

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**GOODHUE COUNTY**  
**RED WING, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2010**

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

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

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

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

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

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

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

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

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

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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**Year Ended December 31, 2010**



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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**CURRENT ORGANIZATIONAL CHART  
DECEMBER 31, 2010**

			<u>Term Expires</u>
<b>Elected Officers</b>			
<b>Commissioners</b>			
Chair	Ted Seifert	District 5	January 2013
Vice Chair	Richard Samuelson	District 2	January 2015
Board Member	Ronald Allen	District 1	January 2013
Board Member	Dan Rehtzigel	District 3	January 2013
Board Member	Jim Bryant	District 4	January 2015
Attorney	Steven N. Betcher		January 2015
County Sheriff	Scott McNurlin		January 2015
<b>Appointed Officials</b>			
Administrator	Scott Arneson		Indefinite
Court Services	Joanne Pohl		Indefinite
Facilities Maintenance	Rick Seyffer		Indefinite
Finance Director	Carolyn Holmsten		Indefinite
Human Resources	Melissa Cushing		Indefinite
Human Services	Greg Schoener		Indefinite
Information Technology	Randy Johnson		Indefinite
Land Use Management/Recorder	Lisa Hanni		Indefinite
Public Works	Greg Isakson		Indefinite
Veterans Service Officer	Robert Davis		March 2015

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Goodhue County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Goodhue County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Goodhue County's basic financial statements taken as a whole. The supplementary information including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133 and other information section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 23, 2011, on our consideration of Goodhue County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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

September 23, 2011

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2010

(Unaudited)

In the Management's Discussion and Analysis (MD&A) we will provide readers with a narrative overview, and both a short-term and long-term analysis, of the financial activities of Goodhue County for the year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the County's financial activity and performance.

**HIGHLIGHTS**

- On December 31, 2010, Goodhue County's total assets exceed liabilities by \$155,668,236, of which \$121,777,217 is invested in capital assets (net of related debt) and \$3,024,708 is restricted to specific purposes. This leaves year-end unrestricted net assets of \$30,866,311.
- Goodhue County's net assets increased by \$6,824,044 from current operations for the year ended December 31, 2010 (\$4.6 million attributed to increases in total assets and almost \$2.2 million attributed to decreases in total liabilities). There were significant increases to Construction in Progress on behalf of Public Works projects and the Sheriff's 800 MHz Radio project which continues on from 2009.
- In 2010, the County paid down \$1,693,974 in long-term debt to help reduce total liabilities by \$2,183,754. The final levy for major debt will be in 2013, with the last payments due in February 2014.
- Overall program expenses for 2010 were \$42,808,577--a decrease of \$4,901,431 (10.3 percent) from 2009. The largest areas of reduction were in Highways and Streets, Human Services, and Health. Program revenues decreased by 9.7 percent, or \$2,297,031, during 2010. The largest areas of reduction can be found in Capital Grants and Fees, Fines, and Charges. General revenues contributed \$28,213,792 towards program expenses, a reduction of \$1,766,458 from the previous year.
- At the end of the year, the General Fund's unreserved, undesignated fund balance was \$10,346,978. This amount represents approximately 44 percent of expenditures for the year and a decrease of \$213,740 from 2009.

- Throughout 2010, an effort has been made to integrate the employees, services, and finances of Public Health and Social Services to better serve the needs of their customers within the County. As of July 1, 2010, they became Goodhue County Health and Human Services (HHS). Staff has begun relocations in efforts to gain efficiency within the organization, and the County continues to look at the building needs for this new division. In 2009, ending fund balances for Public Health was \$1,440,711 and Human Services was \$2,696,267. The HHS fund balance as of December 31, 2010, was \$5,438,508.
- On September 23, 2010, there was a major flood event in southern Minnesota. A few areas of the County were impacted, with some damage to both personal and commercial property. The County, along with the Minnesota Department of Employment and Economic Development, have offered flood loans through the Minnesota Investment Fund (MIF). It is expected that MIF will issue loans of nearly \$1.2 million, with 50 percent of the borrowed amount returning to Goodhue County over the next ten years. These dollars will be committed for the purpose of assistance with other Economic Development projects within the County.
- Since 1968, Goodhue County and Dakota County have jointly owned (40 percent and 60 percent, respectively) a dam located on Lake Byllesby. Expected upgrades necessary to meet the requirements of the Federal Energy Regulatory Commission are expected to cost \$4 to \$5 million. The Board was not interested in continuing with ownership and, on January 7, 2011, Goodhue County sold their 40 percent share of the dam to Dakota County for \$1. A Joint Powers Agreement with Dakota County, the City of Cannon Falls, and Goodhue County relating to quantity and location of sirens for a warning system remains in place to assist with public safety in all three jurisdictions.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

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

The Statement of Activities (Exhibit 2) presents information on the change in net assets for the most recent year. Said changes are reported as soon as a financial event results in a change, regardless of the timing of related cash flows. Therefore, results reported will result in cash flows in a future period. For example, uncollected property taxes and earned, but unused, vacation leave are included here, but the cash will not be received or expended until a later year.

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

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

- General Government
- Public Safety
- Highways and Streets
- Human Services
- Health
- Sanitation
- Culture and Recreation
- Conservation of Natural Resources
- Economic Development

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

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

The government-wide financial statements provide two other sources of information:

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

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

### **Government-Wide Financial Analysis**

A useful tool for analyzing financial statements is comparative information from previous years. Net assets may be a useful indicator of a government's financial position over time. As of December 31, 2010 assets exceeded liabilities by \$155,668,236. The following table provides a summary of Goodhue County's governmental net assets which increased \$6,824,044 from the previous year.

**Table 1**  
**Net Assets**

	Governmental Activities		
	2010	2009	\$ Change
Current and other assets	\$ 41,589,743	\$ 40,562,991	\$ 1,026,752
Capital assets	128,943,548	125,330,010	3,613,538
<b>Total Assets</b>	<b>\$ 170,533,291</b>	<b>\$ 165,893,001</b>	<b>\$ 4,640,290</b>
Long-term debt outstanding	\$ 12,242,954	\$ 13,936,928	\$ (1,693,974)
Other liabilities	2,622,101	3,111,881	(489,780)
<b>Total Liabilities</b>	<b>\$ 14,865,055</b>	<b>\$ 17,048,809</b>	<b>\$ (2,183,754)</b>
<b>Net Assets</b>			
Invested in capital assets, net of debt	\$ 121,777,217	\$ 116,725,063	\$ 5,052,154
Restricted	3,024,708	2,960,641	64,067
Unrestricted	30,866,311	29,158,488	1,707,823
<b>Total Net Assets</b>	<b>\$ 155,668,236</b>	<b>\$ 148,844,192</b>	<b>\$ 6,824,044</b>

The largest portion of Goodhue County's net assets, 78 percent, or approximately \$121.8 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, as well as roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Resources needed to repay the debt must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

An additional \$31 million of net assets, or 20 percent, represents unrestricted net assets that may be used to meet ongoing obligations to citizens and creditors. In 2010, unrestricted net assets increased by \$1,707,823.

## Governmental Activities

Reflected in Table 2 are the changes in revenues and expenses sorted by activity. 2010 total revenues for County Governmental Activities decreased by 7.6 percent, and expenses decreased by 10.3 percent. This variation created an increase in net assets of \$6,824,044.

