

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

BROWN COUNTY
NEW ULM, 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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**BROWN COUNTY
NEW ULM, MINNESOTA**

Year Ended December 31, 2009



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

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**BROWN COUNTY
NEW ULM, MINNESOTA**

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**BROWN COUNTY
NEW ULM, MINNESOTA**

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**BROWN COUNTY
NEW ULM, MINNESOTA**

ORGANIZATION
2009

Office	Name	Term Expires
Commissioners		
1st District	Richard Seeboth*	January 2013
2nd District	James Berg	January 2011
3rd District	Deborah Dove	January 2013
4th District	Andrew Lochner	January 2011
5th District	Dennis Potter	January 2011
Officers		
Elected		
Attorney	James R. Olson**	January 2011
Auditor/Treasurer	Marlin C. Helget	January 2011
County Recorder	Betti Kamolz	January 2011
Sheriff	Rich Hoffmann	January 2011
Appointed		
Administrator	Charles Enter	Indefinite
Assessor	Judy Friesen	December 31, 2012
Family Services Director	Tom Henderson	Indefinite
Coroner	Terry Knowles, M.D.	December 31, 2010
Probation Director	Les Schultz	Indefinite
Highway Engineer	Wayne Stevens	May 31, 2010
Personnel Director	Leah Crabtree	Indefinite
Planning and Zoning Administrator	Laine Sletta	Indefinite
Public Health Director	Karen Moritz	Indefinite
Veterans Service Officer	Greg Peterson	April 20, 2013
Lay Board Member	Elizabeth Mohr	December 31, 2011
Lay Board Member	Judy Kuster	December 31, 2011

*Chair

**Retired effective November 1, 2009, replaced by Robert Hinnenthal.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Brown 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 Brown 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 Brown County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Brown County Economic Development Partners, Inc., the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Brown County Economic Development Partners, Inc., were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, 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 Brown County as of December 31, 2009, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Road and Bridge, Family Services, and Landfill Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Schedule of Funding Progress - Other Postemployment Benefits are not required parts 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 Brown County's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Brown County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented 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 a report dated August 2, 2010, on our consideration of Brown County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 2, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**BROWN COUNTY
NEW ULM, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(Unaudited)**

As management of Brown County, we offer readers of the Brown County financial statements this narrative overview and analysis of the financial activities of Brown County for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets of Brown County exceeded its liabilities at the close of 2009 by \$80,247,304. Of this amount, \$8,792,994 (unrestricted net assets) may be used to meet Brown County's ongoing obligations to citizens and creditors.
- Brown County's total net assets increased by \$3,889,049 in 2009, or 5.1 percent, attributable to an increase in capital assets and a decrease in long-term debt.
- At the close of 2009, Brown County's governmental funds reported combined ending fund balances of \$15,125,001. The amount of \$8,356,195 is available for spending at the County's discretion and is noted as unreserved, undesignated fund balance.
- At the close of 2009, unreserved fund balance for the General Fund was \$2,298,592, or 18.4 percent, of total General Fund expenditures.
- Brown County's general obligation and revenue bond debt decreased by \$1,550,000, or 100.0 percent, during 2009. The key factor to this decrease was the pay off of the remaining balance on the 2002 Jail Lease Revenue Bonds in addition to scheduled payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to Brown County's basic financial statements. Brown County's basic financial statements are comprised of three components: (1) county-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

County-Wide Financial Statements

The county-wide financial statements are designed to provide readers with a broad overview of Brown County's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of Brown County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Brown County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (such as uncollected taxes and earned but unused vacation leave).

The county-wide financial statements list the functions of Brown County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Brown County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, economic development, and conservation of natural resources. There are no business-type activities within Brown County's financial structure that are intended to recover all or a significant portion of their costs through user fees and charges.

The county-wide financial statements include not only Brown County itself (the primary government), but also the legally separate Economic Development Partners, Inc. (EDP). The EDP, although legally separate, functions for all practical purposes as an integral part of Brown County and, therefore, has been included in the county-wide financial statements.

The county-wide financial statements can be found on Exhibits 1 and 2.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Brown County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Brown County can be divided into two categories: governmental funds and fiduciary funds.

Because the focus of governmental funds is narrower than that of the county-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the county-wide financial statements. By doing so, readers may better understand the long-term impact of the County's short-term

financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental funds--Governmental funds are used to account for essentially the same functions reported as governmental activities in the county-wide financial statements. However, unlike the county-wide financial statements, County fund level financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's short-term financing requirements.

Brown County reports five major funds and three nonmajor governmental funds. The major funds are: General Fund, Road and Bridge Special Revenue Fund, Family Services Special Revenue Fund, Landfill Special Revenue Fund, and Debt Service Fund. The nonmajor governmental funds are: Building and Capital Improvements Special Revenue Fund, County Parks Special Revenue Fund, and County Ditch Special Revenue Fund. Information is presented separately for the major funds and in total for the nonmajor funds in Exhibits 3 and 4.

Fiduciary funds--Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Brown County's fiduciary funds consist of ten agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the county-wide financial statements because those resources are not available to support the County's programs.

Brown County's governmental fund financial statements are in Exhibits 3 through 8, and Brown County's fiduciary funds are in Exhibit 9.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided.

Other Information

In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Brown County's progress in funding its obligation to provide other postemployment benefits to its employees. Required supplementary information can be found on page 64. In addition, the County also provides supplementary information on Brown County's deposits and investments and intergovernmental revenues (Schedules 2 and 3).

Brown County adopts an annual appropriated budget for its General Fund, special revenue funds, and the Debt Service Fund. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

COUNTY-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Brown County's assets exceeded liabilities by \$80,247,304 at the close of 2009. The largest portion of Brown County's net assets (81.5 percent) reflects its investment in capital assets (such as land, buildings, and equipment); however, it should be noted that these assets are not available for future spending. Comparative data with 2008 is presented.

Table 1
Governmental Net Assets

	2009	2008
Current and other assets	\$ 20,611,571	\$ 19,673,930
Capital assets	65,406,722	64,334,954
Total Assets	\$ 86,018,293	\$ 84,008,884
Long-term liabilities outstanding	\$ 4,230,188	\$ 5,694,783
Other liabilities	1,540,801	1,955,846
Total Liabilities	\$ 5,770,989	\$ 7,650,629
Net Assets		
Invested in capital assets	\$ 65,406,722	\$ 62,784,954
Restricted	6,047,588	4,712,219
Unrestricted	8,792,994	8,861,082
Total Net Assets	\$ 80,247,304	\$ 76,358,255

The unrestricted net asset amount of \$8,792,994 as of December 31, 2009, may be used to meet the County's ongoing obligations to citizens and creditors.

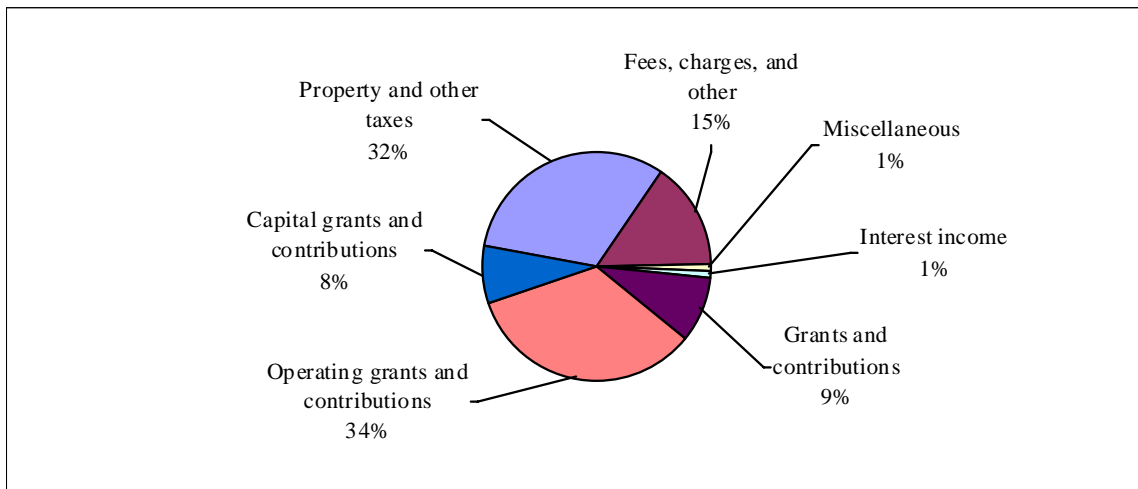
Governmental Activities

The County's activities from operations increased net assets by \$3,889,049, or 5.1 percent (\$76,358,255 in 2008 to \$80,247,304 in 2009). Table 2 summarizes the changes in net assets for 2009.

