$ 91	\$ -	\$ -	\$ (72,204)	\$ -	\$ (72,204)
Public safety	24,233	-	-	-	(24,233)	-	(24,233)
Streets and highways	116,854	7,345	20,323	68,530	(20,656)	-	(20,656)
Culture and recreation	7,000	-	-	-	(7,000)	-	(7,000)
Economic development	7,770	-	8,085	-	315	-	315
Debt principal paid	145,727	-	-	-	(145,727)	-	(145,727)
Debt interest paid	32,550	-	-	-	(32,550)	-	(32,550)
Total Governmental Activities	\$ 406,429	\$ 7,436	\$ 28,408	\$ 68,530	\$ (302,055)	\$ -	\$ (302,055)
Business-Type Activities							
Sewer	16,540	14,100	-	3,353	-	913	913
Total Primary Government	\$ 422,969	\$ 21,536	\$ 28,408	\$ 71,883	\$ (302,055)	\$ 913	\$ (301,142)
General Receipts							
Property taxes, levied for general purposes					\$ 356,137	\$ -	356,137
Grants and contributions not restricted to specific programs					26,386	-	26,386
Investment earnings					11,521	28	11,549
Total general receipts					\$ 394,044	\$ 28	\$ 394,072
Change in net cash assets					\$ 91,989	\$ 941	\$ 92,930
Cash - January 1					726,498	9,867	736,365
Cash - December 31					\$ 818,487	\$ 10,808	\$ 829,295

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General Fund	Road and Bridge Special Revenue Fund	Road Equipment Special Revenue Fund	Debt Service Fund	Other Funds	Total
Assets						
Cash	<u>\$ 208,149</u>	<u>\$ 169,938</u>	<u>\$ 227,248</u>	<u>\$ 176,846</u>	<u>\$ 36,306</u>	<u>\$ 818,487</u>
Cash Fund Balances						
Unreserved						
Designated for debt service	\$ -	\$ -	\$ -	\$ 176,846	\$ -	\$ 176,846
Undesignated	208,149	169,938	227,248	-	-	605,335
Unreserved, reported in nonmajor Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,306</u>	<u>36,306</u>
Total Cash Fund Balances	<u>\$ 208,149</u>	<u>\$ 169,938</u>	<u>\$ 227,248</u>	<u>\$ 176,846</u>	<u>\$ 36,306</u>	<u>\$ 818,487</u>

**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General Fund</u>	<u>Road and Bridge Special Revenue Fund</u>
Receipts		
Property taxes	\$ 52,809	\$ 237,133
Lodging taxes		
Special assessments	-	-
Intergovernmental	4,064	37,935
Charges for services	-	375
Investment earnings	2,908	5,360
Miscellaneous	91	6,970
	<u>59,872</u>	<u>287,773</u>
Total Receipts	\$ 59,872	\$ 287,773
Disbursements		
Current		
General government	\$ 72,295	\$ -
Public safety	-	-
Streets and highways	-	116,854
Culture and recreation	-	-
Economic development	-	-
Debt service		
Principal	-	-
Interest	-	-
	<u>72,295</u>	<u>116,854</u>
Total Disbursements	\$ 72,295	\$ 116,854
Net Change in Cash Balances	\$ (12,423)	\$ 170,919
Cash Balances - January 1	<u>220,572</u>	<u>(981)</u>
Cash Balances - December 31	<u><u>\$ 208,149</u></u>	<u><u>\$ 169,938</u></u>

EXHIBIT 4

Road Equipment Special Revenue Fund	Debt Service Fund	Other Funds	Total Funds
\$ 23,702	\$ -	\$ 42,493	\$ 356,137
-	68,530	8,085	8,085
1,570	-	-	68,530
-	-	3,140	46,709
2,236	599	-	375
-	-	418	11,521
-	-	-	7,061
\$ 27,508	\$ 69,129	\$ 54,136	\$ 498,418
\$ -	\$ -	\$ -	\$ 72,295
-	-	24,233	24,233
-	-	-	116,854
-	-	7,000	7,000
-	-	7,770	7,770
-	145,727	-	145,727
-	32,550	-	32,550
\$ -	\$ 178,277	\$ 39,003	\$ 406,429
\$ 27,508	\$ (109,148)	\$ 15,133	\$ 91,989
199,740	285,994	21,173	726,498
\$ 227,248	\$ 176,846	\$ 36,306	\$ 818,487

