

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

GOODHUE COUNTY
RED WING, MINNESOTA

YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Year Ended December 31, 2009



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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

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**GOODHUE COUNTY
RED WING, MINNESOTA**

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**GOODHUE COUNTY
RED WING, MINNESOTA**

**CURRENT ORGANIZATION
DECEMBER 31, 2009**

			<u>Term Expires</u>
Elected Officers			
Commissioners			
Chair	Jim Bryant	District 4	January 2011
Vice Chair	Ted Seifert	District 5	January 2013
Board Member	Ronald Allen	District 1	January 2013
Board Member	Richard Samuelson	District 2	January 2011
Board Member	Dan Rehtzigel	District 3	January 2013
Attorney	Steven N. Betcher		January 2011
County Sheriff	Dean Albers		January 2011
Appointed Officials			
Administrator	Scott Arneson		Indefinite
Court Services	Joanne Pohl		Indefinite
Facilities Maintenance	Rick Seyffer		Indefinite
Finance Director	Carolyn Holmsten		Indefinite
Human Resources	Melissa Cushing		Indefinite
Human Services	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, 2009, 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, 2009, 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 September 29, 2010, 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

September 29, 2010

/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, 2009
(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, 2009. We encourage readers to consider the information presented here in conjunction with the County's financial activity and performance.

FINANCIAL HIGHLIGHTS

- On December 31, 2009, Goodhue County's total assets exceed liabilities by \$148,844,192, of which \$116,725,063 is invested in capital assets (net of related debt), and \$2,960,641 is restricted to specific purposes. This leaves year-end unrestricted net assets of \$29,158,488.
- Goodhue County's net assets increased by \$5,986,102 from current operations for the year ended December 31, 2009, of which just over \$2 million relates to the 800 MHz radio project, which was construction in process during 2009. Other asset categories increased as shown in Exhibit 1.
- In 2009, the County paid down \$1,169,377 in long-term debt to help reduce total liabilities by \$879,483. There was a slight increase of \$289,894 in liabilities related to daily operations.
- The County's net expenses supported by fees, grants, and contributions increased by \$5,214,143 from 2008; however, the majority of this amount related to the 800 MHz radio project in progress for public safety, as well as federal grants for highway planning and construction. The net costs were funded by general revenues, grants, and other items totaling \$29,980,250. The general revenue contributions increased by \$1,666,656 from the previous year. The timing from year to year of highway projects and social services along with their related grants continues to fluctuate as it has in the past.
- At the end of the year, the General Fund's unreserved, undesignated fund balance was \$10,560,718. This amount represents approximately 40 percent of expenditures for the year and an increase of \$2,165,918 from 2008.
- The County continues to reduce its long-term debt. The final levy for major debt will be in 2013 with the last payments due in February 2014.

- On December 31, 2009, the County sold its Home Services division of Public Health for \$456,000. This sale included a list of those currently receiving services as well as the County's Public Health Medicare number. The sale also resulted in the reduction of 21 staff positions. The proceeds from the sale are currently included as designated funds by the Board for future Public Health use.
- Goodhue County continues its joint powers agreement with South Country Health Alliance whereby each original participating county has an equity interest. Changes over the last three years have impacted the equity investment, lowering the current asset value in the last year by \$288,076 to \$567,811. South Country is working closely with the State of Minnesota and the Department of Public Health to assure it continues to maintain and increase its financial stability.

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 (such as information about federal grant programs) is included to enhance the reader's understanding of County financial activity.

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 is owned) and liabilities (what is owed). 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 nonfinancial 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, results reported will result in cash flows in a future period. For example, uncollected property taxes and earned, but unused, vacation leave are included here, but the cash will not be received or expended until a later year.

In the Statement of Net Assets and the Statement of Activities mentioned above, 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 services 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.

The financial statements provide two other sources of information:

- 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 these funds.
- 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, 2009, assets exceeded liabilities by \$148,844,192. The following table provides a summary of Goodhue County's governmental net assets, which increased \$6,171,260 from the previous year. Highway construction projects and the 800 MHz radio project account for \$4.25 million of this increase.

Table 1
Net Assets

	Governmental Activities		
	2009	2008	\$ Change
Current and other assets	\$ 40,562,991	\$ 38,006,171	\$ 2,556,820
Capital assets	125,330,010	122,595,053	2,734,957
Total Assets	\$ 165,893,001	\$ 160,601,224	\$ 5,291,777
Long-term debt outstanding	\$ 13,936,928	\$ 15,106,305	\$ (1,169,377)
Other liabilities	3,111,881	2,821,987	289,894
Total Liabilities	\$ 17,048,809	\$ 17,928,292	\$ (879,483)
Net Assets			
Invested in capital assets, net of debt	\$ 116,725,063	\$ 112,395,904	\$ 4,329,159
Restricted	2,960,641	2,667,578	293,063
Unrestricted	29,158,488	27,609,450	1,549,038
Total Net Assets	\$ 148,844,192	\$ 142,672,932	\$ 6,171,260

The largest portion of Goodhue County's net assets, 78 percent, or approximately \$116.7 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 \$29.2 million of net assets, or 19.6 percent, represents unrestricted net assets that may be used to meet ongoing obligations to citizens and creditors. In 2009, unrestricted net assets increased by \$1,549,038. Table 2 shows 2009 overall net assets increased by \$6,880,799. The majority of this increase can be attributed to the infrastructure added by Public Works projects and the construction in progress on the Sheriff's radio project.

Table 2
Changes in Net Assets

	Governmental Activities			
	2009	2008	\$ Change	% Change
Revenues				
Program revenues				
Fees, fines, charges, and other	\$ 7,811,090	\$ 7,456,790	\$ 354,300	4.8
Operating grants and contributions	13,360,818	12,317,997	1,042,821	8.5
Capital grants and contributions	2,543,952	54,905	2,489,047	4,533.4
General revenues				
Property taxes	25,221,707	23,853,442	1,368,265	5.7
Other taxes	42,390	75,850	(33,460)	(44.1)
Grants and contributions	3,186,011	2,949,281	236,730	8.0
Other general revenues	1,530,142	1,435,021	95,121	6.6
Total Revenues	\$ 53,696,110	\$ 48,143,286	\$ 5,552,824	11.5

	Governmental Activities			
	2009	2008	\$ Change	% Change
Program expenses				
General government	\$ 8,951,654	\$ 8,865,569	\$ 86,085	1.0
Public safety	11,954,970	11,644,703	310,267	2.7
Highways and streets	9,448,610	10,182,732	(734,122)	(7.2)
Sanitation	907,992	966,513	(58,521)	(6.1)
Human services	10,396,287	11,065,315	(669,028)	(6.0)
Health	4,008,035	4,026,789	(18,754)	(0.5)
Culture and recreation	634,611	646,002	(11,391)	(1.8)
Conservation of natural resources	618,175	847,435	(229,260)	(27.1)
Economic development	389,188	354,128	35,060	9.9
Interest	400,486	438,797	(38,311)	(8.7)
Total Program Expenses	\$ 47,710,008	\$ 49,037,983	\$ (1,327,975)	(2.7)
Increase (Decrease) in Net Assets	\$ 5,896,102	\$ (894,697)	\$ 6,880,799	769.1
Net Assets - January 1, as restated	142,858,090	143,567,629	(709,539)	(0.5)
Net Assets - December 31	\$ 148,844,192	\$ 142,672,932	\$ 6,171,260	4.3

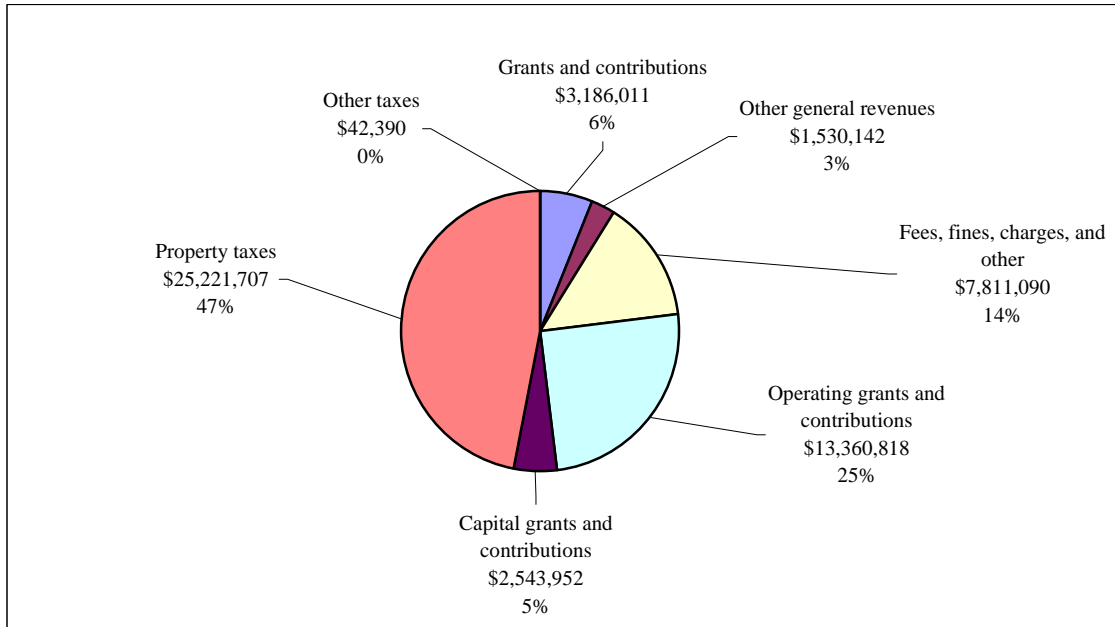
Governmental Activities

Also reflected in Table 2 are the changes in revenues and expenses sorted by activity. In 2009, the total revenues for County governmental activities increased by 11.5 percent, and expenses decreased by 2.7 percent. This variation created an increase in net assets of \$6,880,799.

Operating grants and contributions include state construction funding, which tends to fluctuate widely from year to year based on the current projects. Capital grants include a federal grant from the U.S. Department of Transportation for \$2,253,196, part of which was received by Goodhue County under the American Recovery and Reinvestment Act.

All program expenditures reflect a net decrease of 2.7 percent. It is evident the County took a hard look at its spending patterns as there continues to be talk of tighter finances at the federal, state, and local levels. The only areas where expenditures increased were general government \$86,085 (1 percent), public safety \$310,267 (2.7 percent), and economic development \$35,060 (9.9 percent). Many decreases were in the six- to eight- percent range.

**Governmental Activities
Revenues by Source**



Per Table 2, one can see the cost of all governmental activities in 2009 was \$47,710,008 compared to \$49,037,983 in 2008. However, as shown in the Statement of Activities (Exhibit 2), not all of this is paid for with County revenues. Those who directly benefited from the programs paid \$7,811,090 of the cost. For example, direct users are charged things such as building permit fees, home health fees, recording fees, inmate boarding fees, etc. Another \$15,904,770 was covered by other governments and organizations that subsidized either a specific program or general operations with grants and contributions. Some examples of grants received are State Construction Aid; County Program Aid; State Police Aid; Probation Officer Salary Reimbursements; WIC (Women, Infant, Children); and other public health and human services programs. The amount that was financed for these activities through County general revenues was \$29,980,250.

Overall, County governmental program revenues increased in all areas: fees, charges, fines, and operating and capital grants and contributions from \$19,829,692 in 2008 to \$23,715,860 in 2009. The County paid for the remaining “public benefit” portion of governmental activities with 2009 general revenue dollars of \$29,980,250, up \$1,666,656 from 2008. General revenues, which are made up of primarily taxes (some of which could only be used for certain programs), also include grants and the sale of capital assets. The increase in property taxes collected (including a large delinquent property tax collection), along with the restricted grants for the radio project, investment income, and the sale of the Home Services division of Public Health account for the majority of the increase.

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.