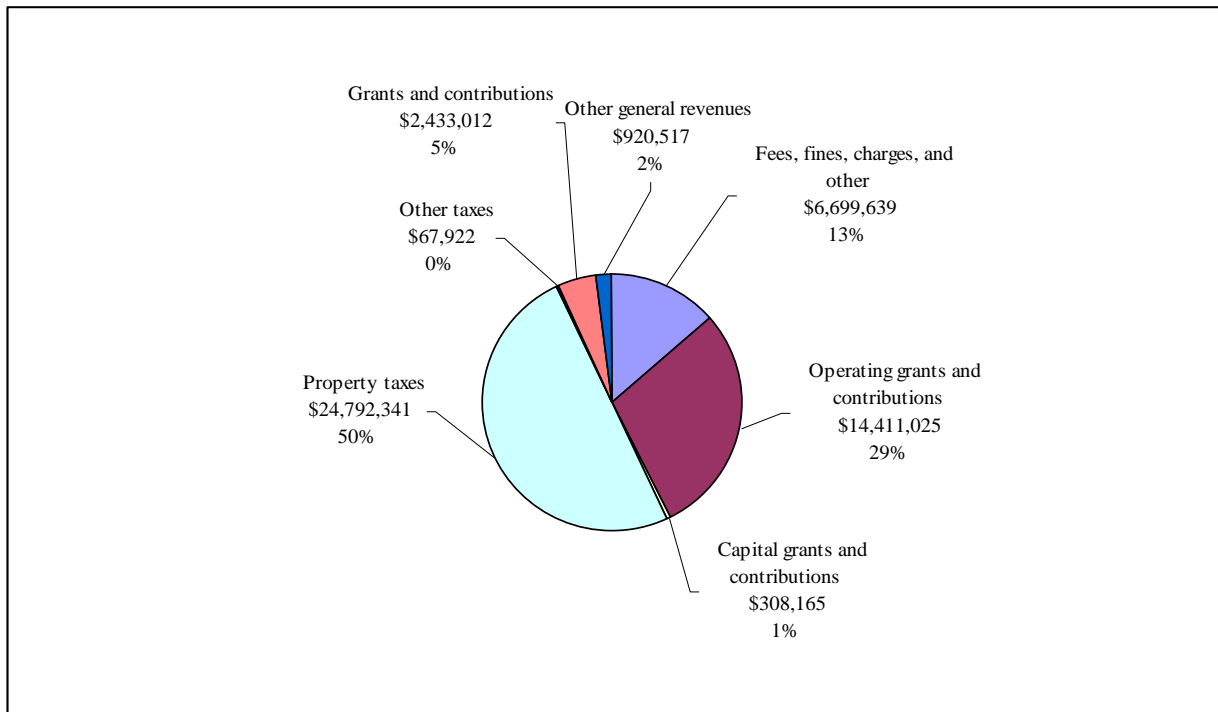
**Table 2**  
**Changes in Net Assets**

	Governmental Activities			
	2009	2008	\$ Change	% Change
<b>Revenues</b>				
<b>Program revenues</b>				
Fees, fines, charges, and other	\$ 6,699,639	\$ 7,811,090	\$ (1,111,451)	(14.2)
Operating grants and contributions	14,411,025	13,360,818	1,050,207	7.9
Capital grants and contributions	308,165	2,543,952	(2,235,787)	(87.9)
<b>General revenues</b>				
Property taxes	24,792,341	25,221,707	(429,366)	(1.7)
Other taxes	67,922	42,390	25,532	60.2
Grants and contributions	2,433,012	3,186,011	(752,999)	(23.6)
Other general revenues	920,517	1,530,142	(609,625)	(39.8)
<b>Total Revenues</b>	<b>\$ 49,632,621</b>	<b>\$ 53,696,110</b>	<b>\$ (4,063,489)</b>	<b>(7.6)</b>
<b>Program expenses</b>				
General government	\$ 9,586,054	\$ 8,951,654	\$ 634,400	7.1
Public safety	11,146,247	11,954,970	(808,723)	(6.8)
Highways and streets	7,380,527	9,448,610	(2,068,083)	(21.9)
Sanitation	723,854	907,992	(184,138)	(20.3)
Human services	8,875,645	10,396,287	(1,520,642)	(14.6)
Health	2,889,026	4,008,035	(1,119,009)	(27.9)
Culture and recreation	777,308	634,611	142,697	22.5
Conservation of natural resources	796,319	618,175	178,144	28.8
Economic development	287,518	389,188	(101,670)	(26.1)
Interest	346,079	400,486	(54,407)	(13.6)
<b>Total Program Expenses</b>	<b>\$ 42,808,577</b>	<b>\$ 47,710,008</b>	<b>\$ (4,901,431)</b>	<b>(10.3)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 6,824,044</b>	<b>\$ 5,986,102</b>	<b>\$ 837,942</b>	<b>14.0</b>
<b>Net Assets - January 1</b>	<b>148,844,192</b>	<b>142,858,090</b>	<b>5,986,102</b>	<b>4.2</b>
<b>Net Assets - December 31</b>	<b>\$ 155,668,236</b>	<b>\$ 148,844,192</b>	<b>\$ 6,824,044</b>	<b>4.6</b>

Operating grants and contributions include State Construction funding which tend to fluctuate widely from year to year based on the current projects. 2009 Capital grants included a federal grant from the U.S. Department of Transportation of \$2,253,196, part of which was received by Goodhue County under the American Recovery and Reinvestment Act.

All program expenditures reflect a net decrease of 10.3 percent. The County continues to discuss spending patterns and look for ways to tighten spending. Culture and Recreation’s increase of \$142,697 and Conservation of Natural Resource’s increase of \$178,144 were tied to additional federal and state grants available in those areas. Program decreases ranged from 6.8 percent to 27.9 percent.

**Governmental Activities  
Revenues by Source**



Per Table 2, one can see the cost of all governmental activities in 2010 was \$42,808,577, compared to \$47,710,008 in 2009. However, as shown in the Statement of Activities (Exhibit 2), not all of this is paid for with County taxes. \$6,699,639 of the cost was paid by those who directly benefited from the programs. For example, direct users are charged things such as building permit fees, home health fees, recording fees, inmate boarding fees, etc. Another \$14,719,190 was covered by other governments and organizations that subsidized either a specific program or general operations with grants and contributions. Some examples of grants received are State Construction Aid, County Program Aid, State Police Aid, Probation Officer Salary Reimbursements, WIC (Women, Infants, and Children), and other Public Health and Human Services programs. The amount that was financed for these activities through County general revenues was \$28,213,792.

Overall, County governmental program revenues decreased from \$23,715,860 in 2009 to \$21,418,829 in 2010, with decreases in fees, fines, charges, and capital grants and contributions. Operating grants and contributions increased by \$1 million. The County paid for the remaining “public benefit” portion of governmental activities with 2010 general revenue dollars of \$28,213,792, down \$1,766,458 from 2009. General revenues, which are made up of primarily taxes, also include grants and the sale of capital assets. The state’s decision to not reimburse counties for Market Value Credits provided to county residents through state property tax relief programs accounts for 30 percent of this decrease (\$536,585).

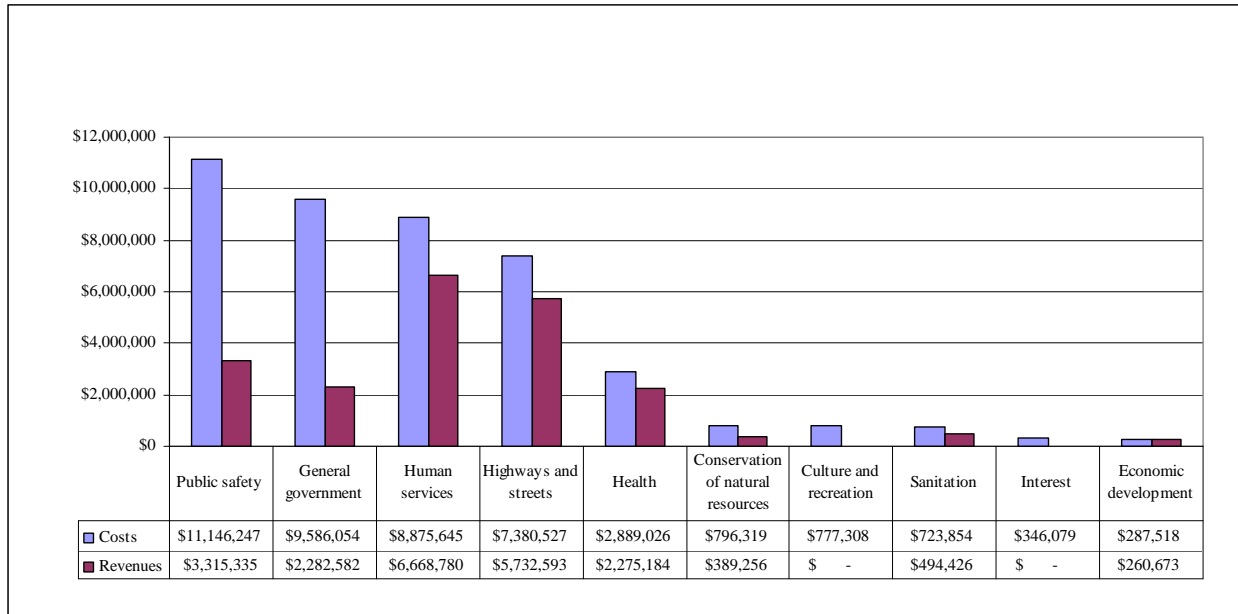
Table 3 presents the cost of each of the County’s five largest program areas, as well as the area’s net cost (total cost less revenues) generated by the activities. The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table 3  
Governmental Activities  
Costs of Services**