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PROPRIETARY FUNDS

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**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

EXHIBIT 5

**STATEMENT OF NET CASH ASSETS
SEWER PROPRIETARY FUND
DECEMBER 31, 2005**

Assets	
Cash and cash equivalents	<u><u>\$ 10,808</u></u>
Net Cash Assets	
Unrestricted	<u><u>\$ 10,808</u></u>

**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

EXHIBIT 6

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN NET CASH ASSETS
SEWER PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

Operating Receipts	
Charges for services	<u>\$ 14,100</u>
Operating Disbursements	
Utilities	\$ 818
Insurance	578
Repairs and maintenance	8,190
Other services and charges	<u>3,474</u>
Total Operating Disbursements	<u>\$ 13,060</u>
Operating Income (Loss)	<u>\$ 1,040</u>
Nonoperating Receipts (Disbursements)	
Special assessments	\$ 3,353
Investment earnings	28
Principal	(3,000)
Interest	<u>(480)</u>
Total Nonoperating Receipts (Disbursements)	<u>\$ (99)</u>
Net Income (Loss)	<u>\$ 941</u>
Cash - January 1	<u>9,867</u>
Cash - December 31	<u><u>\$ 10,808</u></u>

**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. Summary of Significant Accounting Policies

The Town of Shingobee's financial statements are prepared in conformity with the cash basis of accounting for the year ended December 31, 2005.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant changes in the statement include a change in the fund financial statements to focus on major funds. This and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

A. Financial Reporting Entity

The Town of Shingobee is an organized township having the powers, duties, and privileges granted towns by Minn. Stat. ch. 365.

The Town of Shingobee is governed by a five-member Board of Supervisors who are elected to three-year terms. The form of government includes a Clerk/Treasurer who is appointed.

B. Basis of Presentation

1. Government-Wide Statements

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

In the government-wide statement of cash net assets, both the governmental and business-type activities are presented on a consolidated basis by column.

**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basis of Presentation

1. Government-Wide Statements (Continued)

The statement of activities arising from cash transactions demonstrates the degree to which direct disbursements of each function of the Town's activities and different business-type activity are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or activity. Program receipts 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. Receipts that are not classified as program revenues, including all taxes, are presented as general receipts.

2. Fund Financial Statements

The fund financial statements provide information about the Town's funds. The emphasis of governmental and enterprise fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

The General Fund accounts for all receipts and disbursements of the Town which are not accounted for in other funds.

The Road and Bridge Special Revenue Fund accounts for the receipts and disbursements used to finance construction and maintenance costs of Town roads and bridges.

The Road Equipment Special Revenue Fund accounts for receipts and disbursements used to finance equipment needed for maintaining the Town's roads.

The Debt Service Fund accounts for the servicing of general long-term debt.

**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basis of Presentation

2. Fund Financial Statements (Continued)

The Town reports the following major enterprise fund:

The Sewer Fund accounts for the operations of the Ten Mile Lake ESSD.

C. Basis of Accounting

The Town of Shingobee's accounts are maintained on a cash basis. Receipts are recorded when cash is received, and disbursements are recognized when checks are issued. These statements do not give effect to accounts receivable, accounts payable, or other accrued items and, therefore, are not presented in accordance with generally accepted accounting principles.

D. Capital Assets

The Town records capital assets as disbursements at the time of their purchase.

E. Equity Classifications

In the fund financial statements, designations of cash fund balance represent management plans that are subject to change.

F. Budgets

The Town's electors vote to authorize the amount of money to be raised for a given year through tax levies for Town purposes in accordance with Minn. Stat. §§ 365.10 and 365.431. This vote occurs at the Town's annual meeting in March.

**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Disbursements Over Budget

The following fund had disbursements in excess of budget for the year ended December 31, 2005:

	<u>Disbursements</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 72,295	\$ 64,055	\$ 8,240

The excess disbursements were primarily funded through General Fund cash reserves.