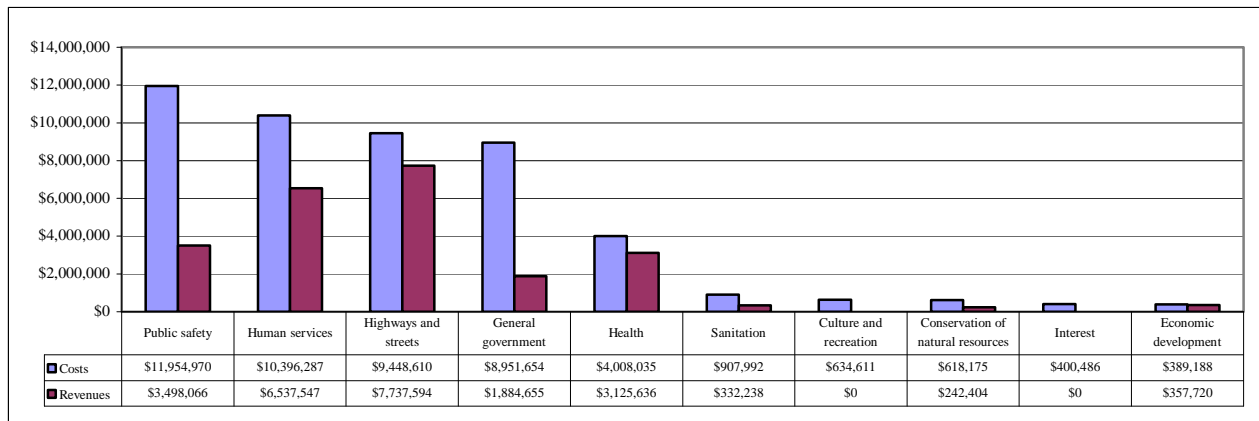
**Table 3
Governmental Activities
Costs of Services**

	Total Cost of Services		
	2009	2008	\$ Change
Public safety	\$ 11,954,970	\$ 11,644,703	\$ 310,267
Human services	10,396,287	11,065,315	(669,028)
Highways and streets	9,448,610	10,182,732	(734,122)
General government	8,951,654	8,865,569	86,085
Health	4,008,035	4,026,789	(18,754)
All others	2,950,452	3,252,875	(302,423)
Totals	\$ 47,710,008	\$ 49,037,983	\$ (1,327,975)

	Net Cost of Services		
	2009	2008	\$ Change
Public safety	\$ 8,456,904	\$ 8,394,273	\$ 62,631
Human services	3,858,740	4,839,341	(980,601)
Highways and streets	1,711,016	5,381,940	(3,670,924)
General government	7,066,999	7,196,625	(129,626)
Health	882,399	1,100,961	(218,562)
All others	2,018,090	2,295,151	(277,061)
Totals	\$ 23,994,148	\$ 29,208,291	\$ (5,214,143)

The net cost of services decreased \$5,214,143 or 17.85 percent, compared to the previous year. 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 leads to the amount of tax revenues needed to help offset operational costs.

**Governmental Activities
Costs and Program Revenues**



Fund Level Financial Analysis

The fund level financial statements offer 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. As recommended by Minnesota County Financial Accounting & Reporting Standards (COFARS), the County strives to maintain the minimum number of funds to meet our legal and operating requirements.

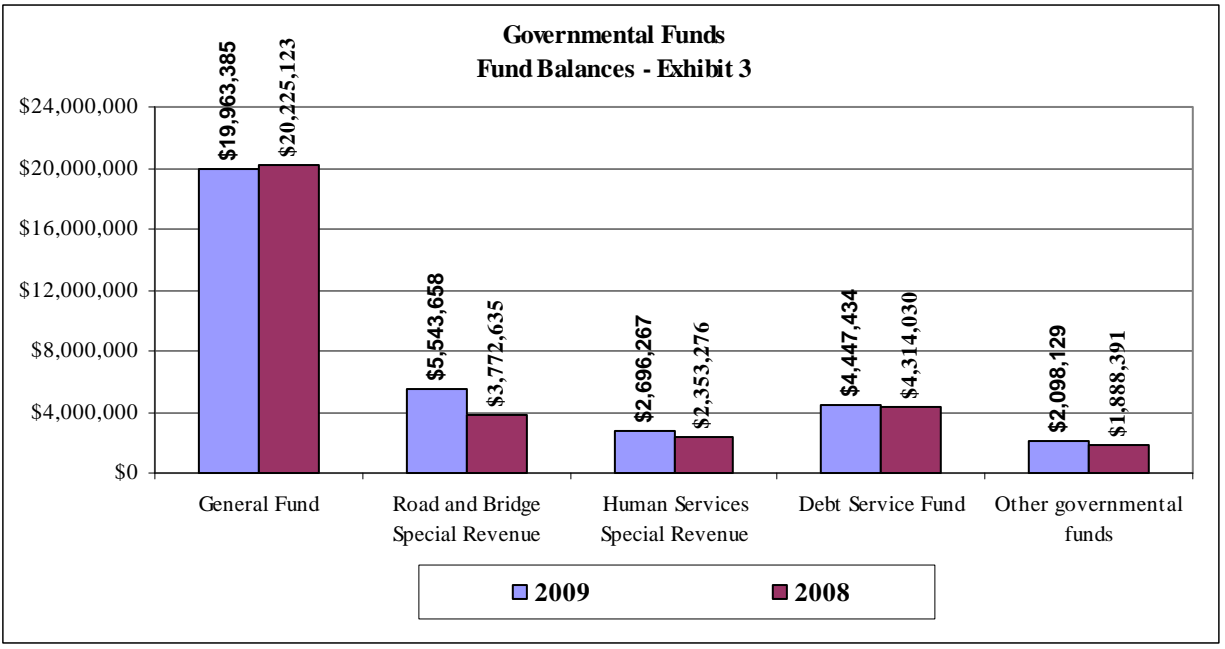
Governmental funds are used to account for the same functions or programs reported as governmental activities in the government-wide financial statements, such as general government or human services. However, the governmental fund financial statements differ from the government-wide statements.

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, (3) Human Services Special Revenue, 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 \$34,748,873. This represents a \$2,195,418 increase (6.74 percent) from December 31, 2008. Maintaining a fund balance for cash flow purposes will be very important as sources of revenue from other governments are anticipated to tighten due to national, state, and local economic factors.



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 decreased by \$261,738, or 1.29 percent, in 2009.

The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$5.54 million fund balance at the end of 2009 that represented a \$1,771,023, or 46.94 percent, increase from 2008. Due to the fluctuation of projects between years and the related federal and state funding, it is not unusual to have the swing in fund balance as noted here. There was federal funding of \$2.25 million received this year alone. Nearly \$500,000 of this fund balance will be used early in 2010 for contracts payable. In addition, the County has been designating tax dollars since 2007 for future costs associated with Minnesota Highway 52, which runs through Goodhue County as it connects the Minneapolis/St. Paul corridor to Rochester.

The Human Services Special Revenue Fund exists to account for resources expended for public assistance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$2.7 million fund balance at the end of 2009, which is 26.9 percent of its expenditures. The fund continues to monitor its spending as more than half of its revenue comes from other governmental sources. At the state level, Minnesota continues to review its social service and medical costs, many of those which filter to the County for mandated services, as the state addresses its budget problems. The federal government is doing likewise. Future reductions in revenue could reduce services provided locally.

The Debt Service Fund contains resources designated for the repayment of debt obligations - yearly principal and interest payments on existing bonds. Most of these funds are derived from tax revenues. The fund had a \$4.45 million fund balance at the end of 2009, which was \$133,404 more than the previous year.

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.

For the year ended December 31, 2009, the County's General Fund actual expenditures were \$2,300,297 less than the projected budget. This is mainly due to the radio project in the Sheriff's Office. This project, endorsed by the Board on September 4, 2007, has carried over \$2,300,000 from 2009 to 2010 in unspent project dollars. In addition to these funds, the County has applied for financial aid from sources such as the State of Minnesota, the Minnesota Department of Public Safety, and the Federal Department of Homeland Security. Over \$2 million has already been committed from outside sources to assist in financing this project. The project is scheduled to be up and running in late 2010 or early 2011.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the County had \$125,330,010 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 of \$2,549,799, largely due to the aforementioned radio project and highway construction projects in progress.

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

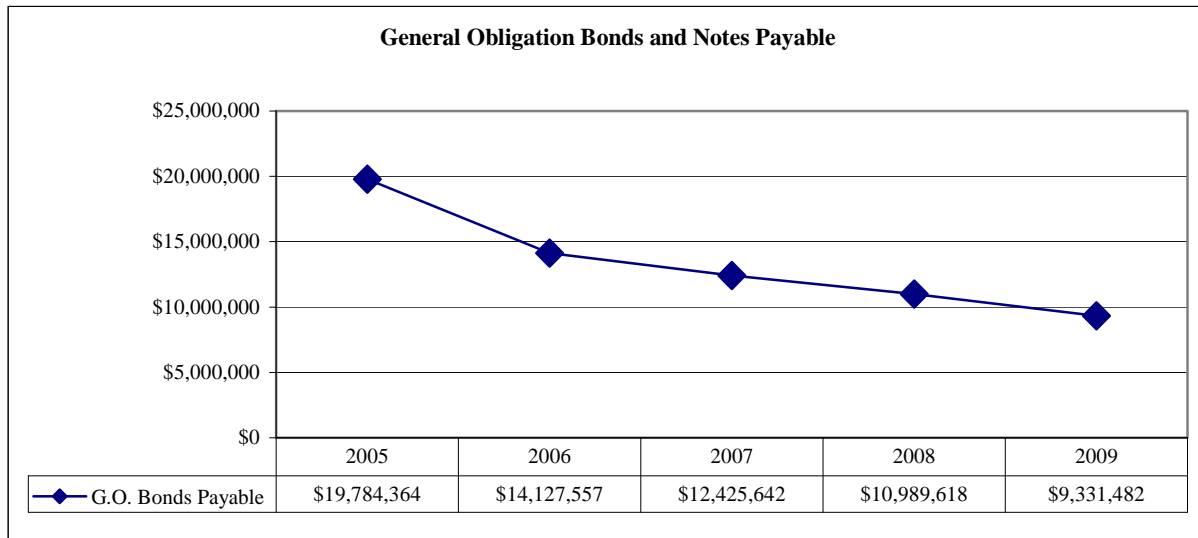
	Governmental Activities		Variance
	2009	2008 (Restated)	
Land	\$ 7,825,717	\$ 7,822,261	\$ 3,456
Construction in progress	6,009,509	1,889,847	4,119,662
Buildings and land improvements	24,046,314	24,940,228	(893,914)
Machinery, vehicles, furniture, and equipment	4,547,164	4,478,100	69,064
Infrastructure	82,901,306	83,649,775	(748,469)
Totals	<u>\$ 125,330,010</u>	<u>\$ 122,780,211</u>	<u>\$ 2,549,799</u>

Debt Administration

Annual payments of principal and interest are regularly made with the final payments of these large debts due in February 2014.

On December 31, 2009, the County had \$9,331,482 in bonds and notes outstanding, a decrease of 14.38 percent, as shown in Table 5. All debt payments were made on a timely basis. There were no refinancing or new debt obligations in 2009.

Table 5



Other long-term liabilities on December 31, 2009, include: compensated absence liability (accrued vacation and sick leave payable) of \$3,772,652, landfill closure and postclosure care liability of \$929,545, special assessments of \$11,127, and capital leases of \$12,971. More detailed information about the County's long-term liabilities is presented in Note 2.C. of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Unemployment

The 12-month average for unemployment in 2009 for the U.S., Minnesota, and Goodhue County was 9.3 percent, 8.0 percent, and 7.9 percent respectively. This compared to 2008 of 5.8 percent, 5.4 percent, and 5.7 percent, respectively. Current 2010 average unemployment rates for 2010 through July were 9.7 percent, 6.8 percent, and 6.8 percent for the U.S., Minnesota, and Goodhue County. Like all local units of government, we are very concerned about both the national and local economic conditions and the impacts on our County. We would like to think the County will continue to trend below the national average. There are no large employers in the County that have recently announced work force reductions as the struggle continues, but we do not know what lies ahead.

Property Value Growth

Gone are the days of property growth exceeding 10 percent. Today, Goodhue County is no different than other counties as tightening markets have an impact on values. Pay 2008's growth fell just below 6 percent, and Pay 2009 and Pay 2010 were each slightly more than 3 percent. Pay 2011 is expected to show a slight decline in property value with continued unknowns as to when things will stabilize.

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 lost beginning in payable 2008, due to valuation changes made by the Minnesota Department of Revenue. With the agreement in place, lost tax revenue will be replaced dollar for dollar by a stabilization payment made by NSP/Xcel.

The initial year, 2008, required Xcel to pay the County \$176,642, followed by \$370,772 in 2009. In May 2010, it paid the first payment of \$268,753, the second equal payment is expected to follow in October.