	Total Cost of Services		
	2010	2009	\$ Change
Public safety	\$ 11,146,247	\$ 11,954,970	\$ (808,723)
Human services	8,875,645	10,396,287	(1,520,642)
General government	9,586,054	8,951,654	634,400
Highways and streets	7,380,527	9,448,610	(2,068,083)
Health	2,889,026	4,008,035	(1,119,009)
All others	2,931,078	2,950,452	(19,374)
<b>Totals</b>	<b>\$ 42,808,577</b>	<b>\$ 47,710,008</b>	<b>\$ (4,901,431)</b>
	Net Cost of Services		
	2010	2009	\$ Change
Public safety	\$ 7,830,912	\$ 8,456,904	\$ (625,992)
Human services	2,206,865	3,858,740	(1,651,875)
General government	7,303,472	7,066,999	236,473
Highways and streets	1,647,934	1,711,016	(63,082)
Health	613,842	882,399	(268,557)
All others	1,786,723	2,018,090	(231,367)
<b>Totals</b>	<b>\$ 21,389,748</b>	<b>\$ 23,994,148</b>	<b>\$ (2,604,400)</b>

The net cost of services decreased \$2,604,400, or 10.85 percent, compared to the previous year. The following chart represents, by program, the costs incurred for these County services and the program revenues received in conjunction with those services. The difference leads to the amount of tax revenues needed to help offset operational costs.

**Governmental Activities  
Costs and Program Revenues**



**Fund Level Financial Analysis**

The fund level financial statements offer more detailed information than the government-wide statements. Using separate funds provides a way to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by state law and by bond covenants. As recommended by Minnesota County Financial Accounting & Reporting Standards (COFARS), the County strives to maintain the minimum number of funds to meet our legal and operating requirements.

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

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

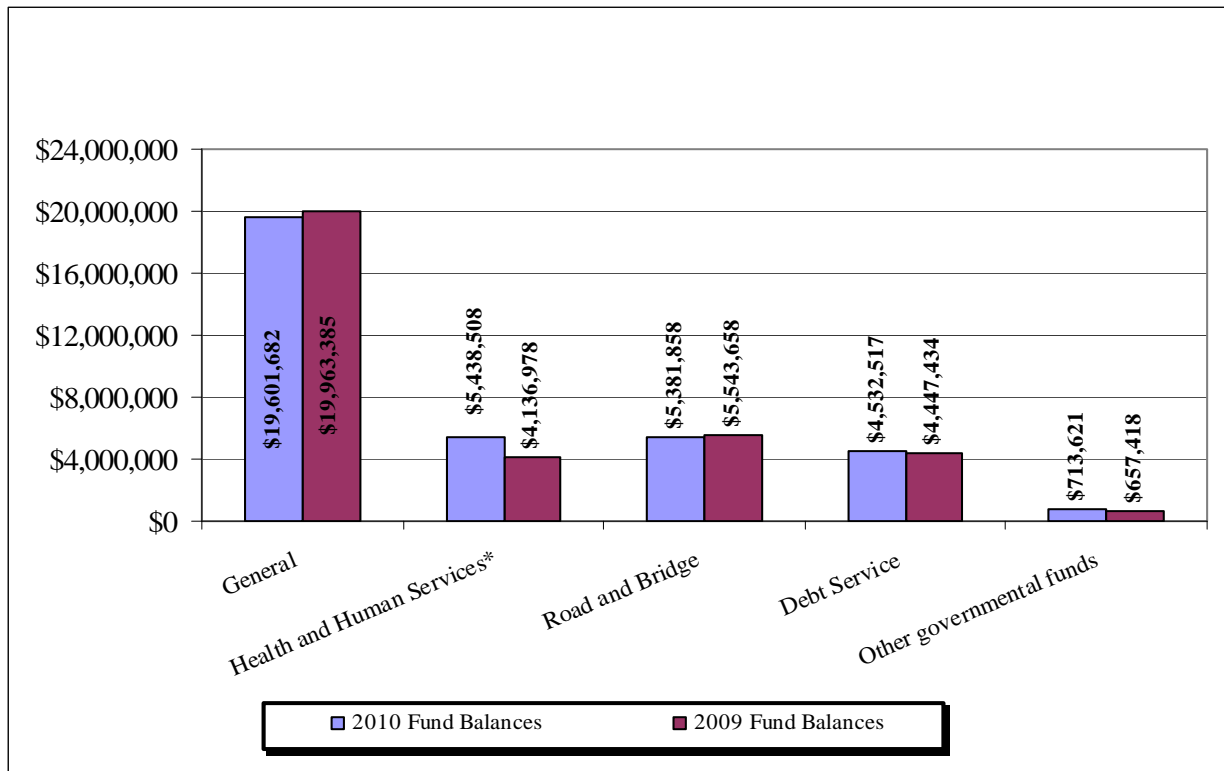


## The County's Funds

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

At year-end, the County's governmental funds (as presented in the balance sheet on Exhibit 3) reported a combined fund balance of \$35,668,186. This represents a \$919,313 increase (2.65 percent) from December 31, 2009. Maintaining a fund balance for cash flow purposes will be very important as sources of revenue from other governments are anticipated to tighten due to national, state, and local economic factors.

**Governmental Funds  
Fund Balances  
(Exhibit 3)**



\*The Health and Human Services Fund Balances have been updated to reflect fund balances from both the Human Services Fund and the Public Health Fund. The two funds integrated in 2010.

The General Fund is the primary operating fund of the Goodhue County government. Most of the County's traditional services are reported here. The General Fund's fund balance decreased by \$361,703, or 1.81 percent, in 2010.

The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$5.4 million fund balance at the end of 2010 that represented a \$161,800, or 3 percent, decrease from 2009. Due to the fluctuation of projects between years and the related federal and state funding, it is not unusual to have the swing in fund balance as noted here.

The Health and Human Services Special Revenue Fund exists to account for resources expended for public assistance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$5.5 million fund balance at the end of 2010, which is 44 percent of its expenditures. The fund continues to monitor their spending as more than half of their revenue comes from other governmental sources. At the state level, Minnesota continues to review its social service and medical costs, many of those which filter to the County for mandated services, as they address their budget problems. The federal government is doing likewise. Future reductions in revenue could reduce services provided locally.

The Debt Service Fund contains resources designated for the repayment of debt obligations - yearly principal and interest payments on existing bonds. Most of these funds are derived from tax revenues. The fund had a \$4.5 million fund balance at the end of 2010, which was \$85,083 more than the previous year.

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

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

The basic Fiduciary Funds Financial Statement is Exhibit 7 of this report. Additional detail which breaks down the activity of these three funds can be found on Exhibit D-1.

### **General Fund Budgetary Highlights**

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

On December 31, 2010, the County's General Fund actual expenditures were \$1,923,241 less than the projected budget. A couple of big areas of budget savings were in Buildings and Plant (\$263,325) and Public Safety overall (\$1,425,327). Most of the Public Safety savings is from unspent Radio Project funds in the Sheriff's Office. This project, endorsed by the Board on September 4, 2007, carried over \$908,589 from 2010 to 2011 for future project costs. The project is scheduled to be up and running in late 2011. The majority of the budget savings in Buildings and Plant were also due to delayed capital projects.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2010, the County had \$128,943,548 invested in a broad range of capital assets, including land, buildings, equipment, and infrastructure. (See Table 4 below.) This represents a net increase of \$3,613,538, much of which is due to the replacement of infrastructure within Public Works which is reflected as an increase to Construction in Progress.