**Table 2
Changes in Governmental Net Assets**

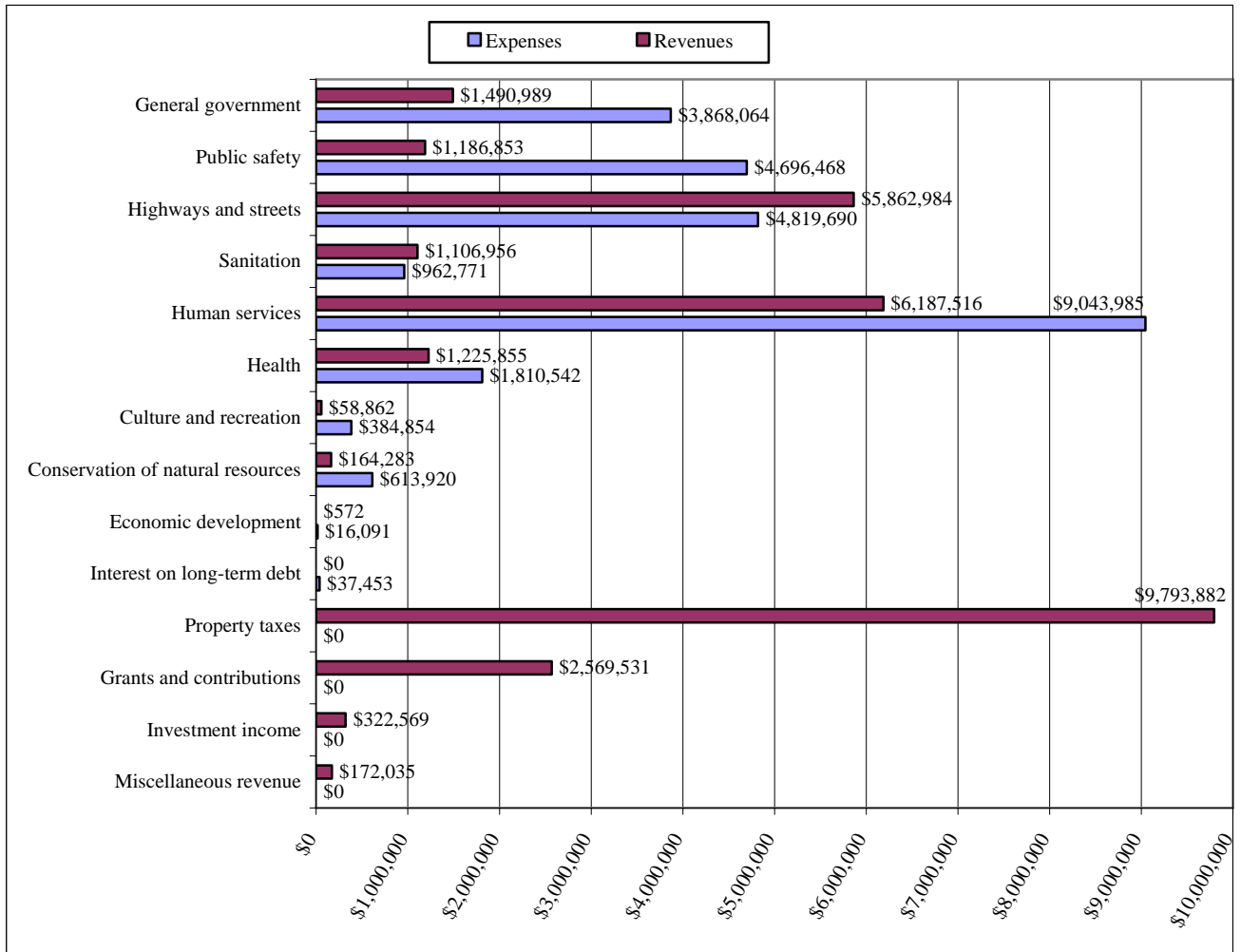
	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues		
Charges for services	\$ 4,655,904	\$ 4,716,148
Operating grants and contributions	10,229,721	9,608,578
Capital grants and contributions	2,399,245	362,178
General revenues		
Property taxes	9,793,882	9,164,562
Other	3,064,135	3,089,387
Total Revenues	\$ 30,142,887	\$ 26,940,853
Expenses		
General government	\$ 3,868,064	\$ 3,939,463
Public safety	4,696,468	4,656,782
Highways and streets	4,819,690	4,627,937
Sanitation	962,771	1,062,691
Human services	9,043,985	9,307,284
Health	1,810,542	1,787,609
Culture and recreation	384,854	381,063
Conservation of natural resources	613,920	754,297
Economic development	16,091	14,881
Interest	37,453	98,055
Total Expenses	\$ 26,253,838	\$ 26,630,062
Increase in Net Assets	\$ 3,889,049	\$ 310,791
Net Assets - January 1	76,358,255	76,047,464
Net Assets - December 31	\$ 80,247,304	\$ 76,358,255

Revenues by Source - 2009



(Unaudited)

Expenses and Revenues - 2009



Total revenues for the County were \$30,142,887, while total expenses were \$26,253,838. This reflects a \$3,889,049 increase in net assets for the year ended December 31, 2009.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County’s governmental funds reported combined ending fund balances of \$15,125,001, an increase of \$571,272 in comparison with the prior year. The majority of this amount (\$10,839,949) constitutes unreserved fund balance, which is available for spending at the County’s discretion. The remainder of fund balance is reserved to indicate this it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Brown County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,298,592, while total fund balance was \$3,523,676. As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18.4 percent of total General Fund expenditures, while total fund balance represents 28.2 percent of that same amount.

General Fund Budgetary Highlights

There were no changes between the original budget and the final amended budget. Total actual General Fund revenues exceeded budgeted revenues by \$421,557, due primarily to a reimbursement of \$377,575 from the City of New Ulm for its share of bond repayment, as well as unbudgeted grant revenues. Overall, the actual expenditures exceeded the budgeted expenditures by \$1,014,986, due primarily to the payoff of \$1,545,141 in debt payments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County’s investment in capital assets for its governmental activities as of December 31, 2009, amounts to \$65,406,722 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County’s investment in capital assets for the current fiscal year was 1.7 percent. The most significant changes to capital assets during 2009 resulted from decreased construction in progress and increases to infrastructure through construction (primarily County state-aid highway roads).

**Table 3
Governmental Capital Assets
(Net of Depreciation)**

	2009	2008
Land	\$ 1,041,712	\$ 1,041,712
Construction in progress	229,023	532,271
Land improvements	561,603	517,037
Buildings and improvements	11,206,499	11,332,997
Machinery, furniture, and equipment	2,447,951	2,341,886
Infrastructure	49,919,934	48,569,051
Totals	<u>\$ 65,406,722</u>	<u>\$ 64,334,954</u>

Additional information on the County’s capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had no bonded debt outstanding.

**Table 4
Governmental Outstanding Debt**

	2009	2008
General obligation bonds	\$ -	\$ 180,000
Revenue bonds	-	1,370,000
	\$ -	\$ 1,550,000
Total Bonds Payable		

In 2009, the County paid the remaining principal balance of the bonds outstanding with available fund balance.

Brown County’s bond rating is “A1” from Moody’s.

Minnesota statutes limit the amount of debt that a county may levy to three percent of its total market value. As of the end of 2009, Brown County is well below the three percent debt limit imposed by state statutes.

Additional information on the County’s long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

- Brown County’s average unemployment rate for 2009 was 6.5 percent as of the end of 2009. This was below the statewide rate of 7.4 percent.
- Mortgage interest rates have risen slightly during 2009, resulting in a reduced volume of mortgage refinancing.
- At the end of 2009, Brown County set its 2010 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the County’s finances for all those with an interest in the County’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Brown County Auditor/Treasurer, Brown County Courthouse, 14 South State Street, P. O. Box 115, New Ulm, Minnesota 56073.

BASIC FINANCIAL STATEMENTS

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COUNTY-WIDE FINANCIAL STATEMENTS

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 1

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

	<u>Primary Government Governmental Activities</u>	<u>Economic Development Partners, Inc., Component Unit</u>
<u>Assets</u>		
Cash and pooled investments	\$ 15,282,477	\$ 22,189
Taxes receivable		
Prior	189,274	-
Special assessments receivable		
Prior	28,095	-
Current	313,508	-
Noncurrent	434,543	-
Accounts receivable - net	781,283	-
Accrued interest receivable	60,636	-
Loan receivable	-	256,211
Due from other governments	2,758,265	-
Inventories	121,236	-
Investment in joint venture	642,254	-
Capital assets		
Non-depreciable	1,270,735	-
Depreciable - net of accumulated depreciation	64,135,987	-
Total Assets	<u>\$ 86,018,293</u>	<u>\$ 278,400</u>
<u>Liabilities</u>		
Accounts payable	\$ 441,124	\$ 1,157
Salaries payable	467,890	-
Contracts payable	184,877	-
Due to other governments	281,959	-
Accrued interest payable	396	-
Unearned revenue	83,916	-
Advances from other governments	80,639	-
Long-term liabilities		
Due within one year	168,773	-
Due in more than one year	3,932,134	-
Net OPEB liability	129,281	-
Total Liabilities	<u>\$ 5,770,989</u>	<u>\$ 1,157</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

***EXHIBIT 1
(Continued)***

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

	<u>Primary Government Governmental Activities</u>	<u>Economic Development Partners, Inc., Component Unit</u>
<u>Net Assets</u>		
Invested in capital assets	\$ 65,406,722	\$ -
Restricted for		
General government	166,333	-
Public safety	352,222	-
Highways and streets	1,782,678	-
Sanitation	165,369	-
Human services	652,489	-
Conservation of natural resources	716,173	-
Landfill closure/postclosure	2,212,324	-
Other purposes	-	4,200
Unrestricted	<u>8,792,994</u>	<u>273,043</u>
Total Net Assets	<u>\$ 80,247,304</u>	<u>\$ 277,243</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 3,868,064	\$ 1,032,004
Public safety	4,696,468	397,385
Highways and streets	4,819,690	32,182
Sanitation	962,771	1,042,411
Human services	9,043,985	1,439,323
Health	1,810,542	626,882
Culture and recreation	384,854	13,563
Conservation of natural resources	613,920	71,582
Economic development	16,091	572
Interest	37,453	-
Total Primary Government	<u>\$ 26,253,838</u>	<u>\$ 4,655,904</u>
Component unit		
Economic Development Partners, Inc.	<u>\$ 36,502</u>	<u>\$ 12,506</u>

General Revenues

Property taxes
Grants and contributions not restricted to specific programs
Payments in lieu of tax
Investment income
Miscellaneous
Gain on sale of capital assets

Total general revenues

Change in net assets

Net Assets - January 1

Net Assets - December 31

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Change in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Economic Development Partners, Inc., Component Unit
\$ 458,985	\$ -	\$ (2,377,075)	
789,468	-	(3,509,615)	
3,481,157	2,349,645	1,043,294	
64,545	-	144,185	
4,698,593	49,600	(2,856,469)	
598,973	-	(584,687)	
45,299	-	(325,992)	
92,701	-	(449,637)	
-	-	(15,519)	
-	-	(37,453)	
\$ 10,229,721	\$ 2,399,245	\$ (8,968,968)	
\$ -	\$ -		\$ (23,996)
		\$ 9,793,882	\$ -
		2,569,531	-
		21,699	-
		322,569	-
		140,602	-
		9,734	-
		\$ 12,858,017	\$ -
		\$ 3,889,049	\$ (23,996)
		\$ 76,358,255	\$ 301,239
		\$ 80,247,304	\$ 277,243