State Financial Position

The latest media reports indicate the state's November forecast will continue to show a multi-billion dollar deficit. The unallotment of County Program Aid in 2009 and again in 2010 continues to have the County concerned about what future changes lie ahead, both financial and regarding program mandates. There is uncertainty as to whether the state will continue this or whether it feels it has reached the limit on the reductions it can make to county funding.

In order to adapt to the anticipated revenue reductions and the struggle of tax payers, the Commissioners reviewed 2011 in the two-year budget cycle and will be tightening expenditures as noted below.

Budgeting Approach

The Goodhue County Board prepares budgets using a two-year cycle. Two cycles ago, it implemented a very thorough review and budgeting process for all expenditures.

Under current economic conditions, there is continued need to examine current operations very closely when establishing a balanced 2011 budget. It is evident in Schedule 1 that there is concern regarding finances. The overall 2009 expenditures were under the budgeted amount, much of this due to concern of staff regarding what lies ahead. Budgeted expenditures have been reduced in numerous areas, Public Health sold a division, and capital asset purchases budgeted for 2010 are only \$600,000. The capital plan was altered to eliminate some purchases and delay others to be acquired beyond 2011.

Being a service organization, the County's largest expenditures are salaries and benefits of employees. The County offered an Early Retirement Incentive Package effective May 29, 2010, of which there were twelve participants. Replacing any of these staff or others that leave the County is scrutinized very heavily to determine if the position is replaced. Not only will there be budget savings in 2011 but a substantial amount for the remainder of 2010.

With the successful sale of the Home Services division of Public Health in 2009, the County is reviewing its recycling services, inquiring if anyone in the private sector is interested in taking it over. This possible reduction in service, along with items noted above, will help as the County prepares future budgets and determines the amount of taxes required of local property owners.

The 2008, Legislature took action to limit the amount of local levy which could be approved by County Boards for the Pay 2009-2011 taxes. The local Board members are very mindful of their local constituents and, for Pay 2009, increased the levy 3.66 percent (less than the 3.9 percent limit imposed) and, for Pay 2010, kept the levy at that exact same dollar amount. As is the practice throughout Minnesota, the Board established a preliminary levy within the limit in September, and in December, after all special levies requested have been approved by the Department of Revenue, it will finalize all levy amounts for 2011. The preliminary level is an increase of \$200,000 (0.77 percent).

The Board continues to strive for a balanced budget while at the same time effectively promote the safety, health, and well-being of our residents.

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 Finance Office, Goodhue County Government Center, 509 W. 5th Street, Red Wing, Minnesota 55066 or at (651) 385-3032.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	Primary Government Governmental Activities	Belle Creek Watershed Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 33,526,264	\$ 243,070
Petty cash and change funds	2,050	-
Cash with escrow agent	490,604	-
Taxes receivable		
Prior - net	838,659	-
Accounts receivable - net	434,892	-
Accrued interest receivable	101,666	628
Loans receivable	86,941	-
Due from other governments	3,275,019	-
Due from primary government	-	348
Inventories	483,068	-
Prepaid items	423,974	-
Restricted assets		
Cash and pooled investments	217,266	-
Deferred charges	114,777	-
Investment in joint venture	567,811	-
Capital assets		
Non-depreciable	13,835,226	378,550
Depreciable - net of accumulated depreciation	111,494,784	-
Total Assets	\$ 165,893,001	\$ 622,596
<u>Liabilities</u>		
Accounts payable	\$ 708,788	\$ -
Salaries payable	999,426	-
Contracts payable	231,552	-
Due to other governments	754,701	-
Accrued interest payable	124,459	-
Unearned revenue	285,780	-
Customer deposits	7,175	-
Long-term liabilities		
Due within one year	3,255,993	-
Due in more than one year	10,680,935	-
Total Liabilities	\$ 17,048,809	\$ -

**GOODHUE COUNTY
RED WING, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	Primary Government Governmental Activities	Belle Creek Watershed Component Unit
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 116,725,063	\$ 378,550
Restricted for		
General government	621,734	-
Public safety	433,339	-
Highways and streets	1,084,609	-
Human services	1,229	-
Conservation of natural resources	2,853	-
Economic development	50,000	-
Debt service	490,604	-
Landfill postclosure	217,266	-
Gravel pit postclosure	59,007	-
Unrestricted	29,158,488	244,046
Total Net Assets	\$ 148,844,192	\$ 622,596

**GOODHUE COUNTY
RED WING, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 8,951,654	\$ 1,703,439
Public safety	11,954,970	1,934,244
Highways and streets	9,448,610	54,261
Sanitation	907,992	206,127
Human services	10,396,287	1,534,237
Health	4,008,035	2,376,243
Culture and recreation	634,611	-
Conservation of natural resources	618,175	1,539
Economic development	389,188	1,000
Interest	400,486	-
	\$ 47,710,008	\$ 7,811,090
Total Governmental Activities		
	\$ 47,710,008	\$ 7,811,090
Component unit		
Belle Creek Watershed	\$ 8,674	\$ -

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
Special item - sale of home health care division

Total general revenues and special items

Change in net assets

Net Assets - Beginning, as previously reported
Prior period adjustment (Note 1.F.1.)

Net Assets - Beginning

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
\$ 181,216	\$ -	\$ (7,066,999)	
1,563,822	-	(8,456,904)	
5,157,963	2,525,370	(1,711,016)	
126,111	-	(575,754)	
5,003,310	-	(3,858,740)	
749,393	-	(882,399)	
-	-	(634,611)	
222,283	18,582	(375,771)	
356,720	-	(31,468)	
-	-	(400,486)	
\$ 13,360,818	\$ 2,543,952	\$ (23,994,148)	
\$ -	\$ -		\$ (8,674)
		\$ 25,221,707	\$ 9,390
		1,137	-
		41,253	-
		207,343	-
		3,186,011	384
		604,629	6,904
		241,164	-
		21,006	-
		456,000	-
		\$ 29,980,250	\$ 16,678
		\$ 5,986,102	\$ 8,004
		\$ 142,672,932	\$ 614,592
		185,158	-
		\$ 142,858,090	\$ 614,592
		\$ 148,844,192	\$ 622,596

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**GOODHUE COUNTY
RED WING, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 19,675,940	\$ 5,206,848
Petty cash and change funds	1,375	50
Cash with escrow agent	-	-
Taxes receivable		
Prior	473,844	132,695
Special assessments		
Accounts receivable	33,590	327
Accrued interest receivable	101,666	-
Due from other funds	4,261	14,445
Due from other governments	1,113,723	1,280,776
Prepaid items	321,061	23,825
Inventories	-	483,068
Loans receivable	86,941	-
Restricted assets		
Cash and pooled investments	-	-
Total Assets	\$ 21,812,401	\$ 7,142,034
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 364,345	\$ 70,923
Salaries payable	585,820	87,409
Contracts payable	-	231,552
Due to other funds	46,514	-
Due to other governments	164,047	14,980
Deferred revenue - unavailable	572,877	1,193,512
Deferred revenue - unearned	108,238	-
Customer deposits	7,175	-
Total Liabilities	\$ 1,849,016	\$ 1,598,376

EXHIBIT 3

<u>Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 3,032,729	\$ 3,950,200	\$ 1,660,547	\$ 33,526,264
450	-	175	2,050
-	490,604	-	490,604
118,956	70,452	42,712	838,659
214,170	-	186,805	434,892
-	-	-	101,666
7,724	-	54,338	80,768
693,250	-	187,270	3,275,019
50,303	-	28,785	423,974
-	-	-	483,068
-	-	-	86,941
-	-	217,266	217,266
<u>\$ 4,117,582</u>	<u>\$ 4,511,256</u>	<u>\$ 2,377,898</u>	<u>\$ 39,961,171</u>
\$ 245,743	\$ 4,933	\$ 22,844	\$ 708,788
186,652	-	139,545	999,426
-	-	-	231,552
32,475	-	1,779	80,768
549,857	-	25,817	754,701
229,046	58,889	89,784	2,144,108
177,542	-	-	285,780
-	-	-	7,175
<u>\$ 1,421,315</u>	<u>\$ 63,822</u>	<u>\$ 279,769</u>	<u>\$ 5,212,298</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
(Continued)		
Fund Balances		
Reserved for		
Encumbrances	\$ -	\$ 273,551
Sales and use tax	17,650	-
Inventories	-	483,068
Sheriff's contingency	2,477	-
Debt service	-	-
Enhanced 911	181,275	-
Victim assistance	1,466	-
Gravel pit closure	59,007	-
Individual sewage treatment systems	69,476	-
County ditch #1	2,853	-
Prepaid items	321,061	23,825
Law library	82,327	-
Landfill closure	-	-
Recorder's compliance fund	210,604	-
Recorder's equipment purchases	203,759	-
Gun permit applications	23,532	-
Sheriff's forfeited property	2,943	-
Attorney's forfeited property	7,749	-
Veteran's transportation	4,426	-
Community support program	-	-
HAVA grant	22,747	-
Driver awareness program	45,995	-
Unclaimed funds	1,530	-
Counteract	4,727	-
Correction service fee	27,145	-
Sheriff K-9	450	-
Local correctional fees	29,141	-
NPP funds	115,654	-
EDA loan program	-	-
Unreserved, designated in major funds (Note 2.D.)	7,964,673	1,510,723
Unreserved, undesignated	10,560,718	3,252,491
Unreserved in nonmajor special revenue funds	-	-
Total Fund Balances	\$ 19,963,385	\$ 5,543,658
Total Liabilities and Fund Balances	\$ 21,812,401	\$ 7,142,034

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 273,551
-	-	-	17,650
-	-	-	483,068
-	-	-	2,477
-	490,604	-	490,604
-	-	-	181,275
-	-	-	1,466
-	-	-	59,007
-	-	-	69,476
-	-	-	2,853
50,303	-	28,785	423,974
-	-	-	82,327
-	-	217,266	217,266
-	-	-	210,604
-	-	-	203,759
-	-	-	23,532
-	-	-	2,943
-	-	-	7,749
-	-	-	4,426
1,229	-	-	1,229
-	-	-	22,747
-	-	-	45,995
-	-	-	1,530
-	-	-	4,727
-	-	-	27,145
-	-	-	450
-	-	-	29,141
-	-	-	115,654
-	-	50,000	50,000
450	3,956,830	-	13,432,676
2,644,285	-	-	16,457,494
-	-	1,802,078	1,802,078
<u>\$ 2,696,267</u>	<u>\$ 4,447,434</u>	<u>\$ 2,098,129</u>	<u>\$ 34,748,873</u>
<u>\$ 4,117,582</u>	<u>\$ 4,511,256</u>	<u>\$ 2,377,898</u>	<u>\$ 39,961,171</u>

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**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Fund balances - total governmental funds (Exhibit 3)	\$	34,748,873
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		125,330,010
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Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		567,811
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,144,108
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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	\$	(6,615,000)	
Revenue bonds		(2,560,411)	
Bond issuance premiums		(20,136)	
Deferred amounts on refunding		140,985	
Notes payable		(156,071)	
Deferred debt issuance charges		114,777	
Capital leases		(12,971)	
Special assessments		(11,127)	
Compensated absences		(3,772,652)	
Accrued interest payable		(124,459)	
Landfill postclosure care liability		(929,545)	
		(13,946,610)	

Net Assets of Governmental Activities (Exhibit 1)	\$	<u>148,844,192</u>
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**GOODHUE COUNTY
RED WING, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Road and Bridge
Revenues		
Taxes	\$ 14,264,899	\$ 4,104,184
Special assessments	3,087	-
Licenses and permits	143,699	5,145
Intergovernmental	5,172,944	7,307,060
Charges for services	2,431,690	14,284
Fines and forfeits	19,476	-
Gifts and contributions	27,697	-
Investment earnings	604,236	-
Miscellaneous	1,434,889	49,638
	\$ 24,102,617	\$ 11,480,311
Expenditures		
Current		
General government	\$ 9,590,435	\$ -
Public safety	13,146,582	-
Highways and streets	-	9,980,327
Sanitation	8,600	-
Human services	-	-
Health	-	-
Culture and recreation	597,091	21,914
Conservation of natural resources	615,957	-
Economic development	361,970	-
Debt service		
Principal	21,504	-
Interest	2,309	-
Intergovernmental		
Highways and streets	-	323,003
	\$ 24,344,448	\$ 10,325,244
Excess of Revenues Over (Under) Expenditures	\$ (241,831)	\$ 1,155,067
Other Financing Sources (Uses)		
Transfers in	\$ 148,014	\$ 607,456
Transfers out	(634,624)	(79,294)
Proceeds from sale of capital assets	10,703	-
	\$ (475,907)	\$ 528,162