B. Deficit Cash Balances

At December 31, 2005, the following fund had a deficit cash balance:

Fire Fund	\$ (1,246)
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3. Detailed Notes - Transaction Classes/Accounts

A. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the Town to deposit its cash in financial institutions designated by the Board. Minnesota statutes require all of the Town's deposits to be covered by insurance, surety bond, or collateral. The market value of collateral pledged is to be at least 10 percent more than the amount on deposit plus accrued interest at the close of the banking day.

Custodial credit risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At December 31, 2005, the Town of Shingobee's bank deposits were \$830,413. The book value of these deposits was \$829,295. At December 31, 2005, \$318,654 was not covered by insurance, surety bond, or collateral.

**TOWN OF SHINGOBBE
CASS COUNTY, MINNESOTA**

3. Detailed Notes - Transaction Classes/Accounts

A. Deposits (Continued)

Following is a summary of the fair values of the Town of Shingobee's deposits at December 31, 2005:

	<u>Book Balance</u>
Checking account	\$ 247,107
Savings account	456,159
Certificates of deposit	<u>126,029</u>
Total	<u>\$ 829,295</u>

B. Property Taxes

Taxes are billed by Cass County to individual property owners within the Town of Shingobee annually and, for the most part, are due and payable in January, but may be paid in two equal installments on or before May 15 and October 15 without penalty. Cass County is the collecting agency for these levies and remits the collections to the Town three times a year. Tax collections are ordinarily recorded in the Town's receipts register when received.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plan

Plan Description

All full-time and certain part-time employees of the Town of Shingobee 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, which is a cost-sharing, multiple-employer retirement plan. The plan is 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.

**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plan

Plan Description (Continued)

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 defined 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. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For Public Employees Retirement Fund members, whose annuity is calculated using Method 1, 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. That report may be obtained on the internet at 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.

**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plan (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from 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 Town 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 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.5 percent. The Town is required to contribute the following percentages of annual covered payroll:

In 2005

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53

In 2006

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.00

The Town's contributions for the years ending December 31, 2005, 2004, and 2003, were \$2,316, \$2,292, and \$2,529, respectively, 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. One Supervisor from the Town participates in the plan.

**TOWN OF SHINGOBEE
CASS COUNTY, 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 Town's contributions for the years ended December 31, 2005, 2004, and 2003, were \$127, \$128, and \$130, respectively, equal to the contractually required contributions for each year as set by statute.

5. Risk Management

The Town of Shingobee is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to the Town's officers and employees; and natural disasters. All risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Receipts				
Property taxes	\$ 55,000	\$ 55,000	\$ 52,809	\$ (2,191)
Intergovernmental	-	-	4,064	4,064
Investment earnings	4,500	4,500	2,908	(1,592)
Miscellaneous	-	-	91	91
Total Receipts	\$ 59,500	\$ 59,500	\$ 59,872	\$ 372
Disbursements				
Current				
General government	64,055	64,055	72,295	(8,240)
Net Change in Cash Balances	\$ (4,555)	\$ (4,555)	\$ (12,423)	\$ (7,868)
Cash - January 1	220,572	220,572	220,572	-
Cash - December 31	\$ 216,017	\$ 216,017	\$ 208,149	\$ (7,868)

**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Receipts				
Property taxes	\$ 250,000	\$ 250,000	\$ 237,133	\$ (12,867)
Intergovernmental	20,000	20,000	37,935	17,935
Charges for services	-	-	375	375
Investment earnings	-	-	5,360	5,360
Miscellaneous	-	-	6,970	6,970
Total Receipts	\$ 270,000	\$ 270,000	\$ 287,773	\$ 17,773
Disbursements				
Current				
Streets and highways	162,260	162,260	116,854	45,406
Net Change in Cash Balances	\$ 107,740	\$ 107,740	\$ 170,919	\$ 63,179
Cash - January 1	(981)	(981)	(981)	-
Cash - December 31	\$ 106,759	\$ 106,759	\$ 169,938	\$ 63,179

**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
ROAD EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Receipts				
Property taxes	\$ 25,000	\$ 25,000	\$ 23,702	\$ (1,298)
Intergovernmental	-	-	1,570	1,570
Investment earnings	-	-	2,236	2,236
Total Receipts	\$ 25,000	\$ 25,000	\$ 27,508	\$ 2,508
Disbursements				
Current				
Streets and highways	-	-	-	-
Net Change in Cash Balances	\$ 25,000	\$ 25,000	\$ 27,508	\$ 2,508
Cash - January 1	199,740	199,740	199,740	-
Cash - December 31	\$ 224,740	\$ 224,740	\$ 227,248	\$ 2,508

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**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2005**

Budgets

The Town's electors vote to authorize the amount of money to be raised for a given year through tax levies for Town purposes in accordance with Minn. Stat. §§ 365.10 and 365.431. This vote occurs at the Town's annual meeting in March.