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FUND FINANCIAL STATEMENTS

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**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 3

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Landfill</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and pooled investments	\$ 3,664,380	\$ 2,130,019	\$ 3,169,389	\$ 5,022,463	\$ 1,296,226	\$ 15,282,477
Taxes receivable						
Prior	115,569	27,218	43,997	-	2,490	189,274
Special assessments						
Prior	9,416	-	-	16,859	1,820	28,095
Current	240,435	-	-	-	73,073	313,508
Noncurrent	416,636	-	-	-	17,907	434,543
Accounts receivable	182,074	-	577,963	21,246	-	781,283
Accrued interest receivable	60,636	-	-	-	-	60,636
Due from other funds	9,411	5,618	-	-	-	15,029
Due from other governments	217,176	1,950,062	563,761	-	27,266	2,758,265
Inventories	-	121,236	-	-	-	121,236
Total Assets	<u>\$ 4,915,733</u>	<u>\$ 4,234,153</u>	<u>\$ 4,355,110</u>	<u>\$ 5,060,568</u>	<u>\$ 1,418,782</u>	<u>\$ 19,984,346</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

**EXHIBIT 3
(Continued)**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Landfill</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 108,641	\$ 14,346	\$ 261,671	\$ 45,726	\$ 10,740	\$ 441,124
Salaries payable	263,551	51,914	146,349	3,145	2,931	467,890
Contracts payable	66,980	117,897	-	-	-	184,877
Due to other funds	-	-	15,029	-	-	15,029
Due to other governments	50,287	9,230	217,179	128	5,135	281,959
Deferred revenue - unavailable	832,821	1,844,519	493,365	12,264	120,942	3,303,911
Deferred revenue - unearned	69,777	4,038	6,220	815	3,066	83,916
Advances from other governments	-	80,639	-	-	-	80,639
Total Liabilities	\$ 1,392,057	\$ 2,122,583	\$ 1,139,813	\$ 62,078	\$ 142,814	\$ 4,859,345
Fund Balances						
Reserved for						
Inventories	\$ -	\$ 121,236	\$ -	\$ -	\$ -	\$ 121,236
Law library	49,322	-	-	-	-	49,322
Recorder's equipment purchases	117,011	-	-	-	-	117,011
Enhanced 911	343,497	-	-	-	-	343,497
Landfill closure/postclosure	-	-	-	2,212,324	-	2,212,324
Conservation of natural resources	-	-	-	-	716,173	716,173
Donations	-	-	8,523	-	1,712	10,235
Sheriff's contingency	8,725	-	-	-	-	8,725
Sewer/septic loans	706,529	-	-	-	-	706,529
Unreserved						
Designated for						
Future projects	-	60,000	-	-	-	60,000
Cash flows	750,000	500,000	750,000	-	-	2,000,000
Compensated absences	120,000	-	-	-	-	120,000
Recycling	-	-	-	86,761	-	86,761
Boat and water safety	27,343	-	-	-	-	27,343
County funded loan	189,650	-	-	-	-	189,650
Undesignated	1,211,599	1,430,334	2,456,774	2,699,405	-	7,798,112
Unreserved, reported in nonmajor Special revenue funds	-	-	-	-	558,083	558,083
Total Fund Balances	\$ 3,523,676	\$ 2,111,570	\$ 3,215,297	\$ 4,998,490	\$ 1,275,968	\$ 15,125,001
Total Liabilities and Fund Balances	\$ 4,915,733	\$ 4,234,153	\$ 4,355,110	\$ 5,060,568	\$ 1,418,782	\$ 19,984,346

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 3A

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

Fund balances - total governmental funds (Exhibit 3)		\$ 15,125,001
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.		65,406,722
Investments in joint venture are recorded in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		642,254
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,303,911
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans payable	\$ (970,681)	
Compensated absences	(1,231,714)	
Accrued interest payable	(396)	
Estimated liability for landfill closure/postclosure	(1,898,512)	
Net OPEB liability	(129,281)	(4,230,584)
Net Assets of Governmental Activities (Exhibit 1)		\$ 80,247,304

**BROWN COUNTY
NEW ULM, 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	\$ 5,725,656	\$ 1,477,787
Special assessments	276,631	-
Licenses and permits	31,784	-
Intergovernmental	3,583,106	4,720,849
Charges for services	1,708,576	-
Fines and forfeits	18,352	-
Gifts and contributions	525	-
Investment earnings	338,856	-
Miscellaneous	414,216	40,349
	\$ 12,097,702	\$ 6,238,985
Expenditures		
Current		
General government	\$ 3,746,831	\$ -
Public safety	4,715,393	-
Highways and streets	-	5,900,325
Sanitation	-	-
Human services	-	-
Health	1,797,778	-
Culture and recreation	244,325	-
Conservation of natural resources	447,678	-
Economic development	16,091	-
Debt service		
Principal	1,513,805	-
Interest	31,336	-
Administrative (fiscal) charges	-	-
	\$ 12,513,237	\$ 5,900,325
Excess of Revenues Over (Under) Expenditures	\$ (415,535)	\$ 338,660
Other Financing Sources (Uses)		
Transfers in	\$ 254,237	\$ 47,410
Transfers out	(252,760)	-
Proceeds from loans	36,161	-
	\$ 37,638	\$ 47,410
Change in Fund Balance	\$ (377,897)	\$ 386,070
Fund Balance - January 1	3,901,573	1,754,122
Increase (decrease) in reserved for inventories	-	(28,622)
Fund Balance - December 31	\$ 3,523,676	\$ 2,111,570

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

EXHIBIT 4

<u>Family Services</u>	<u>Landfill</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,206,164	\$ -	\$ 251,208	\$ 128,053	\$ 9,788,868
-	343,941	-	136,031	756,603
-	280	-	-	32,064
5,629,650	64,860	66,898	80,243	14,145,606
850,590	516,853	-	13,563	3,089,582
-	-	-	-	18,352
13,719	-	-	8,010	22,254
-	-	-	-	338,856
570,323	4,066	-	8,060	1,037,014
\$ 9,270,446	\$ 930,000	\$ 318,106	\$ 373,960	\$ 29,229,199
\$ -	\$ -	\$ -	\$ 31,965	\$ 3,778,796
-	-	-	-	4,715,393
-	-	-	-	5,900,325
-	835,163	-	-	835,163
8,862,729	-	-	-	8,862,729
-	-	-	-	1,797,778
-	-	-	145,555	389,880
-	-	-	187,094	634,772
-	-	-	-	16,091
-	-	180,000	-	1,693,805
-	-	7,785	-	39,121
-	-	1,613	-	1,613
\$ 8,862,729	\$ 835,163	\$ 189,398	\$ 364,614	\$ 28,665,466
\$ 407,717	\$ 94,837	\$ 128,708	\$ 9,346	\$ 563,733
\$ 57,161	\$ 117,344	\$ -	\$ 30,845	\$ 506,997
-	-	(254,237)	-	(506,997)
-	-	-	-	36,161
\$ 57,161	\$ 117,344	\$ (254,237)	\$ 30,845	\$ 36,161
\$ 464,878	\$ 212,181	\$ (125,529)	\$ 40,191	\$ 599,894
2,750,419	4,786,309	125,529	1,235,777	14,553,729
-	-	-	-	(28,622)
\$ 3,215,297	\$ 4,998,490	\$ -	\$ 1,275,968	\$ 15,125,001

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 4A

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

Change in fund balances - total governmental funds (Exhibit 4) \$ 599,894

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

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. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures	\$ 3,028,249	
Depreciation expense	<u>(1,939,203)</u>	1,089,046

The net effect of various miscellaneous transactions involving capital assets (such as sales, trade-ins, and retirements) is to decrease net assets.

Net book value of assets disposed of		(17,278)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Decrease in deferred revenue for taxes and special assessments	\$ (161,116)	
Increase in deferred revenue for grants and allotments	<u>1,119,161</u>	958,045

The issuance of long-term debt (such as bonds or loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Proceeds of new debt	\$ (36,161)	
Principal payments on debt	<u>1,693,805</u>	1,657,644

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.

Decrease in inventories	\$ (28,622)	
Decrease in accrued interest payable	3,281	
Increase in compensated absences payable	(5,714)	
Increase in net OPEB liability	(56,986)	
Increase in landfill postclosure care costs	(130,349)	
Decrease in investment in joint venture	<u>(179,912)</u>	<u>(398,302)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 3,889,049

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 5

**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	\$ 5,754,131	\$ 5,754,131	\$ 5,725,656	\$ (28,475)
Special assessments	210,700	210,700	276,631	65,931
Licenses and permits	41,210	41,210	31,784	(9,426)
Intergovernmental	3,045,476	3,045,476	3,583,106	537,630
Charges for services	1,837,612	1,837,612	1,708,576	(129,036)
Fines and forfeits	4,800	4,800	18,352	13,552
Gifts and contributions	100	100	525	425
Investment earnings	383,062	383,062	338,856	(44,206)
Miscellaneous	399,054	399,054	414,216	15,162
Total Revenues	\$ 11,676,145	\$ 11,676,145	\$ 12,097,702	\$ 421,557
Expenditures				
Current				
General government				
Commissioners	\$ 252,341	\$ 252,341	\$ 236,988	\$ 15,353
Courts	121,743	121,743	87,032	34,711
Law library	20,950	20,950	24,812	(3,862)
County auditor/treasurer	508,908	508,908	519,140	(10,232)
License bureau	149,012	149,012	149,714	(702)
County assessor	427,223	427,223	411,211	16,012
Elections	2,400	2,400	932	1,468
Accounting and auditing	55,000	55,000	89,927	(34,927)
Data processing	368,092	368,092	348,433	19,659
Central services	157,507	157,507	159,291	(1,784)
Personnel administration	157,617	157,617	156,788	829
Attorney	358,848	358,848	359,030	(182)
Recorder	428,546	428,546	412,707	15,839
Planning and zoning	99,752	99,752	82,086	17,666
Buildings and plant	561,718	561,718	527,286	34,432
Veterans service officer	143,553	143,553	137,824	5,729
Other	332,225	332,225	43,630	288,595
Total general government	\$ 4,145,435	\$ 4,145,435	\$ 3,746,831	\$ 398,604