EXHIBIT 5

<u>Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 3,668,220	\$ 1,905,915	\$ 1,332,809	\$ 25,276,027
-	15,495	-	18,582
-	-	186,410	335,254
5,167,007	119,210	997,718	18,763,939
1,113,114	-	2,206,033	5,765,121
-	-	-	19,476
-	-	-	27,697
-	136	1,027	605,399
416,689	-	208,984	2,110,200
\$ 10,365,030	\$ 2,040,756	\$ 4,932,981	\$ 52,921,695
\$ -	\$ -	\$ -	\$ 9,590,435
-	-	-	13,146,582
-	-	-	9,980,327
-	-	703,235	711,835
10,022,039	-	-	10,022,039
-	-	3,951,238	3,951,238
-	-	-	619,005
-	-	-	615,957
-	-	27,218	389,188
-	1,567,136	-	1,588,640
-	340,216	-	342,525
-	-	-	323,003
\$ 10,022,039	\$ 1,907,352	\$ 4,681,691	\$ 51,280,774
\$ 342,991	\$ 133,404	\$ 251,290	\$ 1,640,921
\$ -	\$ -	\$ 27,168	\$ 782,638
-	-	(68,720)	(782,638)
-	-	-	10,703
\$ -	\$ -	\$ (41,552)	\$ 10,703

**GOODHUE COUNTY
RED WING, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Road and Bridge
Special Items		
Sale of home health care division	\$ <u>456,000</u>	\$ <u>-</u>
 Change in Fund Balance	 \$ (261,738)	 \$ 1,683,229
Fund Balance - January 1	20,225,123	3,772,635
Increase (decrease) in reserved for inventories	<u>-</u>	<u>87,794</u>
 Fund Balance - December 31	 \$ <u><u>19,963,385</u></u>	 \$ <u><u>5,543,658</u></u>

EXHIBIT 5
(Continued)

<u>Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 456,000
\$ 342,991	\$ 133,404	\$ 209,738	\$ 2,107,624
2,353,276	4,314,030	1,888,391	32,553,455
-	-	-	87,794
<u>\$ 2,696,267</u>	<u>\$ 4,447,434</u>	<u>\$ 2,098,129</u>	<u>\$ 34,748,873</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 2,107,624

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

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 revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 2,144,108	
Deferred revenue - January 1	(1,768,290)	375,818

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 assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 7,030,683	
Current year depreciation	(4,480,884)	2,549,799

In the statement of net assets, an asset is reported for the equity interest in joint venture. The change in net assets differs from the change in fund equity by the increases and decreases in the investment in joint venture.

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net assets. (288,076)

Principal repayments		
Expenditures for principal retirement	\$ 1,567,136	
Special assessment retirement	10,377	
Capital lease retirement	11,127	1,588,640

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

Amortization of deferred issuance costs	\$ (34,042)	
Amortization of deferred charges on refunding	(41,726)	
Amortization of bond premiums	4,744	
Change in accrued interest payable	17,807	
Change in landfill postclosure care liability	(126,930)	
Change in compensated absences	(255,350)	
Change in inventories	87,794	(347,703)

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 5,986,102

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS

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**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 2,857,892
Due from other governments	<u>31,498</u>
Total Assets	<u>\$ 2,889,390</u>
<u>Liabilities</u>	
Due to component unit	\$ 348
Due to other governments	<u>2,889,042</u>
Total Liabilities	<u>\$ 2,889,390</u>

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**GOODHUE COUNTY
RED WING, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DEEMBER 31, 2009

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, 2009. 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.

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
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 which are described in Note 4.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 that are 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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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.

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, 2009, 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 2009 were \$604,236.

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.

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (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 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 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 the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide 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 resources that have been received, but not yet earned.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Deferred Revenue (Continued)

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	\$ 690,063	\$ -
Loans receivable	86,941	-
Receivables that do not provide current financial resources	1,367,104	-
Grant drawdowns prior to meeting all eligibility requirements	-	285,780
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 2,144,108	\$ 285,780

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.

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 subject to change.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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. 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.

Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on non-governmental 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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues

Intergovernmental (Continued)

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.

F. Prior Period Adjustment

1. Prior Period Adjustment of the Net Assets in the Statement of Activities

As of January 1, 2009, the government-wide financial statements were restated to properly account for capital assets for a radio project. Government activities' net assets were restated to reflect the prior period adjustment.

Net Assets, January 1, 2009, as previously reported	\$ 142,672,932
Adjustment for radio project capital asset	<u>185,158</u>
Net Assets, January 1, 2009, as restated	<u>\$ 142,858,090</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

F. Prior Period Adjustment (Continued)

2. Prior Period Adjustment of the Capital Assets of Governmental Activities

As of January 1, 2009, the government-wide financial statements were restated to properly account for capital assets for a radio project. Government activities' capital assets were restated to reflect the prior period adjustment.

Capital Assets, January 1, 2009, as previously reported	\$ 122,595,053	
Adjustment for radio project capital asset	185,158	
Capital Assets, January 1, 2009, as restated	\$ 122,780,211	

2. 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	\$ 33,526,264	
Petty cash and change funds	2,050	
Cash with escrow agent	490,604	
Restricted cash	217,266	
Fiduciary funds		
Agency funds		
Cash and pooled investments	2,857,892	
Total Cash and Investments	\$ 37,094,076	
Deposits	\$ 29,379,869	
Petty cash and change funds	2,050	
Investments	7,712,157	
Total	\$ 37,094,076	

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better 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 County's deposits may not be returned to it. The County's policy on custodial credit risk mirrors state statute. As of December 31, 2009, Goodhue County's deposits were not exposed to custodial credit risk.

b. Investments

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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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, 2009, all of the investments held in the escrow agent accounts listed below, totaling \$490,604, 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.

The following table presents the County's investment balances at December 31, 2009, and information relating to potential custodial and concentration credit risks:

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		
Mutual funds				
MAGIC - cash management funds	N/A	N/A	N/A	\$ 100,000
Wells Fargo Brokerage - money market mutual funds	Aaa	Moody's	N/A	100,000
Total mutual funds				<u>\$ 200,000</u>
Municipal bonds				
Wells Fargo Brokerage				
Cannon Falls ISD 252	AAA	S&P	<5%	\$ 79,906
Cannon Falls ISD 252	AAA	S&P	<5%	89,582
Cannon Falls ISD 252	AAA	S&P	<5%	88,947
Cannon Falls ISD 252	AAA	S&P	<5%	93,398
Total municipal bonds				<u>\$ 351,833</u>
Agency securities				
Wells Fargo Brokerage				
FHLB	Aaa	Moody's	<5%	\$ 251,563
FHLB	Aaa	Moody's	<5%	254,845
FNMA	Aaa	Moody's	<5%	251,485
FHLMC	Aaa	Moody's	<5%	250,610
Total agency securities				<u>\$ 1,008,503</u>
Bonds				
Small Business Administration				
Wells Fargo Brokerage			N/A	\$ 402,542
EE U.S. savings bonds				<u>\$ 30,675</u>
Escrow agent				
Mutual funds				
US Bank - U.S. Treasury money market funds	Aaa	Moody's	N/A	\$ 490,604
Negotiable certificates of deposit	N/A	N/A	N/A	\$ 5,228,000
Total Investments				<u>\$ 7,712,157</u>

N/A - Not Applicable
<5% - Concentration is less than 5% of investments

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The following table represents the potential interest rate risk related to the County's investments using the segmented time distribution.

Investments	Fair Value	Investment Maturities (in Years)		
		Less Than 2	2 - 3	3 - 5
Municipal bonds				
Cannon Falls ISD 252	\$ 351,833	\$ 79,906	\$ 89,582	\$ 182,345
Agency securities				
FHLB	\$ 251,563	\$ -	\$ 251,563	\$ -
FHLB	254,845	-	254,845	-
FNMA	251,485	-	-	251,485
FHLMC	250,610	-	-	250,610
Total agency securities	\$ 1,008,503	\$ -	\$ 506,408	\$ 502,095
Bonds				
Small Business Administration	\$ 402,542	\$ 17,865	\$ -	\$ 384,677
EE U.S. savings bonds	30,675	4,025	-	26,650
Total bonds	\$ 433,217	\$ 21,890	\$ -	\$ 411,327
Negotiable certificates of deposit	\$ 5,228,000	\$ 3,758,000	\$ 882,000	\$ 588,000
Total investments subject to interest rate risk	\$ 7,021,553	\$ 3,859,796	\$ 1,477,990	\$ 1,683,767
Investments not subject to interest rate risk	690,604			
Total Investments	\$ 7,712,157			

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2009, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 838,659	\$ -
Due from other governments	3,275,019	-
Accounts - net	434,892	-
Interest	101,666	-
Loans receivable	86,941	86,941
Total Governmental Activities	\$ 4,737,177	\$ 86,941

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 7,822,261	\$ 3,456	\$ -	\$ 7,825,717
Construction in progress	1,889,847	5,824,351	1,704,689	6,009,509
Total capital assets not depreciated	\$ 9,712,108	\$ 5,827,807	\$ 1,704,689	\$ 13,835,226
Capital assets depreciated				
Land improvements	\$ 252,269	\$ -	\$ -	\$ 252,269
Buildings	36,533,612	-	-	36,533,612
Machinery, furniture, and equipment	10,491,732	1,045,848	483,817	11,053,763
Infrastructure	136,345,990	1,866,122	189,217	138,022,895
Total capital assets depreciated	\$ 183,623,603	\$ 2,911,970	\$ 673,034	\$ 185,862,539

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Land improvements	\$ 43,042	\$ 9,658	\$ -	\$ 52,700
Buildings	11,802,611	884,256	-	12,686,867
Machinery, furniture, and equipment	6,013,632	973,463	480,496	6,506,599
Infrastructure	<u>52,696,215</u>	<u>2,613,507</u>	<u>188,133</u>	<u>55,121,589</u>
Total accumulated depreciation	<u>\$ 70,555,500</u>	<u>\$ 4,480,884</u>	<u>\$ 668,629</u>	<u>\$ 74,367,755</u>
Total capital assets depreciated, net	<u>\$ 113,068,103</u>	<u>\$ (1,568,914)</u>	<u>\$ 4,405</u>	<u>\$ 111,494,784</u>
Capital Assets, Net	<u>\$ 122,780,211</u>	<u>\$ 4,258,893</u>	<u>\$ 1,709,094</u>	<u>\$ 125,330,010</u>

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

Governmental Activities	
General government	\$ 1,007,885
Public safety	349,589
Highways and streets, including depreciation of infrastructure assets	2,989,181
Human services	58,422
Health	11,324
Sanitation	48,877
Culture and recreation	<u>15,606</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,480,884</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 4,261
Road and Bridge	General	\$ 12,666
	Waste Management	1,779
Total due to Road and Bridge Fund		\$ 14,445
Public Health	General	\$ 26,124
	Human Services	28,214
Total due to Public Health Fund		\$ 54,338
Human Services	General	\$ 7,724
Total Due To/From Other Funds		\$ 80,768

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Transfers to General Fund from Road and Bridge	\$ 73,294	Budget revisions
	6,000	Rail system study
Transfers to General Fund from Public Health Fund	68,720	Budget revisions
Transfers to Public Health Fund from the General fund	17,168	Capital expenditures
Transfers to Road and Bridge Fund from the General Fund	607,456	Capital expenditures
Plus: Transfers to Economic Development Authority from General Fund	10,000	1916 tax incentives
Total Interfund Transfers	\$ 782,638	

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2009, were as follows:

	Governmental Activities
Accounts payable	\$ 708,788
Salaries payable	999,426
Contracts payable	231,552
Due to other governments	754,701
Total Payables	\$ 2,694,467

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 \$36,779. The future minimum lease obligations and the net present value of these minimum payments as of December 31, 2009, were as follows:

Year Ending December 31	Governmental Activities
2010	11,573
2011	2,893
Total minimum lease payments	\$ 14,466
Less: amount representing interest	(1,495)
Present Value of Minimum Lease Payments	\$ 12,971