Disbursements Over Budget

The following fund had disbursements in excess of budget for the year ended December 31, 2005:

	<u>Disbursements</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 72,295	\$ 64,055	\$ 8,240

The excess disbursements were primarily funded through General Fund cash reserves.

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SUPPLEMENTARY INFORMATION

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**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET ARISING FROM CASH TRANSACTIONS
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2005**

	Fire	Cemetery	Public Service	Lodging Tax	Total
Assets					
Cash and investments	\$ (1,246)	\$ 6,226	\$ 26,920	\$ 4,406	\$ 36,306
Cash Fund Balances					
Unreserved Undesignated	\$ (1,246)	\$ 6,226	\$ 26,920	\$ 4,406	\$ 36,306

**TOWN OF SHINGOBEE
CASS COUNTY, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Fire</u>	<u>Cemetery</u>	<u>Public Service</u>	<u>Lodging Tax</u>	<u>Total</u>
Receipts					
Property taxes	\$ 21,773	\$ 5,542	\$ 15,178	\$ -	\$ 42,493
Lodging taxes	-	-	-	8,085	8,085
Intergovernmental	1,570	523	1,047	-	3,140
Investment earnings	29	30	281	78	418
Total Receipts	\$ 23,372	\$ 6,095	\$ 16,506	\$ 8,163	\$ 54,136
Disbursements					
Current					
Public safety	\$ 21,233	\$ -	\$ 3,000	\$ -	\$ 24,233
Culture and recreation	-	-	7,000	-	7,000
Economic development	-	-	-	7,770	7,770
Total Disbursements	\$ 21,233	\$ -	\$ 10,000	\$ 7,770	\$ 39,003
Net Change in Cash Fund Balances	\$ 2,139	\$ 6,095	\$ 6,506	\$ 393	\$ 15,133
Cash Fund Balances - January 1	(3,385)	131	20,414	4,013	21,173
Cash Fund Balances - December 31	\$ (1,246)	\$ 6,226	\$ 26,920	\$ 4,406	\$ 36,306

OTHER SCHEDULE

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**TOWN OF SHINGO BEE
CASS COUNTY, MINNESOTA**

Schedule 4

**SCHEDULE OF LONG-TERM OBLIGATIONS
DECEMBER 31, 2005**

Governmental Activities

	<u>Amount</u>
Long-term debt currently outstanding is as follows:	
\$380,000 General Obligation Street Reconstruction Bonds Series 2004A due in annual installments of \$34,701 to \$45,780, plus interest at 2.45 to 4.35 percent through January 15, 2015.	\$ 380,000
\$251,000 General Obligation Street Reconstruction Bonds Series 2004B due in annual installments of \$22,561 to \$30,768, plus interest at 2.70 to 5.15 percent through January 15, 2014.	228,439
\$378,000 General Obligation Certificates of Indebtedness Series 2004C due in annual installments of \$123,166 to \$129,032, plus interest at 2.05 to 2.85 percent through July 15, 2007.	254,834
Total	\$ 863,273

Annual debt service requirements to maturity for debt outstanding is as follows

Year Ending December 31	Principal	Interest	Total
2006	\$ 183,671	\$ 29,134	\$ 212,805
2007	188,539	24,267	212,806
2008	61,420	19,590	81,010
2009	63,565	17,445	81,010
2010	65,931	15,077	81,008
2011 - 2015	300,147	31,655	331,802
Total	\$ 863,273	\$ 137,168	\$ 1,000,441

Business-Type Activities

	<u>Amount</u>
Long-term debt currently outstanding is as follows:	
\$60,240 General Obligation Public Facilities Authority Note due in annual installments of \$3,000, plus interest at 1.0 percent through August 20, 2020.	\$ 45,000