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

	Governmental Activities		
	2010	2009	\$ Change
Land	\$ 7,932,500	\$ 7,825,717	\$ 106,783
Construction in progress	12,137,675	6,009,509	6,128,166
Buildings and land improvements	23,965,172	24,046,314	(81,142)
Machinery, vehicles, furniture and equipment	4,356,010	4,547,164	(191,154)
Infrastructure	80,552,191	82,901,306	(2,349,115)
Totals	<u>\$ 128,943,548</u>	<u>\$ 125,330,010</u>	<u>\$ 3,613,538</u>

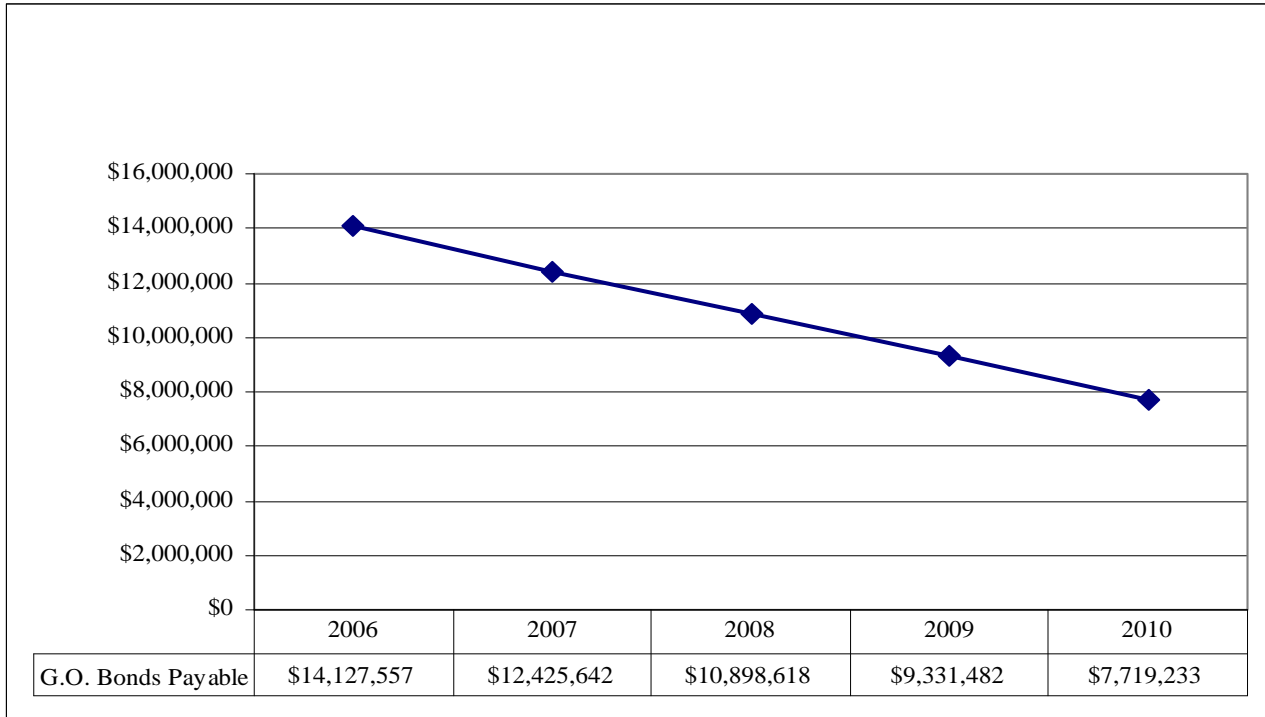
### Debt Administration

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

On December 31, 2010, the County had \$7,719,233 in bonds and notes outstanding, a decrease of 17.28 percent, as shown in Table 5. All debt payments were made on a timely basis. There were no re-financings or new debt obligations in 2010.

It is anticipated there will be a need to sell up to \$9.2 million in highway bonds in 2012 along with an already Board-approved \$1.7 million of Qualified Energy Conservation Bonds for the Government Center boiler upgrade.

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



Other long-term liabilities on December 31, 2010, include: compensated absence liability (accrued vacation and sick leave payable) of \$3,750,921; landfill closure and postclosure care liability of \$854,072; and capital leases of \$2,594. More detailed information about the County's long-term liabilities is presented in Note 3.C. of the financial statements.

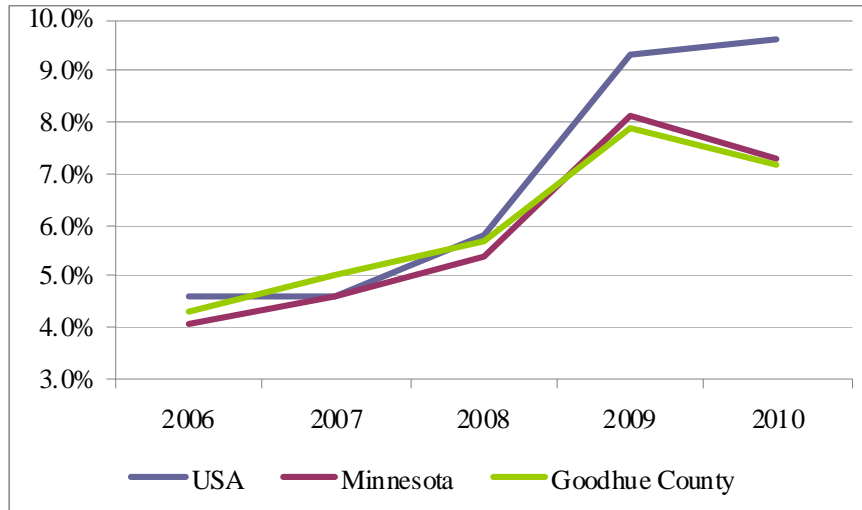
**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

Unemployment

The 12-month average for unemployment in 2010 for the U.S., Minnesota, and Goodhue County was 9.6 percent, 7.3 percent and 7.2 percent, respectively. This compared to 2009 of 9.3 percent, 8.1 percent, and 7.9 percent. As outlined in Table 6, Goodhue County and the State of Minnesota continue to trend well below national unemployment averages. Current 2011 average unemployment rates for April 2011 were 8.7 percent, 6.6 percent, and 6.3 percent for the U.S., Minnesota, and Goodhue County, respectively. Like all local units of government, we are very concerned about both the national and local economic conditions and the impacts on our County. We would like to think the County will continue to trend below the national average. There are no large employers in the County that have recently announced work force reductions as the struggle continues, but we do not know what lies ahead.

**Table 6  
Unemployment Rates - 5-Year Trend**

	2006	2007	2008	2009	2010
USA	4.6%	4.6%	5.8%	9.3%	9.6%
Minnesota	4.1%	4.6%	5.4%	8.1%	7.3%
Goodhue County	4.3%	5.0%	5.7%	7.9%	7.2%
Average	4.3%	4.7%	5.6%	8.4%	8.0%



Property Value Growth

Gone are the days of property growth exceeding ten percent. Today, Goodhue County is no different than other counties as tightening markets have an impact on values. Property value growth in 2008 fell just below six percent, and property value growth in 2009 and 2010 were each slightly more than three percent. Property value growth in 2011 showed a slight decrease in values, and 2012 appears to have them remaining stable. Whether this is a true sign of the market righting itself or just a one-year fact is yet to be seen. There continues to be some new construction; however, it too is not as strong as was in the pre-2010 years.

In December 2006, Goodhue County and NSP/Xcel Energy signed a ten-year Revenue Stabilization agreement detailing a payment in lieu of tax, which NSP/Xcel agrees to pay to Goodhue County to replace tax revenue that the County lost beginning in 2008 due to valuation changes made by the Minnesota Department of Revenue. With the agreement in place, lost tax revenue will be replaced dollar for dollar by a stabilization payment made by NSP/Xcel.

The initial year, 2008, required Xcel to pay the County \$176,642, followed by \$370,772 in 2009 and \$537,507 in 2010. The Board increased the 2011 payment which, in turn, reduced the required payment from Xcel. In May 2011, they paid the first payment of \$166,733, and the other is expected to follow in October of the current year.

## State Financial Position

Over the past three years, the state has withheld certified payments of approximately \$2 million from Goodhue County (\$500,000 in Market Value Credit Aid and almost \$1.5 million in County Program Aid). This is a familiar situation for all counties and cities in the state as the state continues to look for new ways to balance their budget.

With Minnesota just completing the longest period of government shutdown in state history, Goodhue County's position is not to budget for certified payments but rather to take a very comprehensive look at what is reasonable to expect in aid payments for the coming year. The compromises agreed to by the executive and legislative branches will continue to result in less money in the future. The stop gap measures they came up with will require continued discussions and anticipated changes in how state resources are spent, thus an expected impact on many County services as well.

In order to adapt to the anticipated revenue reductions and the struggle of taxpayers, the Commissioners reviewed 2011 closely and will be tightening expenditures for 2012 and 2013 as noted below.