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2009
General obligation bonds					
1997B G.O. Welch Village Revenue Bonds	2018	\$3,120 - \$8,095	1.58	\$ 143,750	\$ 65,411
1998, 2001, and 2003 G.O. Revenue Notes	2023	\$1,284 - \$7,804	0.00	175,670	156,071
2004A Courts Building Lease Revenue Refunding Bonds	2013	\$240,000 - \$660,000	2.00 - 3.80	4,905,000	2,495,000
2004A Landfill Closure Refunding Bonds	2013	\$140,000 - \$170,000	1.375 - 3.80	1,235,000	650,000
2005A Jail Refunding Bonds	2012	\$750,000 - \$880,000	2.10 - 3.10	5,670,000	2,580,000
2005B Jail Refunding Bonds	2014	\$20,000 - \$1,860,000	3.60 - 3.625	<u>3,460,000</u>	<u>3,385,000</u>
Total General Obligation Bonds				<u>\$ 15,589,420</u>	<u>\$ 9,331,482</u>
Special Assessments					
1999 Law Enforcement Center Improvements	2010	\$11,127	5.00	<u>\$ 111,271</u>	<u>\$ 11,127</u>

4. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

Year Ending December 31	General Obligation Refunding Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 1,015,000	\$ 202,444	\$ 597,249	\$ 81,560
2011	1,045,000	173,688	617,364	60,292
2012	1,075,000	141,913	642,481	37,601
2013	1,620,000	96,341	667,600	13,195
2014	1,860,000	33,713	7,720	534
2015 - 2019	-	-	27,997	892
Total	<u>\$ 6,615,000</u>	<u>\$ 648,099</u>	<u>\$ 2,560,411</u>	<u>\$ 194,074</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

Year Ending December 31	General Obligation Revenue Notes		Special Assessments	
	Principal	Interest	Principal	Interest
2010	\$ -	\$ -	\$ 11,127	\$ 556
2011	-	-	-	-
2012	13,401	-	-	-
2013	15,000	-	-	-
2014	17,568	-	-	-
2015 - 2019	81,840	-	-	-
2020 - 2023	28,262	-	-	-
Total	\$ 156,071	\$ -	\$ 11,127	\$ 556

5. Deferred Amount on Refunding Bonds

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, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activity					
Long-Term Liabilities					
Bonds and notes payable					
G.O. bonds	\$ 7,605,000	\$ -	\$ 990,000	\$ 6,615,000	\$ 1,015,000
G.O. revenue bonds	3,137,547	-	577,136	2,560,411	597,249
G.O. notes	156,071	-	-	156,071	-
Deferred amounts					
For issuance premiums	24,879	-	4,743	20,136	-
On refunding	(182,711)	-	(41,726)	(140,985)	-
Total bonds and notes payable	\$ 10,740,786	\$ -	\$ 1,530,153	\$ 9,210,633	\$ 1,612,249
Special assessments	22,254	-	11,127	11,127	11,127
Capital leases - 2008	23,348	-	10,377	12,971	10,377
Closure and postclosure care	802,615	126,930	-	929,545	-
Compensated absences	3,517,302	1,745,521	1,490,171	3,772,652	1,622,240
Governmental Activity					
Long-Term Liabilities	\$ 15,106,305	\$ 1,872,451	\$ 3,041,828	\$ 13,936,928	\$ 3,255,993

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. 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 \$929,545 landfill closure and postclosure care liability at December 31, 2009, is based on what it would cost to perform all closure and postclosure care in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Not included in the above liability are \$776,592 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, 2009, investments of \$217,266 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 \$1,800,000 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, 2009.

Designation	General	Road and Bridge	Human Services	Debt Service
Petty cash and change	\$ 1,375	\$ 50	\$ 450	\$ -
Debt service	-	-	-	3,956,830
Operations	3,476,636	-	-	-
Inmate improvement	66,714	-	-	-
Ordinance enforcement	349,834	-	-	-
Buildings and grounds	32,064	-	-	-
Employee training and development	82,348	-	-	-
Building permit activities	297,000	-	-	-
Health and wellness	64,410	-	-	-
Compensated absences	627,883	-	-	-
Capital equipment	2,228,979	-	-	-
Extension programs	745	-	-	-

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

D. Fund Balance Designations (Continued)

Designation	General	Road and Bridge	Human Services	Debt Service
Railroad authority	750			
Byllesby dam	279,935	-	-	-
Byllesby park	-	211,726	-	-
Health (home health care sale)	456,000	-	-	-
Township turnbacks	-	39,570	-	-
TH 52 corridor construction	-	1,259,377	-	-
Total	\$ 7,964,673	\$ 1,510,723	\$ 450	\$ 3,956,830

3. 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). PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (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 as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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. 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.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, 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. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. 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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. 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 were required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 808,853	\$ 848,069	\$ 782,393
Public Employees Police and Fire Fund	226,060	305,784	257,828
Public Employees Correctional Fund	132,064	194,090	183,033

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

B. Defined Contribution Plan

Four of seven elected officials eligible are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2009, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,347	\$ 4,347
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

4. 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 Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. 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 \$430,000 per claim in 2009. Should MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

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 County 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.

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
RED WING, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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.

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. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. 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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

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, 2009, was \$567,811. 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.

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.

D. Debt Obligation Contingency

The Southeast 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.

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.

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**

4. Summary of Significant Contingencies and Other Items

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

Loan activity for 2009 and prior years is:

	Prior Years	During 2009
Number of loans made	42	1
Loans outstanding - January 1	\$ -	\$ 107,256
Loans made	350,847	8,600
Payments made on loans	(243,591)	(28,914)
Loans outstanding - December 31	\$ 107,256	\$ 86,942

F. Special Item

On December 31, 2009, Goodhue County sold the Goodhue County Home Health Care Agency for \$456,000. The Home Health Care Agency provided skilled nursing visits, home health aide intermittent visits, physical therapy, and occupational therapy visits to approximately 150 clients in Goodhue County. The Agency was Medicare certified.

5. Belle Creek Watershed 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 their financial relationship, Goodhue County considers this entity a major component unit.

Basis of Presentation

The District does not prepare separate financial statements.

**GOODHUE COUNTY
RED WING, MINNESOTA**

5. Belle Creek Watershed Disclosures (Continued)

B. Detailed Notes on the General Fund

Deposits

At December 31, 2009, the District's deposits were \$243,070.

The District is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The District is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better 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, 2009, the District's deposits were not exposed to custodial credit risk.

Capital Assets

The District's capital asset activity for the year ended December 31, 2009, was as follows:

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

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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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 13,952,196	\$ 13,952,196	\$ 14,264,899	\$ 312,703
Special assessments	-	-	3,087	3,087
Licenses and permits	154,120	154,120	143,699	(10,421)
Intergovernmental	6,160,958	5,828,910	5,172,944	(655,966)
Charges for services	2,469,362	1,969,362	2,431,690	462,328
Fines and forfeits	19,100	19,100	19,476	376
Gifts and contributions	10,200	10,200	27,697	17,497
Investment earnings	1,025,000	825,000	604,236	(220,764)
Miscellaneous	817,391	1,187,391	1,434,889	247,498
Total Revenues	\$ 24,608,327	\$ 23,946,279	\$ 24,102,617	\$ 156,338
Expenditures				
Current				
General government				
Commissioners	\$ 249,506	\$ 245,721	\$ 230,493	\$ 15,228
Courts	155,500	155,500	79,724	75,776
County administration	357,960	351,120	330,995	20,125
County auditor-treasurer	582,523	583,123	572,975	10,148
County assessor	833,753	787,076	737,254	49,822
Elections	36,500	36,500	925	35,575
Data processing	920,604	857,805	810,734	47,071
Personnel	323,407	300,824	292,339	8,485
Attorney	1,451,586	1,435,256	1,392,763	42,493
Law library	93,300	93,300	80,968	12,332
Recorder	410,726	410,726	572,947	(162,221)
Surveyor	477,894	329,094	226,068	103,026
GIS	172,695	172,695	198,027	(25,332)
Building permits	311,211	311,211	274,676	36,535
Planning and zoning	346,151	346,151	318,286	27,865
Planning and zoning	-	-	6,929	(6,929)
Buildings and plant	1,296,384	2,350,272	1,867,613	482,659
Veterans service officer	204,034	204,034	238,063	(34,029)
Other general government	1,279,108	1,300,208	1,358,656	(58,448)
Total general government	\$ 9,502,842	\$ 10,270,616	\$ 9,590,435	\$ 680,181

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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	\$ 8,170,590	\$ 8,270,019	\$ 6,311,855	\$ 1,958,164
Sheriff - seasonal	296,021	238,112	236,791	1,321
Emergency management	171,860	141,844	172,285	(30,441)
Coroner	84,732	84,732	86,222	(1,490)
E-911 system	876,637	859,137	978,551	(119,414)
Adult detention center	4,535,216	4,509,716	4,310,837	198,879
Court services	1,065,038	1,065,038	1,028,700	36,338
Family court services	51,867	51,867	21,341	30,526
Total public safety	\$ 15,251,961	\$ 15,220,465	\$ 13,146,582	\$ 2,073,883
Sanitation				
Individual septic treatment systems	\$ -	\$ -	\$ 8,600	\$ (8,600)
Culture and recreation				
Historical society	\$ 110,250	\$ 110,250	\$ 110,250	\$ -
Regional library	389,879	389,879	389,879	-
Byllesby dam	91,040	91,040	62,812	28,228
Other culture and recreation	31,950	31,950	34,150	(2,200)
Total culture and recreation	\$ 623,119	\$ 623,119	\$ 597,091	\$ 26,028
Conservation of natural resources				
County extension	\$ 155,229	\$ 154,469	\$ 142,165	\$ 12,304
Soil and water conservation	338,075	338,075	435,791	(97,716)
Fairs	38,001	38,001	38,001	-
Total conservation of natural resources	\$ 531,305	\$ 530,545	\$ 615,957	\$ (85,412)
Economic development				
SEMMCHRA	\$ -	\$ -	\$ 356,720	\$ (356,720)
Regional Railroad Authority	-	-	5,250	(5,250)
Total economic development	\$ -	\$ -	\$ 361,970	\$ (361,970)

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Debt service				
Principal	\$ -	\$ -	\$ 21,504	\$ (21,504)
Interest	-	-	2,309	(2,309)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,813</u>	<u>\$ (23,813)</u>
Total Expenditures	<u>\$ 25,909,227</u>	<u>\$ 26,644,745</u>	<u>\$ 24,344,448</u>	<u>\$ 2,300,297</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ (1,300,900)</u>	<u>\$ (2,698,466)</u>	<u>\$ (241,831)</u>	<u>\$ 2,456,635</u>
Other Financing Sources (Uses)				
Transfers in	\$ 80,000	\$ 426,457	\$ 148,014	\$ (278,443)
Transfers out	(896,700)	(1,233,298)	(634,624)	598,674
Proceeds from sale of capital assets	30,000	30,000	10,703	(19,297)
Total Other Financing Sources (Uses)	<u>\$ (786,700)</u>	<u>\$ (776,841)</u>	<u>\$ (475,907)</u>	<u>\$ 300,934</u>
Special Items				
Sale of home health care division	\$ -	\$ -	\$ 456,000	\$ 456,000
Net Change in Fund Balance	<u>\$ (2,087,600)</u>	<u>\$ (3,475,307)</u>	<u>\$ (261,738)</u>	<u>\$ 3,213,569</u>
Fund Balance - January 1	<u>20,225,123</u>	<u>20,225,123</u>	<u>20,225,123</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 18,137,523</u></u>	<u><u>\$ 16,749,816</u></u>	<u><u>\$ 19,963,385</u></u>	<u><u>\$ 3,213,569</u></u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,976,758	\$ 3,976,758	\$ 4,104,184	\$ 127,426
Licenses and permits	7,500	7,500	5,145	(2,355)
Intergovernmental	6,651,175	6,651,175	7,307,060	655,885
Charges for services	13,000	13,000	14,284	1,284
Miscellaneous	22,150	22,150	49,638	27,488
Total Revenues	\$ 10,670,583	\$ 10,670,583	\$ 11,480,311	\$ 809,728
Expenditures				
Current				
Highways and streets				
Administration	\$ 886,986	\$ 936,367	\$ 568,988	\$ 367,379
Maintenance	2,491,043	2,491,043	2,347,455	143,588
Construction	6,236,507	6,163,213	6,004,767	158,446
Equipment maintenance and shop	1,477,294	1,538,094	1,059,117	478,977
Total highways and streets	\$ 11,091,830	\$ 11,128,717	\$ 9,980,327	\$ 1,148,390
Culture and recreation				
Parks	64,753	64,753	21,914	42,839
Intergovernmental				
Highways and streets	288,000	288,000	323,003	(35,003)
Total Expenditures	\$ 11,444,583	\$ 11,481,470	\$ 10,325,244	\$ 1,156,226
Excess of Revenues Over (Under)				
Expenditures	\$ (774,000)	\$ (810,887)	\$ 1,155,067	\$ 1,965,954
Other Financing Sources (Uses)				
Transfers in	\$ 774,000	\$ 884,181	\$ 607,456	\$ (276,725)
Transfers out	-	(73,294)	(79,294)	(6,000)
Total Other Financing Sources (Uses)	\$ 774,000	\$ 810,887	\$ 528,162	\$ (282,725)
Net Change in Fund Balance	\$ -	\$ -	\$ 1,683,229	\$ 1,683,229
Fund Balance - January 1	3,772,635	3,772,635	3,772,635	-
Increase (decrease) in reserved for inventories	-	-	87,794	87,794
Fund Balance - December 31	\$ 3,772,635	\$ 3,772,635	\$ 5,543,658	\$ 1,771,023

The notes to the required supplementary information are an integral part of this schedule.