Annual debt service requirements to maturity for debt outstanding is as follows

Year Ending December 31	Principal	Interest	Total
2006	\$ 3,000	\$ 450	\$ 3,450
2007	3,000	420	3,420
2008	3,000	390	3,390
2009	3,000	360	3,360
2010	3,000	330	3,330
2011 - 2015	15,000	1,200	16,200
2016 - 2020	15,000	450	15,450
Total	\$ 45,000	\$ 3,600	\$ 48,600

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**TOWN OF SHINGOBBE
CASS COUNTY, MINNESOTA**

Schedule 5

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2005

I. INTERNAL CONTROL

05-1 Segregation of Duties

Due to the limited number of office personnel within the Town of Shingobee, segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of Shingobee; however, the Board should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

We recommend that the Board be aware of the absence of segregation of the accounting functions.

II. MINNESOTA LEGAL COMPLIANCE

05-2 Insufficient Collateral to Secure Deposits

Minn. Stat. § 118A.03, subd. 3, requires the total amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit in excess of FDIC insurance. Even though collateral was pledged at December 31, 2005, the collateral pledged by First National Bank was insufficient to comply with the statute. The uncollateralized balance at First National Bank as of December 31, 2005, was \$318,654.

We recommend that the Town of Shingobee comply with the statute and ensure that the necessary collateral is pledged to secure Town deposits.

III. MANAGEMENT PRACTICES

05-3 Township Records Did Not Reconcile to Audit

The January 1, 2005, cash balance stated on the Town records did not agree with the December 31, 2004, audited cash balance on a fund by fund basis. There have been differences between the Town's records and the audited financial statements going back to the December 31, 1999, audit. Adjustments were given to the Town by the previous auditor but were not posted to the Town's records.

We recommend that the Town post an adjustment to its records to adjust the cash balances for each fund to agree with audited figures. The adjustment should be posted in 2006 and should be shown as a transfer. This transfer should be labeled "Audit Adjustment" so that it can be distinguished from other transfers that the Town may make. After posting the entry listed below, we recommend that the Town, by Board resolution, authorize the transfer of funds from the General Fund to the Fire Fund to eliminate the deficit cash balance in the Fire Fund.

The adjustment should be made as follows:

Fund	Transfer In/(Out)
General	\$ 90,597.57
Fire	(7,579.77)
Cemetery	80.37
Road and Bridge	(208,250.16)
Public Service	(2,246.86)
Road Equipment	(4,163.37)
Debt Service	131,636.96
Lodging Tax	(74.78)
Ten Mile	.04
	0.00
Total	\$ 0.00

05-4 Capital Assets

The Town does not maintain a record of capital assets. A complete capital asset record increases internal control over Town property and provides a guide to capital assets for insurance purposes. Having a capital asset record in place will assist the Town in converting to the accrual basis of accounting if it is ever required to do so.

Schedule 5
(Continued)

We recommend that the Town adopt a capital asset policy that sets the dollar threshold for assets that will be tracked. The Town should then compile a capital asset record of all land, buildings, equipment, furniture, fixtures, vehicles, etc., that the Town owns. The capital asset record should list the date of purchase, historical cost of asset, and any distinguishing numbers (VIN number, serial number, etc.) that identify the asset. If historical records are not available for all assets, a reasonable estimate may be used.

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PATRICIA ANDERSON
STATE AUDITOR

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND MINNESOTA LEGAL COMPLIANCE

Town Board of Supervisors
Town of Shingobee

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shingobee as of and for the year ended December 31, 2005, and have issued our report thereon dated May 2, 2006. The Town's financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

The management of the Town of Shingobee is responsible for establishing and maintaining internal control. In fulfilling this responsibility, management must make estimates and judgments to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition,
- transactions are executed in accordance with management's authorization, and
- transactions are recorded properly to permit the preparation of financial statements in accordance with the cash basis of accounting.

Because of inherent limitations in internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, we considered the Town of Shingobee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over

financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Recommendations as item 05-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition listed above is not a material weakness.

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 five categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, the Town of Shingobee complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Recommendations as item 05-2.

This report is intended solely for the information and use of the Town Board of Supervisors and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: May 2, 2006