**BROWN COUNTY
NEW ULM, MINNESOTA**

**EXHIBIT 5
(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	\$ 1,690,743	\$ 1,690,743	\$ 1,684,282	\$ 6,461
Regional Radio Board operations	1,970	1,970	45,431	(43,461)
Boat and water safety	9,912	9,912	8,572	1,340
Emergency services	22,201	22,201	24,088	(1,887)
Coroner	9,400	9,400	7,826	1,574
Enhanced 911 system	114,975	114,975	127,167	(12,192)
County jail	1,568,578	1,568,578	1,494,789	73,789
Juvenile detention	91,750	91,750	57,004	34,746
Probation and parole	1,346,301	1,346,301	1,264,364	81,937
Sheriff's contingency	9,000	9,000	-	9,000
Snowmobile safety	3,561	3,561	1,870	1,691
Total public safety	\$ 4,868,391	\$ 4,868,391	\$ 4,715,393	\$ 152,998
Health				
Nursing service	\$ 1,764,128	\$ 1,764,128	\$ 1,797,778	\$ (33,650)
Culture and recreation				
Historical society	\$ 101,868	\$ 101,868	\$ 101,868	\$ -
County/regional library	79,140	79,140	79,140	-
Snowmobile trails	-	-	37,289	(37,289)
Other	26,028	26,028	26,028	-
Total culture and recreation	\$ 207,036	\$ 207,036	\$ 244,325	\$ (37,289)
Conservation of natural resources				
Cooperative extension	\$ 107,074	\$ 107,074	\$ 105,992	\$ 1,082
Soil and water conservation	88,440	88,440	88,440	-
Agricultural society/County fair	34,500	34,500	34,500	-
Water planning	23,270	23,270	40,597	(17,327)
Wetlands	20,234	20,234	17,877	2,357
Septic loan program	76,850	76,850	147,594	(70,744)
Area flood control	12,678	12,678	12,678	-
Total conservation of natural resources	\$ 363,046	\$ 363,046	\$ 447,678	\$ (84,632)

**BROWN COUNTY
NEW ULM, MINNESOTA**

*EXHIBIT 5
(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)				
Economic development				
Community development	\$ 5,845	\$ 5,845	\$ 5,762	\$ 83
Housing and redevelopment authority	10,520	10,520	10,329	191
Total economic development	\$ 16,365	\$ 16,365	\$ 16,091	\$ 274
Debt service				
Principal	\$ 133,850	\$ 133,850	\$ 1,513,805	\$ (1,379,955)
Interest	-	-	31,336	(31,336)
Total debt service	\$ 133,850	\$ 133,850	\$ 1,545,141	\$ (1,411,291)
Total Expenditures	\$ 11,498,251	\$ 11,498,251	\$ 12,513,237	\$ (1,014,986)
Excess of Revenues Over (Under)				
Expenditures	\$ 177,894	\$ 177,894	\$ (415,535)	\$ (593,429)
Other Financing Sources (Uses)				
Transfers in	-	-	254,237	254,237
Transfers out	(246,187)	(246,187)	(252,760)	(6,573)
Proceeds from loans	-	-	36,161	36,161
Total Other Financing Sources (Uses)	\$ (246,187)	\$ (246,187)	\$ 37,638	\$ 283,825
Change in Fund Balance	\$ (68,293)	\$ (68,293)	\$ (377,897)	\$ (309,604)
Fund Balance - January 1	3,901,573	3,901,573	3,901,573	-
Fund Balance - December 31	\$ 3,833,280	\$ 3,833,280	\$ 3,523,676	\$ (309,604)

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 6

**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	\$ 1,491,754	\$ 1,491,754	\$ 1,477,787	\$ (13,967)
Intergovernmental	5,106,687	5,106,687	4,720,849	(385,838)
Miscellaneous	10,000	10,000	40,349	30,349
Total Revenues	\$ 6,608,441	\$ 6,608,441	\$ 6,238,985	\$ (369,456)
Expenditures				
Current				
Highways and streets				
Administration	\$ 476,001	\$ 476,001	\$ 467,110	\$ 8,891
Maintenance	1,589,614	1,589,614	1,512,000	77,614
Construction	3,443,921	3,443,921	3,000,318	443,603
Equipment maintenance and shop	942,301	942,301	784,243	158,058
Materials and services for resale	241,500	241,500	136,654	104,846
Total Expenditures	\$ 6,693,337	\$ 6,693,337	\$ 5,900,325	\$ 793,012
Excess of Revenues Over (Under)				
Expenditures	\$ (84,896)	\$ (84,896)	\$ 338,660	\$ 423,556
Other Financing Sources (Uses)				
Transfers in	25,000	25,000	47,410	22,410
Change in Fund Balance	\$ (59,896)	\$ (59,896)	\$ 386,070	\$ 445,966
Fund Balance - January 1	1,754,122	1,754,122	1,754,122	-
Increase (decrease) in reserved for inventories	-	-	(28,622)	(28,622)
Fund Balance - December 31	\$ 1,694,226	\$ 1,694,226	\$ 2,111,570	\$ 417,344

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON SCHEDULE
FAMILY 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	\$ 2,225,632	\$ 2,225,632	\$ 2,206,164	\$ (19,468)
Intergovernmental	5,176,801	5,176,801	5,629,650	452,849
Charges for services	580,797	580,797	850,590	269,793
Gifts and contributions	23,824	23,824	13,719	(10,105)
Miscellaneous	589,960	589,960	570,323	(19,637)
Total Revenues	\$ 8,597,014	\$ 8,597,014	\$ 9,270,446	\$ 673,432
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,289,492	\$ 2,289,492	\$ 2,308,224	\$ (18,732)
Social services	5,644,527	5,644,527	5,901,767	(257,240)
Heartland express	720,495	720,495	652,738	67,757
Total Expenditures	\$ 8,654,514	\$ 8,654,514	\$ 8,862,729	\$ (208,215)
Excess of Revenues Over (Under)				
Expenditures	\$ (57,500)	\$ (57,500)	\$ 407,717	\$ 465,217
Other Financing Sources (Uses)				
Transfers in	57,500	57,500	57,161	(339)
Change in Fund Balance	\$ -	\$ -	\$ 464,878	\$ 464,878
Fund Balance - January 1	2,750,419	2,750,419	2,750,419	-
Fund Balance - December 31	\$ 2,750,419	\$ 2,750,419	\$ 3,215,297	\$ 464,878

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 8

**BUDGETARY COMPARISON SCHEDULE
LANDFILL 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				
Special assessments	\$ 335,000	\$ 335,000	\$ 343,941	\$ 8,941
Licenses and permits	300	300	280	(20)
Intergovernmental	65,084	65,084	64,860	(224)
Charges for services	478,800	478,800	516,853	38,053
Miscellaneous	4,000	4,000	4,066	66
Total Revenues	\$ 883,184	\$ 883,184	\$ 930,000	\$ 46,816
Expenditures				
Current				
Sanitation				
Solid waste	896,053	896,053	835,163	60,890
Excess of Revenues Over (Under) Expenditures	\$ (12,869)	\$ (12,869)	\$ 94,837	\$ 107,706
Other Financing Sources (Uses)				
Transfers in	113,750	113,750	117,344	3,594
Change in Fund Balance	\$ 100,881	\$ 100,881	\$ 212,181	\$ 111,300
Fund Balance - January 1	4,786,309	4,786,309	4,786,309	-
Fund Balance - December 31	\$ 4,887,190	\$ 4,887,190	\$ 4,998,490	\$ 111,300

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 9

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

<u>Assets</u>	
Cash and pooled investments	\$ <u>428,813</u>
<u>Liabilities</u>	
Due to other governments	\$ <u>428,813</u>

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**BROWN COUNTY
NEW ULM, MINNESOTA**

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

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 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

Brown County was established February 11, 1856, 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 Brown County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Unit

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

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Brown County Housing and Redevelopment Authority (HRA) See Note 8.B.	The County Commissioners are the members of the HRA Board.	Separate financial statements are not prepared.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the county-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Brown County is discretely presented:

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Brown County Economic Development Partners, Inc.	The County appoints its governing board, and it is fiscally dependent on the County.	Brown County Economic Development Partners, Inc. c/o Brown County Administrator's Office 14 South State P. O. Box 248 New Ulm, Minnesota 56073-0248

Joint Ventures

The County participates in several joint ventures described in Note 6.C. The County also participates in the jointly-governed organizations described in Note 6.D.

B. Basic Financial Statements

1. County-Wide Statements

The county-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

In the county-wide statement of net assets, the governmental activities column: (a) is presented on a consolidated basis; and (b) 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; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. County-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions 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 in a separate column 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 Family Services Special Revenue Fund is used to account for economic assistance and community social services programs.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Landfill Special Revenue Fund is used to account for the cost of County landfill and recycling operations.

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 types:

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

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 county-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. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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. Brown County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, shared revenues, 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 long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of 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.

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 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 are allocated interest as transfers from the General Fund based on the average cash balance of the fund. Pooled investment earnings for 2009 were \$338,856.

Brown 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.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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;
- (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

Activities between funds are reported as “due to/from other funds.”

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.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories

The Road and Bridge Special Revenue Fund inventory is valued using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the county-wide level are reported as expenses when consumed.

Inventories, as reported in the fund financial statements, are offset by a fund balance reserve to indicate that they do not constitute available spendable resources.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items) are reported in the governmental activities column in the county-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (\$100,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50 - 150
Land improvements	3 - 150
Infrastructure	50 - 75
Machinery, furniture, and equipment	2 - 20

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. 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 county-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.