## Budgeting Approach

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

Under current economic conditions, there is continued need to examine operations very closely while establishing a balanced 2012 and 2013 budget. (Note, the overall 2009 and 2010 expenditures were under the budgeted amount, much of this due to concern of staff regarding what lies ahead.) During 2010, the Commissioners and Department Heads jointly developed a matrix to use as a guide for budgeting purposes which ranks all County activities based on legal compliance and strategic priority. It is expected that, as reduction initiatives are necessary, the matrix will aid in pointing out options available and addressing the related consequences as well as and how the reduction will impact the County's strategic priorities.

Being a service organization, the County's largest expenditures are salaries and benefits of employees. The County offered an Early Retirement Incentive Package effective May 29, 2010, of which there were 12 participants. This package saved dollars in both 2010 and 2011. Replacing any of these staff or others that leave the County is scrutinized very heavily to determine if the position is replaced. Of those that left as part of the incentive package, 2 were replaced. The County currently has 335 employees. Of the 11 that have retired or left the County at this point in 2011, it is expected that 4 of those will be replaced.

Goodhue County is not alone in the attempt to determine how to perform our services more efficiently and at times do more with less. County Board members and administrators, along with Adult Detention Center staff throughout southeast Minnesota, have been meeting during 2011 to address concerns of under-utilized facilities and increased costs. As these meetings continue, there is anticipation of more collaboration and possible financial savings relating to County jail operations, especially in the areas of purchasing, transportation, and possible specialized units.

As is the practice throughout Minnesota, the Board establishes a preliminary levy within the limit in September and in December; after all special levies requested have been approved by the Department of Revenue, they will finalize all levy amounts for 2012. The Board continues to strive for a balanced budget while, at the same time, effectively promote the safety, health, and well-being of our residents.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Goodhue County's finances. If you have any questions about this report or need additional information, please contact the Finance Office, Goodhue County Government Center, 509 W. 5th Street, Red Wing, Minnesota 55066, or at (651) 385-3032.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	<b>Primary Government Governmental Activities</b>	<b>Belle Creek Watershed Component Unit</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 35,149,416	\$ 246,390
Petty cash and change funds	2,050	-
Cash with escrow agent	490,500	-
Taxes receivable		
Prior - net	918,485	-
Special assessments receivable		
Current	26,059	-
Noncurrent	87,498	-
Accounts receivable - net	163,867	-
Accrued interest receivable	104,061	278
Loans receivable	96,709	-
Due from other governments	2,288,776	-
Due from primary government	-	208
Inventories	439,382	-
Prepaid items	393,652	-
Restricted assets		
Cash and pooled investments	218,130	-
Deferred charges	80,736	-
Investment in joint venture	1,130,422	-
Capital assets		
Non-depreciable	20,070,175	378,550
Depreciable - net of accumulated depreciation	108,873,373	-
	<b>\$ 170,533,291</b>	<b>\$ 625,426</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 356,417	\$ -
Salaries payable	1,047,470	-
Contracts payable	428,327	-
Due to other governments	400,509	-
Accrued interest payable	105,312	-
Unearned revenue	275,351	-
Customer deposits	8,715	-
Long-term liabilities		
Due within one year	3,277,854	-
Due in more than one year	8,965,100	-
	<b>\$ 14,865,055</b>	<b>\$ -</b>

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	<b>Primary Government Governmental Activities</b>	<b>Belle Creek Watershed Component Unit</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 121,777,217	\$ 378,550
Restricted for		
General government	656,768	-
Public safety	596,544	-
Highways and streets	942,932	-
Human services	1,229	-
Conservation of natural resources	2,853	-
Economic development	50,000	-
Debt service	490,500	-
Landfill postclosure	218,130	-
Gravel pit postclosure	65,752	-
Unrestricted	30,866,311	246,876
<b>Total Net Assets</b>	<b>\$ 155,668,236</b>	<b>\$ 625,426</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Functions/Programs</u>	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 9,586,054	\$ 1,962,722
Public safety	11,146,247	1,150,842
Highways and streets	7,380,527	159,228
Sanitation	723,854	380,080
Human services	8,875,645	1,685,391
Health	2,889,026	1,361,371
Culture and recreation	777,308	-
Conservation of natural resources	796,319	5
Economic development	287,518	-
Interest	346,079	-
<b>Total Governmental Activities</b>	<b>\$ 42,808,577</b>	<b>\$ 6,699,639</b>
 <b>Component unit</b>		
Belle Creek Watershed	<b>\$ 12,965</b>	<b>\$ -</b>

**General Revenues**

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

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning**

**Net Assets - Ending**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Belle Creek Watershed Discretely Presented Component Unit</b>
\$ 305,585	\$ 14,275	\$ (7,303,472)	
2,164,493	-	(7,830,912)	
5,415,018	158,347	(1,647,934)	
114,346	-	(229,428)	
4,983,389	-	(2,206,865)	
913,813	-	(613,842)	
-	-	(777,308)	
253,708	135,543	(407,063)	
260,673	-	(26,845)	
-	-	(346,079)	
<b>\$ 14,411,025</b>	<b>\$ 308,165</b>	<b>\$ (21,389,748)</b>	
<b>\$ -</b>	<b>\$ -</b>		<b>\$ (12,965)</b>
		\$ 24,792,341	\$ 9,319
		26,183	-
		41,739	-
		201,650	-
		2,433,012	1,135
		276,383	5,341
		432,070	-
		10,414	-
		<b>\$ 28,213,792</b>	<b>\$ 15,795</b>
		<b>\$ 6,824,044</b>	<b>\$ 2,830</b>
		<b>148,844,192</b>	<b>622,596</b>
		<b>\$ 155,668,236</b>	<b>\$ 625,426</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 20,037,039	\$ 5,441,315
Petty cash and change funds	1,375	50
Cash with escrow agent	-	-
Taxes receivable		
Prior	524,383	145,373
Special assessments		
Current	14,117	-
Prior	15,847	-
Accounts receivable	31,406	26
Accrued interest receivable	104,061	-
Due from other funds	14,369	13,554
Due from other governments	419,157	961,647
Prepaid items	258,393	30,352
Inventories	-	439,382
Loans receivable	96,709	-
Restricted assets		
Cash and pooled investments	-	-
	<b>\$ 21,516,856</b>	<b>\$ 7,031,699</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 203,097	\$ 50,646
Salaries payable	626,922	91,770
Contracts payable	-	427,119
Due to other funds	44,582	-
Due to other governments	160,869	17,433
Deferred revenue - unavailable	768,130	1,062,873
Deferred revenue - unearned	102,859	-
Customer deposits	8,715	-
	<b>\$ 1,915,174</b>	<b>\$ 1,649,841</b>

**EXHIBIT 3**

<u>Health and Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 5,138,357	\$ 4,028,545	\$ 504,160	\$ 35,149,416
550	-	75	2,050
-	490,500	-	490,500
162,337	74,458	11,934	918,485
-	11,942	-	26,059
-	71,651	-	87,498
109,193	-	23,242	163,867
-	-	-	104,061
31,028	-	-	58,951
903,348	55	4,569	2,288,776
100,446	-	4,461	393,652
-	-	-	439,382
-	-	-	96,709
-	-	218,130	218,130
<b><u>\$ 6,445,259</u></b>	<b><u>\$ 4,677,151</u></b>	<b><u>\$ 766,571</u></b>	<b><u>\$ 40,437,536</u></b>
\$ 86,876	\$ 74	\$ 15,724	\$ 356,417
309,863	-	18,915	1,047,470
1,208	-	-	428,327
14,369	-	-	58,951
213,632	-	8,575	400,509
208,311	144,560	9,736	2,193,610
172,492	-	-	275,351
-	-	-	8,715
<b><u>\$ 1,006,751</u></b>	<b><u>\$ 144,634</u></b>	<b><u>\$ 52,950</u></b>	<b><u>\$ 4,769,350</u></b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>(Continued)</b>		
<b>Fund Balances</b>		
Reserved for		
Encumbrances	\$ -	\$ 14,930
Inventories	-	439,382
Sheriff's contingency	3,694	-
Debt service	-	-
Enhanced 911	259,367	-
Victim assistance	2,298	-
Gravel pit closure	65,752	-
Individual sewage treatment systems	59,719	-
County ditch #1	2,853	-
Prepaid items	258,393	30,352
Law library	62,695	-
Landfill closure	-	-
Recorder's compliance fund	224,517	-
Recorder's equipment purchases	227,690	-
Gun permit applications	27,114	-
Sheriff's forfeited property	5,336	-
Attorney's forfeited property	5,115	-
Veteran's transportation	4,261	-
Troop re-integration	65,107	-
Community support program	-	-
HAVA grant	3,916	-
Driver awareness program	44,247	-
Unclaimed funds	1,450	-
Counteract	4,559	-
Correction service fee	20,078	-
Sheriff K-9	450	-
Local correctional fees	47,305	-
NPP funds	184,394	-
EDA loan program	-	-
Unreserved, designated in major funds (Note 3.D.)	7,674,394	1,673,668
Unreserved, undesignated	10,346,978	3,223,526
Unreserved in nonmajor special revenue funds	-	-
<b>Total Fund Balances</b>	<b>\$ 19,601,682</b>	<b>\$ 5,381,858</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,516,856</b>	<b>\$ 7,031,699</b>