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,657,786	\$ 3,657,786	\$ 3,668,220	\$ 10,434
Intergovernmental	4,380,362	4,380,362	5,167,007	786,645
Charges for services	1,006,589	1,006,589	1,113,114	106,525
Miscellaneous	420,363	420,363	416,689	(3,674)
Total Revenues	\$ 9,465,100	\$ 9,465,100	\$ 10,365,030	\$ 899,930
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,749,817	\$ 2,749,817	\$ 2,653,364	\$ 96,453
Social services	7,247,099	7,247,099	7,368,675	(121,576)
Total Expenditures	\$ 9,996,916	\$ 9,996,916	\$ 10,022,039	\$ (25,123)
Excess of Revenues Over (Under) Expenditures	\$ (531,816)	\$ (531,816)	\$ 342,991	\$ 874,807
Other Financing Sources (Uses)				
Transfers in	50,000	50,000	-	(50,000)
Net Change in Fund Balance	\$ (481,816)	\$ (481,816)	\$ 342,991	\$ 824,807
Fund Balance - January 1	2,353,276	2,353,276	2,353,276	-
Fund Balance - December 31	\$ 1,871,460	\$ 1,871,460	\$ 2,696,267	\$ 824,807

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**GOODHUE COUNTY
RED WING, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

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, 2009, expenditures exceeded appropriations (the legal level of budgetary control) in the Human Services Special Revenue Fund by \$25,123. Excess expenditures in the Human Services Special Revenue Fund were funded by greater than anticipated revenues and use of fund balance.

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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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,894,819	\$ 1,894,819	\$ 1,905,915	\$ 11,096
Special assessments	10,114	10,114	15,495	5,381
Intergovernmental	112,742	112,742	119,210	6,468
Interest on investments	-	-	136	136
Total Revenues	\$ 2,017,675	\$ 2,017,675	\$ 2,040,756	\$ 23,081
Expenditures				
Debt service				
Principal	\$ 1,567,136	\$ 1,567,136	\$ 1,567,136	\$ -
Interest	450,539	450,539	340,216	110,323
Total Expenditures	\$ 2,017,675	\$ 2,017,675	\$ 1,907,352	\$ 110,323
Net Change in Fund Balance	\$ -	\$ -	\$ 133,404	\$ 133,404
Fund Balance - January 1	4,314,030	4,314,030	4,314,030	-
Fund Balance - December 31	\$ 4,314,030	\$ 4,314,030	\$ 4,447,434	\$ 133,404

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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.

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, 2009**

	Economic Development Authority	Public Health	Waste Management	Total
<u>Assets</u>				
Cash and pooled investments	\$ 99,657	\$ 1,203,207	\$ 357,683	\$ 1,660,547
Petty cash and change funds	-	100	75	175
Taxes receivable				
Prior	993	31,384	10,335	42,712
Accounts receivable	-	173,026	13,779	186,805
Due from other funds	-	54,338	-	54,338
Due from other governments	-	187,055	215	187,270
Prepaid items	-	25,158	3,627	28,785
Restricted assets				
Cash and pooled investments	-	-	217,266	217,266
Total Assets	<u>\$ 100,650</u>	<u>\$ 1,674,268</u>	<u>\$ 602,980</u>	<u>\$ 2,377,898</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 280	\$ 11,409	\$ 11,155	\$ 22,844
Salaries payable	-	122,335	17,210	139,545
Due to other funds	-	-	1,779	1,779
Due to other governments	-	19,343	6,474	25,817
Deferred revenue - unavailable	809	80,470	8,505	89,784
Total Liabilities	<u>\$ 1,089</u>	<u>\$ 233,557</u>	<u>\$ 45,123</u>	<u>\$ 279,769</u>
Fund Balances				
Reserved for prepaid items	\$ -	\$ 25,158	\$ 3,627	\$ 28,785
Reserved for landfill closure and postclosure	-	-	217,266	217,266
Reserved for EDA loan program	50,000	-	-	50,000
Unreserved				
Designated for petty cash	-	100	75	175
Designated for health (SCHA)	-	108,629	-	108,629
Designated for EDA loan program	7,320	-	-	7,320
Undesignated	42,241	1,306,824	336,889	1,685,954
Total Fund Balances	<u>\$ 99,561</u>	<u>\$ 1,440,711</u>	<u>\$ 557,857</u>	<u>\$ 2,098,129</u>
Total Liabilities and Fund Balances	<u>\$ 100,650</u>	<u>\$ 1,674,268</u>	<u>\$ 602,980</u>	<u>\$ 2,377,898</u>

**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, 2009**

	<u>Economic Development Authority</u>	<u>Public Health</u>	<u>Waste Management</u>	<u>Total</u>
Revenues				
Taxes	\$ 30,562	\$ 1,000,550	\$ 301,697	\$ 1,332,809
Licenses and permits	-	180,220	6,190	186,410
Intergovernmental	1,852	850,937	144,929	997,718
Charges for services	1,000	2,137,180	67,853	2,206,033
Interest on investments	-	-	1,027	1,027
Miscellaneous	800	89,750	118,434	208,984
Total Revenues	\$ 34,214	\$ 4,258,637	\$ 640,130	\$ 4,932,981
Expenditures				
Current				
Sanitation	\$ -	\$ -	\$ 703,235	\$ 703,235
Health	-	3,951,238	-	3,951,238
Economic development	27,218	-	-	27,218
Total Expenditures	\$ 27,218	\$ 3,951,238	\$ 703,235	\$ 4,681,691
Excess of Revenues Over (Under) Expenditures	\$ 6,996	\$ 307,399	\$ (63,105)	\$ 251,290
Other Financing Sources (Uses)				
Transfers in	\$ 10,000	\$ 17,168	\$ -	\$ 27,168
Transfers out	-	(68,720)	-	(68,720)
Total Other Financing Sources (Uses)	\$ 10,000	\$ (51,552)	\$ -	\$ (41,552)
Net Change in Fund Balance	\$ 16,996	\$ 255,847	\$ (63,105)	\$ 209,738
Fund Balance - January 1	82,565	1,184,864	620,962	1,888,391
Fund Balance - December 31	\$ 99,561	\$ 1,440,711	\$ 557,857	\$ 2,098,129

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 30,142	\$ 30,142	\$ 30,562	\$ 420
Intergovernmental	1,793	1,793	1,852	59
Charges for services	-	-	1,000	1,000
Miscellaneous	700	700	800	100
Total Revenues	\$ 32,635	\$ 32,635	\$ 34,214	\$ 1,579
Expenditures				
Current				
Economic development				
Community development	42,635	42,635	27,218	15,417
Excess of Revenues Over (Under)				
Expenditures	\$ (10,000)	\$ (10,000)	\$ 6,996	\$ 16,996
Other Financing Sources (Uses)				
Transfers in	10,000	10,000	10,000	-
Net Change in Fund Balance	\$ -	\$ -	\$ 16,996	\$ 16,996
Fund Balance - January 1	82,565	82,565	82,565	-
Fund Balance - December 31	\$ 82,565	\$ 82,565	\$ 99,561	\$ 16,996

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 998,582	\$ 998,582	\$ 1,000,550	\$ 1,968
Licenses and permits	211,250	211,250	180,220	(31,030)
Intergovernmental	590,049	590,049	850,937	260,888
Charges for services	2,213,022	2,213,022	2,137,180	(75,842)
Miscellaneous	76,237	76,237	89,750	13,513
Total Revenues	\$ 4,089,140	\$ 4,089,140	\$ 4,258,637	\$ 169,497
Expenditures				
Current				
Health				
Quality assurance - health services	\$ 2,592,695	\$ 2,523,975	\$ 2,442,008	\$ 81,967
Healthy communities/behaviors	821,911	829,411	755,050	74,361
Disaster preparedness	40,715	40,715	52,434	(11,719)
Infectious disease	194,130	194,130	203,577	(9,447)
Environmental health	439,689	439,689	470,406	(30,717)
Health services - administration	40,700	27,000	27,763	(763)
Total Expenditures	\$ 4,129,840	\$ 4,054,920	\$ 3,951,238	\$ 103,682
Excess of Revenues Over (Under) Expenditures	\$ (40,700)	\$ 34,220	\$ 307,399	\$ 273,179
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ (68,720)	\$ (68,720)	\$ -
Transfers in	40,700	27,000	17,168	(9,832)
Total Other Financing Sources (Uses)	\$ 40,700	\$ (41,720)	\$ (51,552)	\$ (9,832)
Net Change in Fund Balance	\$ -	\$ (7,500)	\$ 255,847	\$ 263,347
Fund Balance - January 1	1,184,864	1,184,864	1,184,864	-
Fund Balance - December 31	\$ 1,184,864	\$ 1,177,364	\$ 1,440,711	\$ 263,347

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
WASTE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 300,001	\$ 300,001	\$ 301,697	\$ 1,696
Licenses and permits	6,200	6,200	6,190	(10)
Intergovernmental	138,362	138,362	144,929	6,567
Charges for services	71,800	71,800	67,853	(3,947)
Interest on investments	9,000	9,000	1,027	(7,973)
Miscellaneous	196,500	196,500	118,434	(78,066)
Total Revenues	\$ 721,863	\$ 721,863	\$ 640,130	\$ (81,733)
Expenditures				
Current				
Sanitation				
Solid waste	\$ 75,009	\$ 75,009	\$ 73,610	\$ 1,399
Recycling	410,971	410,971	360,961	50,010
Hazardous waste	131,483	131,483	104,031	27,452
Landfill	170,400	205,400	164,633	40,767
Total Expenditures	\$ 787,863	\$ 822,863	\$ 703,235	\$ 119,628
Excess of Revenues Over (Under) Expenditures	\$ (66,000)	\$ (101,000)	\$ (63,105)	\$ 37,895
Other Financing Sources (Uses)				
Transfers in	22,000	57,000	-	(57,000)
Net Change in Fund Balance	\$ (44,000)	\$ (44,000)	\$ (63,105)	\$ (19,105)
Fund Balance - January 1	620,962	620,962	620,962	-
Fund Balance - December 31	\$ 576,962	\$ 576,962	\$ 557,857	\$ (19,105)

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**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, 2009**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>FAMILY COLLABORATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 601,017	\$ 283,606	\$ 333,615	\$ 551,008
Due from other governments	39,759	126,815	135,076	31,498
Total Assets	<u>\$ 640,776</u>	<u>\$ 410,421</u>	<u>\$ 468,691</u>	<u>\$ 582,506</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 640,776</u>	<u>\$ 410,421</u>	<u>\$ 468,691</u>	<u>\$ 582,506</u>
<u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 983,545</u>	<u>\$ 50,635,893</u>	<u>\$ 49,461,412</u>	<u>\$ 2,158,026</u>
<u>Liabilities</u>				
Due to component unit	\$ 208	\$ 9,261	\$ 9,121	\$ 348
Due to other governments	983,337	50,626,632	49,452,291	2,157,678
Total Liabilities	<u>\$ 983,545</u>	<u>\$ 50,635,893</u>	<u>\$ 49,461,412</u>	<u>\$ 2,158,026</u>
<u>OTHER AGENCY FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 141,800	\$ 1,787,268	\$ 1,780,210	\$ 148,858
Accounts receivable	10,572	-	10,572	-
Total Assets	<u>\$ 152,372</u>	<u>\$ 1,787,268</u>	<u>\$ 1,790,782</u>	<u>\$ 148,858</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 152,372</u>	<u>\$ 1,787,268</u>	<u>\$ 1,790,782</u>	<u>\$ 148,858</u>