6. Deferred Revenue

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

7. Long-Term Obligations

In the county-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 straight-line 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 an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. 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.

9. 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.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriations--is the fund level. The Board made some supplemental budgetary appropriations throughout the year; however, none were material.

**BROWN COUNTY
NEW ULM, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

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

B. Excess of Expenditures Over Budget

The funds shown below had expenditures in excess of budget for the year ended December 31, 2009.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 12,513,237	\$ 11,498,251	\$ 1,014,986
Special Revenue Funds			
Family Services	8,862,729	8,654,514	208,215
Building and Capital Improvements	59,280	48,368	10,912

The excess of expenditures over budget was funded by unanticipated revenues and available fund balance.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Primary government	
Cash and pooled investments	\$ 15,282,477
Fiduciary funds	
Agency funds	
Cash and pooled investments	428,813
Total Cash and Investments	\$ 15,711,290

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. 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 does not have a deposit policy for custodial credit risk. As of December 31, 2009, the County's deposits were not exposed to custodial credit risk.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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 operating funds primarily in short-term deposits 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 required for operations. No more than 20 percent of the investment portfolio may be invested beyond 12 months, and the average maturity of the portfolio shall never exceed one year. At December 31, 2009, all of the County's investments had maturity dates of less than 12 months.

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 the safest types of securities; pre-qualify the financial institutions, brokers/dealers, and advisors with which an entity will do business; and diversify the investment portfolio so that potential losses on individual securities are minimized. The investment types held by the County at December 31, 2009, are considered low risk and are not rated by a rating organization.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2009, none of the County's investments were subject to custodial credit risk.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County's policy limits investments with one institution to \$7,000,000. As of December 31, 2009, the County's investments were not exposed to concentration of credit risk.

2. Receivables

Receivables as of December 31, 2009, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes - prior	\$ 189,274	\$ -
Special assessments - prior	28,095	-
Special assessments	748,051	434,543
Accounts	781,283	-
Accrued interest	60,636	-
Due from other governments	2,758,265	-
Total Governmental Activities	\$ 4,565,604	\$ 434,543

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,041,712	\$ -	\$ -	\$ 1,041,712
Construction in progress	532,271	188,657	491,905	229,023
Total capital assets not depreciated	\$ 1,573,983	\$ 188,657	\$ 491,905	\$ 1,270,735
Capital assets depreciated				
Buildings and improvements	\$ 13,671,984	\$ 15,070	\$ -	\$ 13,687,054
Land improvements	2,216,737	67,900	-	2,284,637
Machinery, furniture, and equipment	6,002,797	594,725	492,039	6,105,483
Infrastructure - highway	61,729,512	2,653,802	-	64,383,314
Infrastructure - dam	2,098,857	-	-	2,098,857
Total capital assets depreciated	\$ 85,719,887	\$ 3,331,497	\$ 492,039	\$ 88,559,345
Less: accumulated depreciation for				
Buildings and improvements	\$ 2,338,987	\$ 141,568	\$ -	\$ 2,480,555
Land improvements	1,699,700	23,334	-	1,723,034
Machinery, furniture, and equipment	3,660,911	471,382	474,761	3,657,532
Infrastructure - highway	15,046,427	1,274,586	-	16,321,013
Infrastructure - dam	212,891	28,333	-	241,224
Total accumulated depreciation	\$ 22,958,916	\$ 1,939,203	\$ 474,761	\$ 24,423,358
Total capital assets depreciated, net	\$ 62,760,971	\$ 1,392,294	\$ 17,278	\$ 64,135,987
Governmental Activities				
Capital Assets, Net	\$ 64,334,954	\$ 1,580,951	\$ 509,183	\$ 65,406,722

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

Governmental Activities	
General government	\$ 117,400
Public safety	170,236
Highways and streets, including depreciation of infrastructure assets	1,530,747
Sanitation	11,935
Human services	64,320
Health	3,501
Culture and recreation, including depreciation of infrastructure assets	34,766
Conservation of natural resources	6,298
Total Depreciation Expense - Governmental Activities	\$ 1,939,203

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. 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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Family Services	\$ 9,411	Records, nursing, rent
Road and Bridge	Family Services	5,618	Fuel and service work
Total Due To/From Other Funds		<u>\$ 15,029</u>	

All balances are expected to be liquidated in the subsequent year.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of transfers from the General Fund to allocate investment earnings of \$252,760. In addition, on December 15, 2009, the County Board approved a transfer of all remaining Debt Service Fund monies of \$254,237 to the General Fund. The following table summarizes the transfers for 2009:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>Purpose</u>
General	Road and Bridge	\$ 47,410	Allocated interest
	Family Services	57,161	Allocated interest
	Landfill	117,344	Allocated interest
	Other governmental funds	30,845	Allocated interest
Total transfers out of General Fund		<u>\$ 252,760</u>	
Debt Service	General	254,237	Balance transfer
Total Transfers In/Out		<u>\$ 506,997</u>	

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Long-Term Debt

Bonds Payable

On April 17, 2009, the County paid the remaining principal balance of \$1,370,000, and the related interest of \$20,820, on the 2002 Jail Lease Revenue Refunding Bonds. On the same date, the County received the remaining receivable amount from the City of New Ulm of \$366,172, as well as the related interest receivable of \$11,403, for its share of the 2002 Jail Lease Revenue Refunding Bonds.

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for funding Clean Water Partnership (CWP) Projects and a loan agreement with the Minnesota Department of Agriculture for financing the repair of failing septic systems. The loans are secured by special assessments placed on the individual parcels. Loan payments are reported in the General Fund.

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2009</u>
1997 Groundwater Protection CWP Project	2010	\$ 25,875	-	\$ 517,500	\$ 25,875
1998 Groundwater Protection CWP Project	2014	12,067	-	362,000	108,600
2001 Cottonwood River Restoration CWP Project	2013	4,447	2.00	80,244	29,919
2001 Little Cottonwood River Restoration CWP Project	2014	5,569	2.00	100,495	47,704
2001 Watonwan Watershed CWP Project	2014	3,543	2.00	63,932	30,348
2001 Septic System Replacement Project	2021	2,665	-	53,300	53,300
2003 Cottonwood River Restoration CWP Project	2017	16,973	2.00	306,293	235,336
2004 Watonwan Watershed Continuation CWP Project	2016	1,448	2.00	26,145	18,840

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Long-Term Debt

Loans Payable (Continued)

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2009</u>
2004 Little Cottonwood River Restoration Continuation CWP Project	2018	7,238	2.00	130,622	112,646
2007 Middle Minnesota Watershed CWP Project	2021	18,507	2.00	198,113	198,113
2007 Cottonwood River Watershed Pollution Reduction Project	2020	6,340	2.00	110,000	<u>110,000</u>
Total Loans Payable					<u>\$ 970,681</u>

2. Debt Service Requirements

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

<u>Year Ending December 31</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 119,296	\$ 9,151
2011	94,813	7,758
2012	101,564	6,338
2013	98,567	4,889
2014	74,285	3,544
2015 - 2019	163,383	4,597
2020 - 2021	<u>10,660</u>	<u>-</u>
Total	<u>\$ 662,568</u>	<u>\$ 36,277</u>

The debt service requirements for the loans from the Minnesota Pollution Control Agency in the amounts of \$198,113 and \$110,000 are not known as of December 31, 2009.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. 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
Bonds payable					
General obligation bonds	\$ 180,000	\$ -	\$ 180,000	\$ -	\$ -
Revenue bonds	1,370,000	-	1,370,000	-	-
Total bonds payable	\$ 1,550,000	\$ -	\$ 1,550,000	\$ -	\$ -
Landfill closure/postclosure liability	1,768,163	130,349	-	1,898,512	-
Loans payable	1,078,325	36,161	143,805	970,681	119,296
Net other postemployment benefits (OPEB) liability	72,295	103,304	46,318	129,281	-
Compensated absences	1,226,000	5,714	-	1,231,714	49,477
Long-Term Liabilities	<u>\$ 5,694,783</u>	<u>\$ 275,528</u>	<u>\$ 1,740,123</u>	<u>\$ 4,230,188</u>	<u>\$ 168,773</u>

4. 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. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,898,512 landfill closure and postclosure care liability at December 31, 2009, represents the cumulative amount reported to date based on the use of 91 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$196,071 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. The County expects the landfill to continue operation beyond 2027 through approved permitting processes. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Landfill Closure and Postclosure Care Costs (Continued)

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 County is in compliance with these requirements and, at December 31, 2009, investments of \$2,212,324 are reserved for these purposes. Accumulated annual contributions and any payments of landfill postclosure care costs are reported in the Landfill Special Revenue Fund. Brown County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Brown 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

**BROWN COUNTY
NEW ULM, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

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.

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.

**BROWN COUNTY
NEW ULM, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

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.

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. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.4 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

**BROWN COUNTY
NEW ULM, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

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	\$ 616,030	\$ 570,632	\$ 520,708
Public Employees Police and Fire Fund	93,998	84,884	75,550
Public Employees Correctional Fund	71,018	67,962	60,351

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

B. Defined Contribution Plan

Two employees of Brown County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA. 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 5.00 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.

**BROWN COUNTY
NEW ULM, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

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	\$ 2,328	\$ 2,328
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

In 2008, Brown County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement required the County to calculate and record a net other postemployment benefit obligation (OPEB). The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions.

Plan Description

Brown County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Brown County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retired population, the retirees are receiving an implicit rate subsidy. As of January 1, 2009, there were approximately six retirees receiving health benefits from the County's health plan. The implicit rate subsidy amount was determined by an actuarial study to be \$46,318 for 2009.