**EXHIBIT 3  
(Continued)**

<u>Health and Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 14,930
-	-	-	439,382
-	-	-	3,694
-	490,500	-	490,500
-	-	-	259,367
-	-	-	2,298
-	-	-	65,752
-	-	-	59,719
-	-	-	2,853
100,446	-	4,461	393,652
-	-	-	62,695
-	-	218,130	218,130
-	-	-	224,517
-	-	-	227,690
-	-	-	27,114
-	-	-	5,336
-	-	-	5,115
-	-	-	4,261
-	-	-	65,107
1,229	-	-	1,229
-	-	-	3,916
-	-	-	44,247
-	-	-	1,450
-	-	-	4,559
-	-	-	20,078
-	-	-	450
-	-	-	47,305
-	-	-	184,394
-	-	50,000	50,000
109,179	4,042,017	-	13,499,258
5,227,654	-	-	18,798,158
-	-	441,030	441,030
<b>\$ 5,438,508</b>	<b>\$ 4,532,517</b>	<b>\$ 713,621</b>	<b>\$ 35,668,186</b>
<b>\$ 6,445,259</b>	<b>\$ 4,677,151</b>	<b>\$ 766,571</b>	<b>\$ 40,437,536</b>

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2010**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>35,668,186</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		128,943,548
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		1,130,422
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,193,610
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (5,600,000)	
Revenue bonds	(1,963,162)	
Bond issuance premiums	(15,393)	
Deferred amounts on refunding	99,259	
Notes payable	(156,071)	
Deferred debt issuance charges	80,736	
Capital leases	(2,594)	
Compensated absences	(3,750,921)	
Accrued interest payable	(105,312)	
Landfill postclosure care liability	(854,072)	
	(12,267,530)	(12,267,530)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>155,668,236</u></b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 14,357,555	\$ 3,903,767
Special assessments	19,472	-
Licenses and permits	170,441	7,215
Intergovernmental	4,964,456	5,877,015
Charges for services	1,841,270	16,551
Fines and forfeits	16,347	-
Gifts and contributions	8,508	-
Investment earnings	272,976	-
Miscellaneous	1,740,836	138,010
	<b>\$ 23,391,861</b>	<b>\$ 9,942,558</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 9,400,044	\$ -
Public safety	12,105,129	-
Highways and streets	-	10,027,790
Sanitation	37,267	-
Human services	-	-
Health	-	-
Culture and recreation	717,308	44,394
Conservation of natural resources	790,877	-
Economic development	264,135	-
<b>Debt service</b>		
Principal	21,504	-
Interest	1,752	-
Administrative (fiscal) charges	-	-
<b>Intergovernmental</b>		
Highways and streets	-	346,751
	<b>\$ 23,338,016</b>	<b>\$ 10,418,935</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 53,845</b>	<b>\$ (476,377)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 1,500	\$ 359,763
Transfers out	(447,600)	(1,500)
Proceeds from sale of capital assets	30,552	-
	<b>\$ (415,548)</b>	<b>\$ 358,263</b>
<b>Change in Fund Balance</b>	<b>\$ (361,703)</b>	<b>\$ (118,114)</b>
<b>Fund Balance - January 1, as restated (Note 1.F.)</b>	<b>19,963,385</b>	<b>5,543,658</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(43,686)</b>
<b>Fund Balance - December 31</b>	<b>\$ 19,601,682</b>	<b>\$ 5,381,858</b>

**EXHIBIT 5**

<u>Health and Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 4,338,536	\$ 1,899,091	\$ 307,165	\$ 24,806,114
-	6,914	-	26,386
-	-	7,216	184,872
6,214,235	79,034	127,130	17,261,870
2,572,620	-	59,829	4,490,270
-	-	-	16,347
2,315	-	-	10,823
-	-	444	273,420
488,497	-	274,816	2,642,159
<b><u>\$ 13,616,203</u></b>	<b><u>\$ 1,985,039</u></b>	<b><u>\$ 776,600</u></b>	<b><u>\$ 49,712,261</u></b>
\$ -	\$ -	\$ -	\$ 9,400,044
-	-	-	12,105,129
-	-	-	10,027,790
-	-	707,570	744,837
9,439,752	-	-	9,439,752
2,952,202	-	-	2,952,202
-	-	-	761,702
-	-	-	790,877
-	-	23,383	287,518
-	1,612,249	-	1,633,753
-	277,871	-	279,623
-	9,836	-	9,836
-	-	-	346,751
<b><u>\$ 12,391,954</u></b>	<b><u>\$ 1,899,956</u></b>	<b><u>\$ 730,953</u></b>	<b><u>\$ 48,779,814</u></b>
<b><u>\$ 1,224,249</u></b>	<b><u>\$ 85,083</u></b>	<b><u>\$ 45,647</u></b>	<b><u>\$ 932,447</u></b>
\$ 77,281	\$ -	\$ 10,556	\$ 449,100
-	-	-	(449,100)
-	-	-	30,552
<b><u>\$ 77,281</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,556</u></b>	<b><u>\$ 30,552</u></b>
\$ 1,301,530	\$ 85,083	\$ 56,203	\$ 962,999
4,136,978	4,447,434	657,418	34,748,873
-	-	-	(43,686)
<b><u>\$ 5,438,508</u></b>	<b><u>\$ 4,532,517</u></b>	<b><u>\$ 713,621</u></b>	<b><u>\$ 35,668,186</u></b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 962,999**

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

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

Deferred revenue - December 31	\$ 2,193,610	
Deferred revenue - January 1	<u>(2,144,108)</u>	49,502

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 8,110,129	
Current year depreciation	<u>(4,496,591)</u>	3,613,538

In the statement of net assets, an asset is reported for the equity interest in joint venture. The change in net assets differs from the change in fund equity by the increases and decreases in the investment in joint venture. 562,611

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

Principal repayments		
Expenditures for principal retirement	\$ 1,612,249	
Special assessment retirement	10,377	
Capital lease retirement	<u>11,127</u>	1,633,753

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

Amortization of deferred issuance costs	\$ (34,041)	
Amortization of deferred charges on refunding	(41,726)	
Amortization of bond premiums	4,743	
Change in accrued interest payable	19,147	
Change in landfill postclosure care liability	75,473	
Change in compensated absences	21,731	
Change in inventories	<u>(43,686)</u>	<u>1,641</u>

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 6,824,044**

**FIDUCIARY FUNDS**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2010**

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 1,463,908
Accounts receivable	21,570
Due from other governments	<u>59,328</u>
<b>Total Assets</b>	<b><u><u>\$ 1,544,806</u></u></b>
<b><u>Liabilities</u></b>	
Due to component unit	\$ 208
Due to other governments	<u>1,544,598</u>
<b>Total Liabilities</b>	<b><u><u>\$ 1,544,806</u></u></b>

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

1. Summary of Significant Accounting Policies

Goodhue County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Goodhue County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Goodhue County (primary government) and its blended and discretely presented component units. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Unit

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. Goodhue County has one discretely presented component unit.

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

The government-wide statement of net assets is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2010, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2010 were \$272,976.

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

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

2. Receivables and Payables

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

All other outstanding balances between funds are reported as "due to/from other funds."