**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, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,726,362	\$ 52,706,767	\$ 51,575,237	\$ 2,857,892
Accounts receivable	10,572	-	10,572	-
Due from other governments	39,759	126,815	135,076	31,498
Total Assets	\$ 1,776,693	\$ 52,833,582	\$ 51,720,885	\$ 2,889,390
<u>Liabilities</u>				
Due to component unit	\$ 208	\$ 9,261	\$ 9,121	\$ 348
Due to other governments	1,776,485	52,824,321	51,711,764	2,889,042
Total Liabilities	\$ 1,776,693	\$ 52,833,582	\$ 51,720,885	\$ 2,889,390

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
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General Fund	Reconciliation	Statement of Net Assets
<u>Assets</u>			
Cash and pooled investments	\$ 243,070	\$ -	\$ 243,070
Accrued interest receivable	628	-	628
Due from primary government	348	-	348
Capital assets			
Not depreciable - land	-	378,550	378,550
Total Assets	\$ 244,046	\$ 378,550	\$ 622,596
<u>Fund Balance/Net Assets</u>			
Fund Balance			
Unreserved			
Undesignated	\$ 244,046	\$ (244,046)	
Net Assets			
Invested in capital assets		\$ 378,550	\$ 378,550
Unrestricted		244,046	244,046
Total Net Assets		\$ 622,596	\$ 622,596
Reconciliation of the General Fund Balance to Net Assets			
Fund Balance - Governmental Fund			\$ 244,046
Capital assets are reported in the Statement of Net Assets but not on the fund balance sheet.			378,550
Net Assets - Governmental Activities			\$ 622,596

**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, 2009**

	<u>General Fund</u>	<u>Reconciliation</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 9,390	\$ -	\$ 9,390
Intergovernmental	384	-	384
Investment earnings	<u>6,904</u>	<u>-</u>	<u>6,904</u>
Total Revenues	\$ 16,678	\$ -	\$ 16,678
Expenditures/Expenses			
Current			
General government	<u>8,674</u>	<u>-</u>	<u>8,674</u>
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$ 8,004	\$ -	\$ 8,004
Fund Balance/Net Assets - January 1	<u>236,042</u>	<u>378,550</u>	<u>614,592</u>
Fund Balance/Net Assets - December 31	<u><u>\$ 244,046</u></u>	<u><u>\$ 378,550</u></u>	<u><u>\$ 622,596</u></u>

The only difference between the modified and full accrual for the District is capital assets consisting of nondepreciable land.

OTHER SCHEDULES

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 8

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

	2008		2009		2010	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 58,825,975		\$ 60,900,337		\$ 60,999,634	
Personal property	693,432		687,117		695,395	
Tax increment	(1,711,987)		(1,778,360)		(1,145,795)	
Net Tax Capacity	<u>\$ 57,807,420</u>		<u>\$ 59,809,094</u>		<u>\$ 60,549,234</u>	
Taxes Levied for County Purposes						
General	\$ 14,083,835	25.269	\$ 14,520,656	25.198	\$ 14,939,153	25.606
Road and Bridge	4,025,980	6.973	4,175,233	6.998	4,115,468	6.822
County Welfare	3,305,176	5.725	3,875,424	6.496	3,909,980	6.481
Public Health Service	872,900	1.512	1,057,998	1.773	686,630	1.138
Land Use Management	390,733	0.677	-	-	-	-
Economic Development Authority	31,435	0.054	31,935	0.054	12,957	0.021
Debt Service	2,007,185	3.472	2,007,561	3.357	2,009,740	3.320
Waste Management	351,155	0.608	317,851	0.533	312,730	0.518
Total Taxes Levied for County Purposes	<u>\$ 25,068,399</u>	<u>44.29</u>	<u>\$ 25,986,658</u>	<u>44.409</u>	<u>\$ 25,986,658</u>	<u>43.906</u>
Tax Capacity - Light and Power						
Transmission	\$ 43,836		\$ 42,960		\$ 42,306	
Distribution	6,068		5,950		5,860	
Total Tax Capacity - Light and Power	<u>\$ 49,904</u>		<u>\$ 48,910</u>		<u>\$ 48,166</u>	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.40, as amended)						
Transmission	\$ 45,588		\$ 44,013		\$ 43,385	
Distribution	6,310		6,096		6,009	
Total Light and Power Tax Levies	<u>\$ 51,898</u>	103.996	<u>\$ 50,109</u>	102.450	<u>\$ 49,394</u>	102.550

**GOODHUE COUNTY
RED WING, MINNESOTA**

*Schedule 8
(Continued)*

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

	2008		2009		2010	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Market Value - Light and Power						
Transmission	\$ 2,229,300		\$ 2,185,500		\$ 2,152,800	
Distribution	303,400		297,500		293,000	
Total Market Value - Light and Power	\$ 2,532,700		\$ 2,483,000		\$ 2,445,800	
Light and Power Tax Market Value Levies						
Transmission	\$ 2,878		\$ 3,812		\$ 3,788	
Distribution	392		519		516	
Total Light and Power Tax Market Value Levies	\$ 3,270	0.12912	\$ 4,331	0.17440	\$ 4,304	0.17597
Market Value - State General Tax						
Transmission	\$ 43,836		\$ 42,960		\$ 42,306	
Distribution	6,068		5,950		5,860	
Total Market Value - State General Tax	\$ 49,904		\$ 48,910		\$ 48,166	
State General Tax Market Value Levies						
Transmission	\$ 20,142		\$ 19,562		\$ 19,410	
Distribution	2,788		2,709		2,689	
Total State General Tax Market Value Levies	\$ 22,930	45.949	\$ 22,271	45.535	\$ 22,099	45.881
Special Assessments						
Belle Creek Watershed Improvement Bonds	\$ 10,000	0.451	\$ 10,000	0.438	\$ 10,000	0.421
Percentage of Tax Collections for All Purposes						
	98.32%		98.25%			

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 9

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Shared Revenue

State

Highway users tax	\$	4,692,869
PERA rate reimbursement		61,078
Disparity reduction aid		29,148
Police aid		254,294
County program aid		1,609,200
Market value credit		1,470,150
Indian casino aid		19,007
Enhanced 911		129,602

Total shared revenue	\$	<u>8,265,348</u>
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Reimbursement for Services

State

Minnesota Department of Human Services	\$	<u>1,297,193</u>
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Payments

Local

Local contributions	\$	147,602
Payments in lieu of taxes		<u>207,343</u>

Total payments	\$	<u>354,945</u>
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Grants

State

Minnesota Department/Board of		
Corrections	\$	321,116
Health		185,521
Human Services		1,275,238
Natural Resources		144,825
Pollution Control		12,865
Public Safety		84,552
Transportation		113,150
Veterans Affairs		4,200
Water and Soil Resources		138,946
Office of Environmental Assistance		113,246
Peace Officer Standards and Training Board		<u>15,182</u>

Total state	\$	<u>2,408,841</u>
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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 9
(Continued)

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal	
Department of	
Agriculture	\$ 317,837
Justice	814,511
Housing and Urban Development	356,720
Transportation	2,260,668
Health and Human Services	2,593,113
Homeland Security	94,763
	<hr/>
Total federal	\$ 6,437,612
	<hr/>
Total state and federal grants	\$ 8,846,453
	<hr/>
Total Intergovernmental Revenue	\$ 18,763,939
	<hr/> <hr/>

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 10

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Goodhue County.
- B. Sufficient deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements and 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*." None were material weaknesses.
- 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:

Community Development Block Grant	CFDA #14.228
Public Safety Partnership and Community Policing Grant	CFDA #16.710
Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Highway Planning and Construction - ARRA	CFDA #20.205
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563

Foster Care Title IV-E Cluster	
Foster Care Title IV-E	CFDA #93.658
Foster Care Title IV-E - ARRA	CFDA #93.658
Medical Assistance Program	CFDA #93.778

H. The threshold for distinguishing between Types A and B programs was \$300,000.

I. Goodhue County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

07-2 Audit Adjustments

A deficiency in internal control over financial reporting 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 and correct, misstatements of the financial statements on a timely basis.

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

The inability to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

We recommend that the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

Client's Response:

It is an ongoing process for Goodhue County to look for and implement improvements to our current internal control procedures.

08-1 Payroll Segregation of Duties

During our review of internal controls over payroll, we noted that the individual entering the information from the time sheets is also the same individual reviewing the information entered into the system for accuracy.

Controls to avoid the situation described above should be included in the payroll written procedures which document controls and procedures for the payroll process. The written procedures should include all steps including who is performing each step.

We recommend the review of time sheet information should be performed by an employee that does not record this information. Controls should also be documented by written procedures for the payroll process.

Client's Response:

After the December 16, 2009, payroll period, Goodhue County changed how payroll was processed. The Human Resource Analyst processes payroll for the Health and Human Services Department and the Sheriff's Office. The Payroll Technician processes all other payroll. Once the timesheets are entered and calculated, as a final cross check, the Human Resource Analyst checks the timesheets that the Payroll Technician entered for accuracy, and the Payroll Technician checks the timesheets the Human Resource Analyst entered for accuracy.

Also, the Human Resource Director checks the audit logging report which accounts for all changes made to payroll. The Human Resource Director has no access to electronically change anything in payroll and performs no functions in payroll processing.

08-3 Departmental Internal Accounting Controls

One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction.

Due to the limited number of personnel within some County fee offices, specifically the fee office of Recycling that was reviewed this year, segregation of accounting duties necessary to ensure adequate internal accounting control is not always possible. This is not unusual in operations the size of Goodhue County; however, the County's management 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 internal control point of view.

We recommend the County Board segregate accounting duties as much as possible. When it is not feasible to segregate certain duties, Goodhue County management should be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are being followed by staff.

Client's Response:

Goodhue County continues to look for ways to improve upon the internal controls already in place in fee offices as well as those offices with limited personnel and throughout other departments in the County.

PREVIOUSLY REPORTED ITEMS RESOLVED

Disbursement Internal Controls - New Vendors (08-2)

Employees who perform disbursement procedures or review disbursements have the ability to enter new vendors into the Integrated Financial System. These employees also have the ability to enter disbursements and print warrants. New vendors added to the Integrated Financial System are not reviewed by an individual independent from the disbursement process.

Resolution

The County has new vendor review procedures.

Public Health Disbursement Authorization (08-4)

During the review of the Public Health disbursement process, we noted that the review and approval of invoices by the departmental accountant was being performed after payment had been made. The review of the check register was also being performed after the checks were already printed.

Resolution

Approval of invoices is performed before payment is made, and review of check register is being performed before the checks are printed.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS RESOLVED

Community Development Block Grant (CFDA #14.228) Subrecipient

Monitoring (08-5)

Goodhue County did not have policies and procedures in place for monitoring subrecipients, nor did it monitor subrecipient activity for the Federal Community Development Block Grant Program, CFDA #14.228 (grant passed through to the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA)).

Resolution

The County has policies and procedures in place for monitoring subrecipients. The County is also monitoring subrecipient activity.

Medical Assistance (CFDA #93.778) Disbursement Authorization (08-6)

During the review of the Public Health disbursements process, we determined that the review and approval of invoices by the departmental accountant was being performed after payment had been made. The review of the check register was also being performed after the checks were already printed.

Resolution

The County is approving Public Health disbursement before payment is made, and the check register is being reviewed before the checks are printed.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

08-7 Driver Awareness Class

Goodhue County has established a Driver Awareness Class option in lieu of issuance or court filing of a state uniform traffic ticket. The County hands out a Driving Awareness Class brochure with “simpler” traffic tickets. Motorists who are given brochures are given the option of paying \$75 and attending a two-hour Driving Awareness Class in lieu of having their citations prosecuted. This is in violation of Minn. Stat. § 169.022, which states, “. . . Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalties provided for in this chapter for the same offense.”

In 2009, the Minnesota Legislature enacted a new statute, Minn. Stat. § 169.999, to authorize the issuance of administrative citations and prescribe criteria for them. *See* 2009 Minn. Laws, ch. 158. Among other provisions, the new law states that a governing body resolution must be passed to authorize issuance of administrative citations. The resolution must bar peace officers from issuing administrative citations in violation of Minn. Stat. § 169.999 and specifies the offenses for which an administrative citation may be used. The authority requires the use of a uniform administrative citation prescribed by the Commissioner of Public Safety and specifies that the fine for an administrative violation must be \$60, two-thirds of which must be credited to the general revenue fund of the local unit of government, and one-third of which must be transferred to the Commissioner of Minnesota Management and Budget for deposit in the state’s General Fund. A local unit of government receiving administrative fine proceeds must use one-half of the funds for law enforcement purposes. Each local unit of government must follow these and other criteria specified in the new statute. The County has not passed a resolution in regards to Minn. Stat. § 169.999.