**BROWN COUNTY
NEW ULM, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	104,571
Interest on net OPEB obligation		2,530
Adjustment to ARC		(3,797)

Annual OPEB cost (expense)	\$	103,304
Contributions made		(46,318)

Increase in net OPEB obligation	\$	56,986
Net OPEB Obligation - Beginning of Year		72,295

Net OPEB Obligation - End of Year	\$	129,281

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2008 and 2009, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 104,571	\$ 32,276	30.9%	\$ 72,295
December 31, 2009	103,304	46,318	44.8	129,281

**BROWN COUNTY
NEW ULM, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$826,382, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$826,382. The covered payroll (annual payroll of active employees covered by the plan) was \$8,958,836, and the ratio of the UAAL to the covered payroll was 9.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 percent investment rate of return (net of investment expenses), which is Brown County's implicit rate of return on the General Fund. The annual health care cost trend is 9.0 percent initially reduced by decrements to an ultimate rate of 5.0 percent over eight years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2009, was 28 years.

**BROWN COUNTY
NEW ULM, MINNESOTA**

5. Conduit Debt

Martin Luther College Construction Project

In 2004, the County issued variable rate demand purchase revenue bonds in the amount of \$7,500,000 to finance the acquisition and construction of higher education facilities at Martin Luther College in New Ulm, Minnesota, as authorized by the Municipal Industrial Development Act, Minn. Stat. §§ 469.152 - 469.1651. The bonds are secured by an irrevocable direct-pay letter of credit provided by Wells Fargo Bank, NA.

The County is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the financial statements. The outstanding balance at December 31, 2009, is \$6,235,000.

Oak Hills Living Center Project

On December 31, 2008, the County issued a variable rate Health Care Facilities Revenue Note, Series 2008, in the amount of \$6,000,000 to finance the cost of improvements to the Oak Hills Living Center in New Ulm, Minnesota. This note is secured by the fixtures, the equipment, and the revenues and income of Oak Hills Living Center.

The County is not obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the financial statements. The outstanding balance at December 31, 2009, is \$3,992,693.

6. 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.

**BROWN COUNTY
NEW ULM, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$430,000 per claim in 2009 and \$450,000 per claim in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

C. Joint Ventures

Brown-Nicollet Community Health Services Board

The Brown-Nicollet Community Health Services Board was established pursuant to Minn. Stat. ch. 145A and a joint powers agreement, effective July 1, 1975. The Community Health Services Board consists of ten members, five each from Brown and Nicollet Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services. The joint venture is financed primarily from state and federal grants. For the year ended December 31, 2009, the Health Services Board had net assets of \$662,662. Complete financial information can be obtained from the Brown-Nicollet Community Health Services Board, 322 South Minnesota, St. Peter, Minnesota 56082.

**BROWN COUNTY
NEW ULM, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Red Rock Rural Water System

The Red Rock Rural Water System was established pursuant to Minn. Stat. ch. 116A through a joint powers agreement pursuant to Minn. Stat. § 471.59 and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Redwood, and Watonwan Counties have agreed to guarantee their shares of debt arising within each respective County. The Red Rock Rural Water System provides water for participating rural water users and cities within the water district.

The governing body is composed of nine members appointed to three-year terms by the District Court. Each county is responsible for levying and collecting the special assessments from the benefited properties within the county. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System. Outstanding bonds at December 31, 2008 (the most current information available), amounted to \$12,532,000. The Water System's net assets decreased by \$197,488 in 2008. Complete financial information can be obtained from the Red Rock Rural Water System, Jeffers, Minnesota 56145.

Families First Collaborative

The Families First Collaborative was established in 1997 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown County Family Service, Public Health, and Probation agencies; New Ulm, Sleepy Eye, and Springfield School Districts; River Bend Education District; and Minnesota Valley Action Council. The mission of the Families First Collaborative is to provide leadership for the improvement of outcomes for children in Brown County through early intervention and prevention services. The Collaborative provides improved coordination for children and families through information sharing, elimination of duplicate services, and cooperative efforts. The Collaborative funds selected projects and services that support intervention and the prevention of out-of-home placement of children at risk.

The Collaborative is funded by Local Collaborative Time Study (LCTS) funds, and control of the Collaborative is vested in a Board of Directors consisting of ten members. Brown County Family Services acts as a fiscal agent for the Collaborative. During 2009, Brown County provided \$10,300 in funding to the Collaborative Integrated Fund (\$5,100 - Family Services, \$100 - Public Health, and \$5,100 - Probation).

**BROWN COUNTY
NEW ULM, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Families First Collaborative (Continued)

Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, the Families First Collaborative Board of Directors shall distribute all property, real and personal, at the time of termination.

As the administrative county, Brown County Family Services may be liable to the state or federal government for the disallowance, sanction, or audit exception attributable to the Families First Collaborative, including but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative's implementation of the LCTS or any of the other state and federal funding sources and their related requirements.

In the event of any such audit disallowance or sanction, the following participating partners, Brown County Family Services, Public Health, and Probation agencies; New Ulm, Sleepy Eye, and Springfield School Districts; and the River Bend Education District share the liability. Financial information can be obtained by contacting the Brown County Family Services Department.

Three Counties for Kids Collaborative

The Three Counties for Kids Collaborative was established in 1996 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown, Sibley, and Watonwan Counties; River Bend Education District; and Sioux Trails Mental Health Center. The purpose of the Collaborative is to join local units of government together to ensure a unified, unduplicated, and family-friendly system of intervention and care for families and children. The Collaborative provides improved coordination for children and families through information sharing, elimination of duplicate services, and cooperative efforts. The Collaborative funds selected projects and services that support intervention and the prevention of out-of-home placement of children at risk.

The Collaborative is financed by LCTS funds, and control of the Collaborative is vested in a Board of Directors consisting of seven members. Brown County Family Services acts as a fiscal agent for the Collaborative. During 2009, Brown County provided \$8,950 in funding to the Collaborative in support of the Brown County Independent School District 88 School-Based Mental Health program.

**BROWN COUNTY
NEW ULM, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Three Counties for Kids Collaborative (Continued)

Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, the Three Counties for Kids Collaborative Board of Directors shall distribute all property, real and personal, at the time of the termination.

As the administrative county, Brown County Family Services may be liable to the state or federal government for any disallowance, sanction, or audit exception attributable to the Three Counties for Kids Collaborative, including but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative's implementation of the LCTS or any of the other state and federal funding sources and their related requirements.

In the event of any such audit disallowance or sanction, the following participating partners, Brown, Sibley, and Watonwan Counties and the River Bend Education District, share the liability. Financial information can be obtained by contacting the Brown County Family Services Department.

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties became members. The agreement is 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.

**BROWN COUNTY
NEW ULM, MINNESOTA**

6. 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 \$642,254. The County's share of the SCHA's net loss was \$179,912. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as Human Services expenses.

Complete financial statements can be obtained from the South Country Health Alliance at 110 West Fremont Street, Owatonna, Minnesota 55060, or from its fiscal agent at 630 Florence Avenue, P. O. Box 890, Owatonna, Minnesota 55060-0890.

South Central Minnesota Regional Radio Board

The South Central Minnesota Regional Radio Board was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee and a member of the Owners and Operators Committee. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER) owned and operated by the State of Minnesota, and to enhance and improve interoperable public safety communications.

**BROWN COUNTY
NEW ULM, MINNESOTA**

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

D. Jointly-Governed Organizations

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

The Area II Minnesota River Basin Project provides cost-share and technical assistance for the implementation of flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County paid \$12,678 to the Project.

The Minnesota River Valley Detention Center Joint Powers provides additional facilities for the detention of juveniles to several counties. During the year, the County paid \$57,004 to the Detention Center in grants received from the State of Minnesota.

The Brown-Lyon-Redwood Drug Task Force provides drug enforcement services for member organizations. During the year, the County paid \$12,000 to the Task Force.

The Brown-Nicollet-Cottonwood Water Quality Joint Powers Board educates watershed residents, farmers, and children and helps improve river and watershed management policy. The Water Quality Board also cooperates with other federal, state, and local agency officials; researchers; industry and agribusiness representatives; and university personnel. In concert with local Soil and Water Conservation Districts, Natural Resources Conservation Services, Department of Natural Resources, and related natural resource agencies, the Joint Powers Board staff monitors water quality and conducts research. During the year, the County made no payments to the Water Quality Board.

The Minnesota River Board is a joint powers board comprised of counties within the Minnesota River Basin. Its mission is to provide leadership, build partnerships, and support efforts to improve and protect water quality in the Minnesota River Basin. During the year, the County paid \$2,500 to the Board.

The Redwood-Cottonwood Rivers Control Area (RCRCA), in cooperation with partner groups and landowners, works to improve water quality, reduce erosion, and enhance recreational opportunities by providing education, outreach, monitoring, and technical assistance within the watershed boundaries. During the year, the County paid \$8,040 to the RCRCA.

**BROWN COUNTY
NEW ULM, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

The South Central Emergency Medical Services provides various emergency medical services to several counties. During the year, the County made no payments to the South Central Emergency Medical Services.

The South Central Minnesota County Comprehensive Water Planning Project provides the preparation of comprehensive water plans for the participating counties. During the year, the County made no payments to the Water Planning Project.

The South Central Regional IMMTRACK (Immunization Registry) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, the County paid \$3,314 to the Joint Powers Board.

The South Central Workforce Council Joint Powers Board is comprised of one representative from each of the participating County Boards. The Board is the local governmental body that appoints the Workforce Council members and is a full partner with them in overseeing area employment and training programs. During the year, the County made no payments to the South Central Workforce Council.

E. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2009.

**BROWN COUNTY
NEW ULM, MINNESOTA**

7. Brown County Economic Development Partners, Inc., Component Unit Disclosures

A. Summary of Significant Accounting Policies

The Brown County Economic Development Partners, Inc., (EDP) was organized on October 3, 1990, under Minn. Stat. ch. 317A, as a nonprofit corporation. The purpose is to promote the development and expansion of existing businesses within Brown County and to assist in the development of new businesses in Brown County, which will increase opportunities for employment. The Board of Directors consists of nine directors: one appointed from each of the County Commissioner Districts, two appointed at-large, and two appointed from the Brown County Board of Commissioners. Brown County Economic Development Partners, Inc., is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The EDP's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the EDP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue

The EDP receives substantially all of its revenue from Brown County in the form of an annual appropriation.