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

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

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

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

6. Compensated Absences

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



**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 744,212	\$ -
Special assessments receivable	109,157	-
Loans receivable	96,709	-
Receivables that do not provide current financial resources	1,243,532	-
Grant drawdowns prior to meeting all eligibility requirements	-	275,351
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 2,193,610	\$ 275,351

8. Long-Term Obligations

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Fund Equity

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

10. Use of Estimates

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

E. Revenues

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

Imposed Nonexchange Transactions

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Revenues (Continued)

Intergovernmental

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

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

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

Exchange Transactions

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

F. Change in Reporting Entity

Because of restructuring, the County has integrated the Human Services Special Revenue and Public Health Special Revenue Funds into one Health and Human Services Fund. The following is a summary of the change in fund balance for the funds.

	Human Services Special Revenue Fund	Public Health Special Revenue Fund	Health and Human Services Special Revenue Fund
Fund Balance - January 1, as previously reported	\$ 2,696,267	\$ 1,440,711	\$ -
Restatement due to merger of funds	(2,696,267)	(1,440,711)	4,136,978
Fund Balance - January 1, as restated	\$ -	\$ -	\$ 4,136,978

2. Stewardship, Compliance, and Accountability

Expenditures in Excess of Budget

There were no funds which had expenditures in excess of budget for the year ended December 31, 2010.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental funds	
Cash and pooled investments	\$ 35,149,416
Petty cash and change funds	2,050
Cash with escrow agent	490,500
Restricted cash	218,130
Fiduciary funds	
Agency funds	
Cash and pooled investments	1,463,908
Total Cash and Investments	\$ 37,324,004

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits	\$ 19,559,762
Petty cash and change funds	2,050
Investments	<u>17,762,192</u>
Total	<u>\$ 37,324,004</u>

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy on custodial credit risk mirrors state statute. As of December 31, 2010, Goodhue County's deposits were not exposed to custodial credit risk.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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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 in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County has no policy concerning custodial credit risk. At December 31, 2010, all of the investments held in the escrow agent accounts listed below, totaling \$490,500, were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County does not have a policy on the concentration of credit risk.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The following table presents the County's investment balances at December 31, 2010, and information relating to potential custodial and concentration credit risks:

Investment - Issuer	Credit Risk		Concentration Risk (%)	Carrying (Fair) Value
	Credit Rating	Rating Agency		
<b>Mutual funds</b>				
MAGIC - cash management funds	N/A	N/A	N/A	\$ 100,100
Wells Fargo Brokerage - money market mutual funds	Aaa	Moody's	N/A	50,961
Total mutual funds				<u>\$ 151,061</u>
<b>Commercial paper</b>				
Wells Fargo Brokerage				
Northwestern University	A-1+	S&P	<5%	\$ 499,960
ING (US) Funding	A-1	S&P	<5%	499,898
American Honda Finance	A-1	S&P	<5%	499,898
Sumitomo Corporation	A-1	S&P	<5%	499,858
Goldman Sachs Group	A-1	S&P	<5%	499,798
USB Finance	A-1	S&P	<5%	499,798
Salvation Army	A-1+	S&P	<5%	499,743
JP Morgan Chase	A-1	S&P	<5%	249,842
Barclays US Fdg	A-1+	S&P	<5%	499,573
Toyota Motor Credit	A-1+	S&P	<5%	499,573
GECS	A-1+	S&P	<5%	499,572
Northwest Natural Gas	A-1	S&P	<5%	499,573
GECC	A-1+	S&P	<5%	499,385
Private Export Fund	A-1	S&P	<5%	497,847
Total commercial paper				<u>\$ 6,744,318</u>
<b>Municipal bonds</b>				
Wells Fargo Brokerage				
Cannon Falls ISD 252	AAA	S&P	<5%	<u>\$ 358,604</u>
<b>Agency securities</b>				
Wells Fargo Brokerage				
FFCB	AAA	Fitch	<5%	\$ 250,213
FHLB	AAA	Fitch	5.56	988,444
FNMA	AAA	Fitch	8.42	1,495,101
FHLMC	AAA	Fitch	<5%	249,504
Total agency securities				<u>\$ 2,983,262</u>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Carrying (Fair) Value
	Credit Rating	Rating Agency		
Bonds				
Small Business Administration Wells Fargo Brokerage			N/A	\$ 231,772
EE U.S. Savings Bonds	N/A	N/A	N/A	\$ 30,675
Escrow agent				
Mutual funds				
US Bank - U.S. Treasury money market funds	Aaa	Moody's	N/A	\$ 490,500
Negotiable certificates of deposit	N/A	N/A	N/A	\$ 6,772,000
Total Investments				\$ 17,762,192

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

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

Investments	Fair Value	Investment Maturities (in Years)		
		Less Than 2	2 - 3	3 - 5
Commercial paper				
Northwestern University	\$ 499,960	\$ 499,960	\$ -	\$ -
ING (US) Funding	499,898	499,898	-	-
American Honda Finance	499,898	499,898	-	-
Sumitomo Corporation	499,858	499,858	-	-
Goldman Sachs Group	499,798	499,798	-	-
USB Finance	499,798	499,798	-	-
Salvation Army	499,743	499,743	-	-
JP Morgan Chase	249,842	249,842	-	-
Barclays US Fdg	499,573	499,573	-	-
Toyota Motor Credit	499,573	499,573	-	-
GECS	499,572	499,572	-	-
Northwest Natural Gas	499,573	499,573	-	-
GECC	499,385	499,385	-	-
Private Export Fund	497,847	497,847	-	-
Total commercial paper	\$ 6,744,318	\$ 6,744,318	\$ -	\$ -



**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investments	Fair Value	Investment Maturities (in Years)		
		Less Than 2	2 - 3	3 - 5
Municipal bonds				
Cannon Falls ISD 252	\$ 358,604	\$ 170,790	\$ 91,184	\$ 96,630
Agency securities				
FFCB	\$ 250,213	\$ -	\$ -	\$ 250,213
FHLB	988,444	-	-	988,444
FNMA	1,495,101	-	996,927	498,174
FHLMC	249,504	-	249,504	-
Total agency securities	\$ 2,983,262	\$ -	\$ 1,246,431	\$ 1,736,831
Bonds				
Small Business Administration	\$ 231,772	\$ 7,111	\$ -	\$ 224,661
EE U.S. Savings Bonds	30,675	-	-	30,675
Total bonds	\$ 262,447	\$ 7,111	\$ -	\$ 255,336
Negotiable certificates of deposit	\$ 6,772,000	\$ 4,949,000	\$ 1,225,000	\$ 598,000
Total Investments Subject to Interest Rate Risk	\$ 17,120,631	<u>\$ 11,871,219</u>	<u>\$ 2,562,615</u>	<u>\$ 2,686,797</u>
Investments not subject to interest rate risk	641,561			
Total Investments	<u>\$ 17,762,192</u>			

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2010, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 918,485	\$ -
Special assessments	113,557	87,498
Due from other governments	2,288,776	-
Accounts (net)	163,867	-
Interest	104,061	-
Loans receivable	96,709	96,709
Total Governmental Activities	\$ 3,685,455	\$ 184,207

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 7,825,717	\$ 106,783	\$ -	\$ 7,932,500
Construction in progress	6,009,509	7,191,349	1,063,183	12,137,675
Total capital assets not depreciated	\$ 13,835,226	\$ 7,298,132	\$ 1,063,183	\$ 20,070,175
Capital assets depreciated				
Land improvements	\$ 252,269	\$ -	\$ -	\$ 252,269
Buildings	36,533,612	824,800	-	37,358,412
Machinery, furniture, and equipment	11,053,763	818,862	460,833	11,411,792
Infrastructure	138,022,895	251,655	196,801	138,077,749
Total capital assets depreciated	\$ 185,862,539	\$ 1,895,317	\$ 657,634	\$ 187,100,222
Less: accumulated depreciation for				
Land improvements	\$ 52,700	\$ 9,658	\$ -	\$ 62,358
Buildings	12,686,867	896,284	-	13,583,151
Machinery, furniture, and equipment	6,506,599	989,879	440,696	7,055,782
Infrastructure	55,121,589	2,600,770	196,801	57,525,558
Total accumulated depreciation	\$ 74,367,755	\$ 4,496,591	\$ 637,497	\$ 78,226,849
Total capital assets depreciated, net	\$ 111,494,784	\$ (2,601,274)	\$ 20,137	\$ 108,873,373
Capital Assets, Net	\$ 125,330,010	\$ 4,696,858	\$ 1,083,320	\$ 128,943,548

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	959,715
Public safety		418,685
Highways and streets, including depreciation of infrastructure assets		2,991,150
Human services		60,916
Health		9,138
Sanitation		41,381
Culture/recreation		15,606
Total Depreciation Expense - Governmental Activities	\$	4,496,591