We recommend the County comply with Minn. Stat. ch. 169, including Minn. Stat. § 169.999 or any subsequent legislation by not offering a safety class in lieu of issuance or court filing of a state uniform traffic ticket.

Client's Response:

Goodhue County respectfully asserts that the Goodhue County Sheriff's Driver Awareness Classes are not covered by past legislative language or by recent changes in Minnesota traffic statutes.

Over the past year, the Goodhue County Sheriff's Office, in conjunction with the Goodhue County Attorney's Office, and with the approval of the Judges of the Goodhue County District Court, has operated a driver education program. The Goodhue County Sheriff's Office and the Goodhue County Attorney's prosecuting office presents individuals cited with petty misdemeanor traffic offenses an opportunity to stay prosecution of their charges. Deputies issue a standard traffic citation to a qualifying alleged offender, but the tickets are not filed with the Court unless a subject fails to successfully complete the diversion class, or unless court involvement is requested by the potential defendant. A \$75.00 fee is charged to cover the cost of the driver education class and to support enforcement of traffic regulations.

Program guidelines assure that eligible individuals have not allegedly committed serious driving violations, have not had prior extensive driving violations, and are not holders of commercial vehicle licenses. This program is based on the same educational principles as the successful 55 Alive insurance company program for older drivers which has proven that periodic re-education of drivers improves highway safety. Traffic safety education is popular with participants and operates without the use of state funds, freeing valuable court time for serious offenses and offenders.

The Goodhue County program is not based on an administrative ticket, rather authority is rooted in prosecutorial discretion and the County Attorney's decision to prefer driver education over in-court prosecution. The agreement is legally deemed a continuance for dismissal, the suspension of prosecution pending fulfillment of obligations and ultimate dismissal of charges. Pursuant to Minn. Stat. Sec. 609.132, the decision to offer or agree to a continuance for dismissal is an exercise of prosecutorial discretion, resting solely with the prosecuting attorney. By this exercise of prosecutorial discretion, the criminal charges are not literally filed with Goodhue County District Court. Rather, the citations bearing the infractions are housed at the Goodhue County Sheriff's Office. Thus, the Court has no involvement.

Schedule 10
(Continued)

In reviewing the surcharge statute, Minn. Stat. Sec. 357.021, Subd. 6, states a court shall impose, and the court administrator shall collect, a surcharge on every person convicted of a petty misdemeanor. Subdivision 6(f) mandates such imposition and collection from individuals who successfully complete a diversion or similar program. Statutes do not contain definitions of “diversion” program and “similar program”.

There is one somewhat pertinent definition contained in Minn. Stat. Sec. 401.065, Subd. 1(2), which defines “pretrial diversion”. Pretrial diversion deals with the decision of a prosecutor to refer an offender to a diversion program. However, the term “offender” includes a person dealing with a felony, gross misdemeanor or misdemeanor. An offender does not include a person cited with a petty misdemeanor. Thus, the specific definition of “pretrial diversion” does not apply. A statutory definition of “diversion” does not exist.

Because “diversion” is not defined, it is a general word. General words are construed to be restricted in their meaning by preceding particular words. Minn. Stat. Sec. 645.08(3). The entirety of Minn. Stat. Sec. 357.01, Subd. 6(f) reads, “A person who successfully completes a diversion or similar program for a violation of chapter 169 must pay the surcharge described in this subdivision.” The preceding particular words of subdivision 6 in the surcharge statute speak of the court imposing surcharges and the court administrator collecting surcharges. There is nothing in subdivision 6 to provide any guidance in defining a diversion program or similar program.

In reviewing the definition of Court Administrator, Minn. Stat. Sec. 645.44, subd. 2, states “Court Administrator” means the court administrator of the court in which the action or proceeding is pending. As outlined above, when a case is continued for dismissal, there is nothing proceeding or pending in any court. Should a defendant receive a continuance for dismissal of his or her matter when in court, he or she does not have to pay a statutory surcharge, only court costs and costs of prosecution. Thus, practically speaking, if continuances for dismissal offered after citations are filed with the court do not require surcharges, certainly the same deal offered before citations are filed with the court should not trigger collection or surcharges by court administration.

When the words of a law are not explicit, the intention of the legislature may be considered. Minn. Stat. Sec. 645.16. It appears that the legislature intended the subdivision 6(f) diversion language to include only citations filed with a court which are referred to a diversion program. The legislature recently added

subdivision 6(g) to Minn. Stat. Sec. 357.021 which specifically carves out application of the statute to administrative citations. Administrative citations are not filed with courts and are handled by non-judicial hearing officers. This legislative action further bolsters the stance that it was not the legislature's intent to impose surcharges on matters dealt with outside of court. Furthermore, when the legislature has so recently and thoroughly revisited this topic, we must conclude that a Sheriff's Driver's Awareness clinic like ours was intentionally omitted from the promulgated amendments.

Auditor's Reply:

As indicated by the Minnesota Attorney General's Office, the state has fully entered the field of traffic regulation through Chapter 169 of the Minnesota Statutes. See Attorney General's Office December 1, 2003, letter to Rep. Steve Smith. For this reason, local governments are precluded from creating their own enforcement systems inconsistent with those prescribed by statute. *Id.* As noted above, Minn. Stat. § 169.999 authorizes administrative citations and prescribes criteria for them.

The Attorney General recognized that Minn. Stat. § 169.89, subd. 5, "authorizes a trial court to require, as part of or in lieu of other penalties, that convicted persons attend a driver improvement clinic. All such programs, however, require that a *trial court* make the determination as to whether attendance at such a clinic is appropriate." The statutes regarding driver improvement clinics specifically state that such clinics are for "persons convicted of traffic violations." Minn. Stat. § 169.971. The tuition fee for an authorized clinic may not exceed \$50 or the actual cost of the course. Minn. Stat. § 169.972, subd. 2. The "Safe Driving Class" is not authorized by these statutes.

The Client's Response does not cite any state law that authorizes the County's diversion program or any part of the program. In fact, three paragraphs of the Response are devoted to explaining why the County's diversion program does not fit any statutory definition of a "diversion" program. The County concludes that its program is therefore not restricted by any state law, missing entirely the actual legal conclusion that the County's diversion program is not authorized by law. The County is correct that its diversion program is not consistent with any diversion program actually authorized by law.

The "Driver Awareness Class" is neither an authorized administrative citation program nor an authorized driver improvement clinic. We recommend the County comply with Minn. Stat. ch. 169.

ITEM ARISING THIS YEAR

09-1 Insufficient Collateral

Governmental entities are required by Minn. Stat. § 118A.03 to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit. The County had deposits at Wells Fargo Bank that were not adequately covered by collateral. The amount of collateral required to secure deposits at the Wells Fargo Bank at December 31, 2009, was \$142,071 more than the amount of collateral pledged.

We recommend the County monitor all County deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

Client's Response:

The County does have a procedure in place to monitor all County deposits in accordance with Minnesota statutes. This procedure was developed with the assistance of the State Auditors. The reason deposits were not adequately covered had to do with a difference in accounting methods between when the County records checks against the account and when they actually clear the bank. The County has modified its existing procedure to account for this difference.

09-2 Acceptance of Gifts

Departments are not presenting all gifts or donations received to the County Board. Since the County Board is not aware of the gifts, the Board is not following Minn. Stat. § 465.03, which requires acceptance on the terms prescribed by the donor by resolution of the Board, adopted by a two-thirds majority of its members, and express such terms in full.

We recommend departments present gifts or donations received to the County Board who can accept gifts per Minn. Stat. § 465.03.

Client's Response:

Goodhue County is currently in the process of reviewing how gifts and donations are accepted. Management Team will be implementing a process to comply with Minnesota statutes.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

07-3 Human Services Department - Social Welfare Fund Disbursements

During the review of the disbursements made in the Social Welfare Fund for the 2009 audit, we noted the Social Welfare Fund had two clients with negative account balances during the last quarter of 2009.

We again recommend that the Human Services Department ensure clients have sufficient funds before a check is written from their account.

Client's Response:

Negative balances can occur because cash/check may be brought in to pay a bill due immediately and the deposit might not be posted until the next day, which was the case with these two clients. Social Services will make a more concerted effort to make sure the funds are in the account before disbursements are made by matching up the disbursement date with the actual receipt date.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- Nonspendable - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as corpus of a permanent fund).
- Restricted - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- Committed - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- Assigned - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- Unassigned - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.



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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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 29, 2010. 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 Goodhue County's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 07-2, 08-1, and 08-3 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories except that we did not test for compliance in tax increment financing because Goodhue County did not have any.

The results of our tests indicate that, for the items tested, Goodhue County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 08-7, 09-1, and 09-2.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment and an other item for consideration. We believe this recommendation and information to be of benefit to the County, and they are reported for that purpose.

Goodhue County's written responses to the internal control, legal compliance, and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

September 29, 2010

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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, 2009. 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, 2009.

Internal Control Over Compliance

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 compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 29, 2010. Our audit was performed for the purpose of forming opinions on Goodhue County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 29, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 11

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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	\$ 148,518
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	158,113
State Administrative Matching Grants for SNAP - ARRA	10.561	<u>11,206</u>
Total U.S. Department of Agriculture		<u>\$ 317,837</u>
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants	14.228	<u>\$ 356,720</u>
U.S. Department of Justice		
Direct		
Bulletproof Vest Partnership Program	16.607	\$ 1,426
Criminal Alien Assistance Program	16.606	6,166
Public Safety Partnership and Community Policing Grants	16.710	750,000
Edward Byrne Memorial Justice Assistance Grant Program - ARRA	16.804	35,631
Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program - ARRA	16.810	<u>21,288</u>
Total U.S. Department of Justice		<u>\$ 814,511</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	\$ 1,135,571
Highway Planning and Construction - ARRA	20.205	1,117,625
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	<u>7,472</u>
Total U.S. Department of Transportation		<u>\$ 2,260,668</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 11
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	\$ 10,000
Passed Through Southeastern Minnesota Area Agency on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	7,487
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	38,074
Public Health Emergency Preparedness	93.069	53,949
Immunization Grants	93.268	2,300
Temporary Assistance for Needy Families	93.558	47,464
Maternal and Child Health Services Block Grant	93.994	40,652
Passed Through Minnesota Department of Human Services Chafee Foster Care Independence Program	93.674	20,500
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	38,218
Child Support Enforcement Cluster Child Support Enforcement	93.563	860,977
Child Support Enforcement - ARRA	93.563	90,751
Child Welfare Services	93.645	14,142
Foster Care Title IV-E Cluster Foster Care Title IV-E	93.658	179,408
Foster Care Title IV-E - ARRA	93.658	7,579
Medical Assistance Program	93.778	555,470
Refugee and Entrant Assistance	93.566	426
Social Services Block Grant	93.667	227,067
Temporary Assistance for Needy Families	93.558	390,258
Total U.S. Department of Health and Human Services		\$ 2,584,722
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 56,866
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	27,608
Hazard Mitigation Grant	97.039	10,289
Total U.S. Department of Homeland Security		\$ 94,763
Total Federal Awards		\$ 6,429,221

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**GOODHUE COUNTY
RED WING, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Goodhue County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Goodhue County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Goodhue County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Goodhue County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue (Schedule 9)	\$ 6,437,612
Immunization grant deferred in 2008 and recognized in 2009 (CFDA #93.268)	(100)
Medical Assistance grant deferred in 2008 and recognized in 2009 (CFDA #93.778)	(42,299)
Child Support Enforcement grant deferred in 2009 (CFDA #93.563)	29,400
Immunization grant deferred in 2009 (CFDA #93.268)	1,206
Medical Assistance grant deferred in 2009 (CFDA #93.778)	3,402

Expenditures per Schedule of Expenditures of Federal Awards (Schedule 11)	\$ 6,429,221

**GOODHUE COUNTY
RED WING, MINNESOTA**

5. Subrecipients

During 2009, Goodhue County passed \$356,720 (CFDA #14.228) to the Southeastern Minnesota Multi-County Housing and Redevelopment Authority.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.