Cash and Cash Equivalents

The EDP considers all highly liquid investments with a maturity of nine months or less when purchased to be cash equivalents.

**BROWN COUNTY
NEW ULM, MINNESOTA**

7. Brown County Economic Development Partners, Inc., Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Loans Receivable

Loans receivable, totaling \$256,211 as of December 31, 2009, consist of 10 loans made for economic development.

8. Subsequent Events

A. Facility Infrastructure & Energy Efficiency Improvement Project (FIEEIP)

On January 5, 2010, the County Board approved the Performance Agreement for Comfort with Trane (PACT) for the FIEEIP with an estimated cost of \$1,622,390. The County's current financing plan includes the use of County reserves and thereafter reasonably expects to issue reimbursement bonds in the amount of \$1,600,000. As of July 26, 2010, the bonding authority in the reimbursement resolution has not been exercised. In addition, on March 16, 2010, the County Board authorized the permanent transfer of \$200,000 from the Capital Improvement Fund to the General Fund as partial funding for the FIEEIP.

B. Dissolution of the Brown County Housing and Redevelopment Authority (HRA)

On February 23, 2010, the County Board authorized the dissolution of the Brown County HRA, and to transfer the remaining Brown County HRA cash balance of \$8,991 to the Brown County Building and Capital Improvements Fund.

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REQUIRED SUPPLEMENTARY INFORMATION

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**BROWN COUNTY
NEW ULM, MINNESOTA**

Schedule 1

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$0	\$826,382	\$826,382	0.0%	\$8,958,836	9.2%

See Note 4.C., Other Postemployment Benefits, for more information.

Multi-year trend information is not available at this time, as Governmental Accounting Standards Board Statement 45 was implemented in 2008. Future notes will provide additional trend analysis to meet the three actuarial valuations requirement as the information becomes available.

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COMBINING FUND FINANCIAL STATEMENTS AND SCHEDULES

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**BROWN COUNTY
NEW ULM, MINNESOTA**

Statement 1

**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	\$ 254,701	\$ 254,701	\$ 251,208	\$ (3,493)
Intergovernmental	151,674	151,674	66,898	(84,776)
Total Revenues	\$ 406,375	\$ 406,375	\$ 318,106	\$ (88,269)
Expenditures				
Debt service				
Principal	\$ 340,000	\$ 340,000	\$ 180,000	\$ 160,000
Interest	66,375	66,375	7,785	58,590
Administrative - fiscal charges	-	-	1,613	(1,613)
Total Expenditures	\$ 406,375	\$ 406,375	\$ 189,398	\$ 216,977
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 128,708	\$ 128,708
Other Financing Sources (Uses)				
Transfers out	-	-	(254,237)	(254,237)
Change in Fund Balance	\$ -	\$ -	\$ (125,529)	\$ (125,529)
Fund Balance - January 1	125,529	125,529	125,529	-
Fund Balance - December 31	\$ 125,529	\$ 125,529	\$ -	\$ (125,529)

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**BROWN COUNTY
NEW ULM, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Building and Capital Improvements - to account for funds used for capital outlay and maintenance. Financing is provided by a tax levy.

County Parks - to account for the operations of the County parks. Financing is provided primarily by property taxes authorized by the County Board and state grants.

County Ditch - to account for the financing of maintenance and repairs to ditch systems.

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**BROWN COUNTY
NEW ULM, MINNESOTA**

Statement 2

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

	Building and Capital Improvements	County Parks	County Ditch	Total Nonmajor Governmental Funds
<u>Assets</u>				
Cash and pooled investments	\$ 396,150	\$ 167,098	\$ 732,978	\$ 1,296,226
Taxes receivable				
Prior	481	2,009	-	2,490
Special assessments receivable				
Prior	-	-	1,820	1,820
Current	-	-	73,073	73,073
Noncurrent	-	-	17,907	17,907
Due from other governments	187	-	27,079	27,266
	\$ 396,818	\$ 169,107	\$ 852,857	\$ 1,418,782
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ 183	\$ 10,557	\$ 10,740
Salaries payable	-	1,756	1,175	2,931
Due to other governments	18	1,743	3,374	5,135
Deferred revenue - unavailable	333	1,378	119,231	120,942
Deferred revenue - unearned	417	302	2,347	3,066
	\$ 768	\$ 5,362	\$ 136,684	\$ 142,814
Fund Balances				
Reserved for conservation	\$ -	\$ -	\$ 716,173	\$ 716,173
Reserved for donations	-	1,712	-	1,712
Unreserved				
Undesignated	396,050	162,033	-	558,083
	\$ 396,050	\$ 163,745	\$ 716,173	\$ 1,275,968
Total Liabilities and Fund Balances	\$ 396,818	\$ 169,107	\$ 852,857	\$ 1,418,782

**BROWN COUNTY
NEW ULM, MINNESOTA**

Statement 3

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

	<u>Building and Capital Improvements</u>	<u>County Parks</u>	<u>County Ditch</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues				
Taxes	\$ 26,254	\$ 101,799	\$ -	\$ 128,053
Special assessments	-	-	136,031	136,031
Intergovernmental	6,906	26,991	46,346	80,243
Charges for services	-	13,563	-	13,563
Gifts and contributions	-	8,010	-	8,010
Miscellaneous	8,060	-	-	8,060
Total Revenues	\$ 41,220	\$ 150,363	\$ 182,377	\$ 373,960
Expenditures				
Current				
General government	\$ 31,965	\$ -	\$ -	\$ 31,965
Culture and recreation	-	145,555	-	145,555
Conservation of natural resources	27,315	-	159,779	187,094
Total Expenditures	\$ 59,280	\$ 145,555	\$ 159,779	\$ 364,614
Excess of Revenues Over (Under) Expenditures	\$ (18,060)	\$ 4,808	\$ 22,598	\$ 9,346
Other Financing Sources (Uses)				
Transfers in	9,877	3,564	17,404	30,845
Change in Fund Balance	\$ (8,183)	\$ 8,372	\$ 40,002	\$ 40,191
Fund Balance - January 1	404,233	155,373	676,171	1,235,777
Fund Balance - December 31	\$ 396,050	\$ 163,745	\$ 716,173	\$ 1,275,968

**BROWN COUNTY
NEW ULM, MINNESOTA**

Statement 4

**BUDGETARY COMPARISON SCHEDULE
BUILDING AND CAPITAL IMPROVEMENTS 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	\$ 26,394	\$ 26,394	\$ 26,254	\$ (140)
Intergovernmental	6,906	6,906	6,906	-
Miscellaneous	7,983	7,983	8,060	77
Total Revenues	\$ 41,283	\$ 41,283	\$ 41,220	\$ (63)
Expenditures				
Current				
General government				
Buildings and plant	\$ 16,150	\$ 16,150	\$ 25,773	\$ (9,623)
Veterans service officer	6,218	6,218	6,192	26
Total general government	\$ 22,368	\$ 22,368	\$ 31,965	\$ (9,597)
Conservation of natural resources				
County extension	26,000	26,000	27,315	(1,315)
Total Expenditures	\$ 48,368	\$ 48,368	\$ 59,280	\$ (10,912)
Excess of Revenues Over (Under) Expenditures	\$ (7,085)	\$ (7,085)	\$ (18,060)	\$ (10,975)
Other Financing Sources (Uses)				
Transfers in	8,662	8,662	9,877	1,215
Change in Fund Balance	\$ 1,577	\$ 1,577	\$ (8,183)	\$ (9,760)
Fund Balance - January 1	404,233	404,233	404,233	-
Fund Balance - December 31	\$ 405,810	\$ 405,810	\$ 396,050	\$ (9,760)

**BROWN COUNTY
NEW ULM, MINNESOTA**

Statement 5

**BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS 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	\$ 102,847	\$ 102,847	\$ 101,799	\$ (1,048)
Intergovernmental	26,991	26,991	26,991	-
Charges for services	12,330	12,330	13,563	1,233
Gifts and contributions	-	-	8,010	8,010
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 142,168	\$ 142,168	\$ 150,363	\$ 8,195
Expenditures				
Current				
Culture and recreation				
Parks	146,543	146,543	145,555	988
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under)				
Expenditures	\$ (4,375)	\$ (4,375)	\$ 4,808	\$ 9,183
Other Financing Sources (Uses)				
Transfers in	4,375	4,375	3,564	(811)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in Fund Balance	\$ -	\$ -	\$ 8,372	\$ 8,372
Fund Balance - January 1	155,373	155,373	155,373	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - December 31	\$ 155,373	\$ 155,373	\$ 163,745	\$ 8,372
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**BROWN COUNTY
NEW ULM, MINNESOTA**

Statement 6

**BUDGETARY COMPARISON SCHEDULE
COUNTY DITCH 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				
Special assessments	\$ 308,189	\$ 308,189	\$ 136,031	\$ (172,158)
Intergovernmental	-	-	46,346	46,346
Total Revenues	\$ 308,189	\$ 308,189	\$ 182,377	\$ (125,812)
Expenditures				
Current				
Conservation of natural resources				
Other	318,189	318,189	159,779	158,410
Excess of Revenues Over (Under) Expenditures	\$ (10,000)	\$ (10,000)	\$ 22,598	\$ 32,598
Other Financing Sources (Uses)				
Transfers in	10,000	10,000	17,404	7,404
Change in Fund Balance	\$ -	\$ -	\$ 40,002	\$ 40,002
Fund Balance - January 1	676,171	676,171	676,171	-
Fund Balance - December 31	\$ 676,171	\$ 676,171	\$ 716,173	\$ 40,002

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**BROWN COUNTY
NEW ULM, MINNESOTA**

AGENCY FUNDS

Assurance - to account for the collection and payment of assurance funds to the state.

Mortgage Registry Tax - to account for the collection and distribution of mortgage registry tax to the County and other governments.

Prepaid Tax - to account for taxes paid in advance.

Region Nine - to account for the collection and distribution of funds to the Region Nine Regional Development Commission.

School Districts - to account for the school districts' share of taxes collected by the County.

State Deed Tax - to account for the collection and distribution of state deed tax to the County and other governments.

Three Counties for Kids Collaborative - to account for the funds of a multi-county/school district children's mental health collaborative.

Families First Family Services Collaborative - to account for the funds of the County/multi-school district family services collaborative.

Taxes and Penalties - to account for the collection and payment of taxes and penalties collected to the various taxing districts.

Towns and Cities - to account for the collection and payment of taxes due to towns and cities.

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**BROWN COUNTY
NEW ULM, MINNESOTA**

Statement 7

**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>ASSURANCE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,599	\$ 429	\$ 375	\$ 1,653
<u>Liabilities</u>				
Due to other governments	\$ 1,599	\$ 429	\$ 375	\$ 1,653
 <u>MORTGAGE REGISTRY TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 15,153	\$ 357,429	\$ 323,415	\$ 49,167
<u>Liabilities</u>				
Due to other governments	\$ 15,153	\$ 357,429	\$ 323,415	\$ 49,167
 <u>PREPAID TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,741	\$ 228,625	\$ 199,265	\$ 32,101
<u>Liabilities</u>				
Due to other governments	\$ 2,741	\$ 228,625	\$ 199,265	\$ 32,101

**BROWN COUNTY
NEW ULM, MINNESOTA**

*Statement 7
(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>REGION NINE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 480	\$ 37,234	\$ 37,441	\$ 273
	\$ 480	\$ 37,234	\$ 37,441	\$ 273
 <u>Liabilities</u>				
Due to other governments	\$ 480	\$ 37,234	\$ 37,441	\$ 273
	\$ 480	\$ 37,234	\$ 37,441	\$ 273
 <u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 85,137	\$ 8,556,043	\$ 8,604,284	\$ 36,896
	\$ 85,137	\$ 8,556,043	\$ 8,604,284	\$ 36,896
 <u>Liabilities</u>				
Due to other governments	\$ 85,137	\$ 8,556,043	\$ 8,604,284	\$ 36,896
	\$ 85,137	\$ 8,556,043	\$ 8,604,284	\$ 36,896
 <u>STATE DEED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 28,332	\$ 248,483	\$ 251,381	\$ 25,434
	\$ 28,332	\$ 248,483	\$ 251,381	\$ 25,434
 <u>Liabilities</u>				
Due to other governments	\$ 28,332	\$ 248,483	\$ 251,381	\$ 25,434
	\$ 28,332	\$ 248,483	\$ 251,381	\$ 25,434

**BROWN COUNTY
NEW ULM, MINNESOTA**

*Statement 7
(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>THREE COUNTIES FOR KIDS COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 169,853	\$ 182,399	\$ 158,485	\$ 193,767
<u>Liabilities</u>				
Due to other governments	\$ 169,853	\$ 182,399	\$ 158,485	\$ 193,767
 <u>FAMILIES FIRST FAMILY SERVICES COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 72,336	\$ 104,816	\$ 146,622	\$ 30,530
<u>Liabilities</u>				
Due to other governments	\$ 72,336	\$ 104,816	\$ 146,622	\$ 30,530
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 143	\$ 27,154,475	\$ 27,154,618	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 143	\$ 27,154,475	\$ 27,154,618	\$ -

**BROWN COUNTY
NEW ULM, MINNESOTA**

*Statement 7
(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>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 214,484	\$ 11,450,271	\$ 11,605,763	\$ 58,992
<u>Liabilities</u>				
Due to other governments	\$ 214,484	\$ 11,450,271	\$ 11,605,763	\$ 58,992
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 590,258	\$ 48,320,204	\$ 48,481,649	\$ 428,813
<u>Liabilities</u>				
Due to other governments	\$ 590,258	\$ 48,320,204	\$ 48,481,649	\$ 428,813

SCHEDULES

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**BROWN COUNTY
NEW ULM, MINNESOTA**

Schedule 2

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2009**

	<u>Interest Rate</u>	<u>Amount</u>
Deposits and Investments		
Checking accounts	0.50%	\$ 1,257,156
Cash on hand	None	1,040
Mutual funds (MAGIC)	Varies	4,484,094
Certificates of deposit	Varies	<u>9,969,000</u>
Total Deposits and Investments		<u>\$ 15,711,290</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

Schedule 3

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

Shared Revenue

State

Highway users tax	\$ 3,248,319
County program aid	1,429,810
PERA rate reimbursement	39,317
Disparity reduction aid	27,054
Police aid	64,136
Enhanced 911	105,693
Market value credit	1,123,087
	1,123,087

Total shared revenue **\$ 6,037,416**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 1,114,335
Minnesota Department of Transportation	9,908
	9,908

Total reimbursement for services **\$ 1,124,243**

Payments

Local

City contributions	\$ 377,575
Local contributions	209,641
Payments in lieu of taxes	21,699
	21,699

Total payments **\$ 608,915**

Grants

State

Minnesota Department/Board of	
Corrections	\$ 419,804
Agriculture	315
Transportation	297,101
Health	192,652
Natural Resources	47,666
Human Services	1,476,975
Veterans Affairs	29,157
Water and Soil Resources	135,230
Peace Officer Standards and Training	8,319
Pollution Control Agency	82,924
	82,924

Total state **\$ 2,690,143**

**BROWN COUNTY
NEW ULM, MINNESOTA**

Schedule 3
(Continued)

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

Grants (Continued)

Federal

Department of	
Agriculture	\$ 271,493
Commerce	34,769
Justice	60,000
Transportation	1,310,952
Health and Human Services	1,987,801
Homeland Security	19,874

Total federal **\$ 3,684,889**

Total state and federal grants **\$ 6,375,032**

Total Intergovernmental Revenue **\$ 14,145,606**

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**BROWN COUNTY
NEW ULM, MINNESOTA**

Schedule 4

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 Brown County.
- B. No matters involving internal control over financial reporting were reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
- C. No instances of noncompliance material to the financial statements of Brown 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 Brown 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:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grants for SNAP	CFDA #10.561
State Administrative Matching Grants for SNAP - ARRA	CFDA #10.561
Highway Planning and Construction	CFDA #20.205
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563
Medical Assistance Program	CFDA #93.778

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

I. Brown 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 ITEM RESOLVED

Audit Adjustments (08-1)

Adjustments were proposed that resulted in significant changes to the County's financial statements.

Resolution

Proposed adjustments were made to the County's financial statements.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-6 County Ditch Special Revenue Fund - Deficit Fund Balances

Eight of the 90 ditches in the County Ditch Special Revenue Fund had deficit fund balances as of December 31, 2009, totaling \$22,772. Minn. Stat. § 103E.735, subd. 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We recommend that the County continue to levy assessments pursuant to Minnesota statutes which permit the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

Client's Response:

Brown County will continue to levy assessments pursuant to Minnesota statutes which permit the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

B. 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 (for example, 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.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Board of County Commissioners
Brown 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 Brown 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 August 2, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Brown County Economic Development Partners, Inc., as described in our report on Brown County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Brown County Economic Development Partners, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brown 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.

The results of our tests indicate that, for the items tested, Brown County complied with the material terms and conditions of applicable legal provisions.

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.

Brown County's written response to the management practices finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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

August 2, 2010

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

Board of County Commissioners
Brown County

Compliance

We have audited the compliance of Brown 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. Brown 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 Brown 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, Brown 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 Brown 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 the 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 Brown 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 August 2, 2010. We did not audit the financial statements of Brown County Economic Development Partners, Inc., a discretely presented component unit of the County. Those statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on Brown 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 2, 2010

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**BROWN COUNTY
NEW ULM, MINNESOTA**

Schedule 5

**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	\$ 116,090
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	151,793
State Administrative Matching Grants for SNAP - ARRA	10.561	<u>3,610</u>
Total U.S. Department of Agriculture		<u>\$ 271,493</u>
U.S. Department of Commerce		
Passed Through Blue Earth County Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 34,769</u>
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Juvenile Justice and Delinquency Prevention Allocation to States	16.540	<u>\$ 60,000</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,075,423
Formula Grants for Other Than Urbanized Areas	20.509	231,732
Passed Through City of New Ulm Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	<u>8,285</u>
Total U.S. Department of Transportation		<u>\$ 1,315,440</u>
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	\$ 34,602
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	21,831
Temporary Assistance for Needy Families	93.558	49,948
Maternal and Child Health Services Block Grant to the States	93.994	31,128
Passed Through Minnesota Department of Commerce Low-Income Home Energy Assistance	93.568	162,463

**BROWN COUNTY
NEW ULM, MINNESOTA**

**Schedule 5
(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 (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	81,575
Temporary Assistance for Needy Families	93.558	235,514
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	420,890
Child Support Enforcement - ARRA	93.563	71,582
Refugee and Entrant Assistance - State-Administered Programs	93.566	380
Child Care and Development Cluster		
Child Care and Development Block Grant	93.575	12,018
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	9,799
Child Welfare Services - State Grants	93.645	10,782
Foster Care - Title IV-E Cluster		
Foster Care - Title IV-E	93.658	126,361
Foster Care - Title IV-E - ARRA	93.658	7,100
Social Services Block Grant	93.667	165,003
Chafee Foster Care Independence Program	93.674	6,199
Medical Assistance Program	93.778	538,739
Block Grants for Community Mental Health Services	93.958	1,887
Total U.S. Department of Health and Human Services		\$ 1,987,801
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 5,021
Direct		
Emergency Food and Shelter National Board Program	97.024	4,000
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	10,853
Total U.S. Department of Homeland Security		\$ 19,874
Total Federal Awards		\$ 3,689,377

**BROWN COUNTY
NEW ULM, 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 Brown 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 Brown 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 Brown County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Brown 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	\$ 3,684,889
Grants received more than 60 days after year-end, deferred in 2009 Highway Planning and Construction	<u>4,488</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u><u>\$ 3,689,377</u></u>

5. Subrecipients

During 2009, the County did not pass any federal money to subrecipients.

**BROWN COUNTY
NEW ULM, MINNESOTA**

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.