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Health and Human Services	\$ 14,369
Road and Bridge	General	13,554
Health and Human Services	General	31,028
Total Due To/From Other Funds		\$ 58,951

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

Transfers to General Fund from Road and Bridge Fund	\$ 1,500	Cannon Valley Trail
Transfers to Road and Bridge Fund from General Fund	357,115	Capital expenditures
	2,648	NPP training drill
Transfers to Health and Human Services Fund from General Fund	20,517	Capital Expenditures
	52,266	H.S.A. contributions
	136	NPP training drill
	2,751	Software maintenance
	1,611	Term. payments
Transfers to Economic Development Authority from General Fund	10,000	1916 tax incentives
Transfers to Waste Management Fund from General Fund	556	NPP training drill
	<u>449,100</u>	
Total Interfund Transfers	<u>\$ 449,100</u>	

C. Liabilities

1. Payables

Payables at December 31, 2010, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 356,417
Salaries	1,047,470
Contracts	428,327
Due to other governments	400,509
	<u>2,232,723</u>
Total Payables	<u>\$ 2,232,723</u>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Capital Leases

The County has entered into a lease agreement as lessee for financing the acquisition of a global positioning system. The lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date for the acquisition amount of \$36,779. The future minimum lease obligations and the net present value of these minimum payments as of December 31, 2010, were as follows:

Year Ending December 31	Governmental Activities
2011	\$ 2,893
Less: amount representing interest	(299)
Present Value of Minimum Lease Payments	\$ 2,594

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2010
General obligation bonds 1997B G.O. Welch Village Revenue Bonds	2018	\$3,120 - \$8,095	1.58	\$ 143,750	\$ 58,162
1998, 2001, and 2003 G.O. Revenue Notes	2023	\$1,284 - \$7,804	0.00	175,670	156,071
2004A Courts Building Lease Revenue Refunding Bonds	2013	\$240,000 - \$660,000	2.00 - 3.80	4,905,000	1,905,000
2004A Landfill Closure Refunding Bonds	2013	\$140,000 - \$170,000	1.375 - 3.80	1,235,000	495,000
2005A Jail Refunding Bonds	2012	\$750,000 - \$880,000	2.10 - 3.10	5,670,000	1,740,000
2005B Jail Refunding Bonds	2014	\$20,000 - \$1,860,000	3.60 - 3.625	3,460,000	3,365,000
Total General Obligation Bonds				\$ 15,589,420	\$ 7,719,233

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	General Obligation Refunding Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 1,045,000	\$ 173,688	\$ 617,364	\$ 60,292
2012	1,075,000	141,913	642,481	37,601
2013	1,620,000	96,341	667,600	13,195
2014	1,860,000	33,713	7,720	534
2015	-	-	7,843	412
2016 - 2018	-	-	20,154	480
Total	<u>\$ 5,600,000</u>	<u>\$ 445,655</u>	<u>\$ 1,963,162</u>	<u>\$ 112,514</u>

Year Ending December 31	General Obligation Revenue Notes	
	Principal	Interest
2011	\$ -	\$ -
2012	13,401	-
2013	15,000	-
2014	17,568	-
2015	17,568	-
2016 - 2020	75,840	-
2021 - 2023	16,694	-
Total	<u>\$ 156,071</u>	<u>\$ -</u>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Deferred Amount on Refunding

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

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activity					
Long-Term Liabilities					
Bonds and notes payable					
G.O. bonds	\$ 6,615,000	\$ -	\$ 1,015,000	\$ 5,600,000	\$ 1,045,000
G.O. revenue bonds	2,560,411	-	597,249	1,963,162	617,364
G.O. notes	156,071	-	-	156,071	-
Deferred amounts					
For issuance premiums	20,136	-	4,743	15,393	-
On refunding	(140,985)	-	(41,726)	(99,259)	-
Total bonds and notes payable	\$ 9,210,633	\$ -	\$ 1,575,266	\$ 7,635,367	\$ 1,662,364
Special assessments	11,127	-	11,127	-	-
Capital leases - 2008	12,971	-	10,377	2,594	2,594
Closure and postclosure care	929,545	-	75,473	854,072	-
Compensated absences	3,772,652	1,832,098	1,853,829	3,750,921	1,612,896
Governmental Activity					
Long-Term Liabilities	<u>\$ 13,936,928</u>	<u>\$ 1,832,098</u>	<u>\$ 3,526,072</u>	<u>\$ 12,242,954</u>	<u>\$ 3,277,854</u>

7. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County officially closed the landfill on December 20, 1996. The \$854,072 landfill closure and postclosure care liability at December 31, 2010, is based on what it would cost to perform all closure and postclosure care in 2010. Actual costs may

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Landfill Closure and Postclosure Care Costs (Continued)

be higher due to inflation, changes in technology, or changes in regulations. Not included in the above liability are \$783,185 of estimated contingency action costs which may be incurred.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2010, investments of \$218,130 are held for these purposes. These are reported as restricted assets on the balance sheet. Because the amount in trust is considerably smaller than the estimated postclosure care and contingency costs, the state has required Goodhue County to obtain a letter of credit for \$1,800,000 to ensure financing is available, if needed.

D. Fund Balance Designations

Fund balances of the major governmental funds were designated as follows, at December 31, 2010.

Designation	General	Road and Bridge	Health and Human Services	Debt Service
Petty cash and change	\$ 1,375	\$ 50	\$ 550	\$ -
Debt service	-	-	-	4,042,017
Operations	3,476,636	-	-	-
Inmate improvement	32,451	-	-	-
Ordinance enforcement	347,701	-	-	-
Buildings and grounds	32,065	-	-	-
Employee training and development	73,401	-	-	-
Building permit activities	297,000	-	-	-
Compensated absences	564,007	-	-	-
Capital equipment	2,224,679	-	-	-
Extension programs	745	-	-	-
Railroad authority	430	-	-	-
Motor pool	19,971	-	-	-
Byllesby dam	147,933	-	-	-
Byllesby park and trail	-	200,781	-	-
Health (home health care sale)	456,000	-	-	-
Health (SCHA distribution)	-	-	108,629	-
Township turnbacks	-	36,153	-	-
TH 52 development	-	37,029	-	-
TH 52 corridor construction	-	1,399,655	-	-
Total	<u>\$ 7,674,394</u>	<u>\$ 1,673,668</u>	<u>\$ 109,179</u>	<u>\$ 4,042,017</u>



**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Goodhue County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General 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.

General 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, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Two methods are used to compute benefits for General Employees Retirement Fund 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 General 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 General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General 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](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Employees Retirement Fund	\$ 931,862	\$ 909,962	\$ 848,069
Public Employees Police and Fire Fund	361,426	339,091	305,784
Public Employees Correctional Fund	206,070	198,208	194,090

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

Four of seven elected officials eligible are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA. 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.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2010, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,499	\$ 4,499
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$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.

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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

C. Joint Ventures

Southeastern Minnesota Multi-County Housing and Redevelopment Authority

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

Southeast Minnesota Water Resources Board

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

Goodhue County Family Services Collaborative

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Goodhue County Family Services Collaborative (Continued)

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

South Country Health Alliance

South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating counties' health care functions, referred to as county-based purchasing.

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

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, 2010, was \$1,130,422. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as Health and Human Services.

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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

D. Debt Obligation Contingency

The Southeast Minnesota Multi-County Housing and Redevelopment Authority (HRA) issued \$3,360,000 Housing Development Revenue Bonds (Goodhue County, Minnesota General Obligation - Goodhue County Apartment Projects), Series 1999B, on August 19, 1999. The purpose of the issuance was to provide funds to undertake housing development projects and to acquire and construct multi-family rental housing for the purpose of providing housing for elderly persons and for persons and families of low and moderate income in accordance with Minn. Stat. § 469.034, subd. 2.

The principal and interest on the bonds are payable primarily from revenues from operations and tax increments resulting from increases in valuation of real property in Tax Increment Financing District 1-3. In the event of a deficiency, the HRA has pledged to levy its special benefit tax. Should these revenues fail to provide sufficient revenue for payment of principal and interest on the debt issue, the full faith and credit of Goodhue County is irrevocably pledged for payment of the bond.

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

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

Loan activity for 2010 and prior years is:

	<u>Prior Years</u>	<u>During 2010</u>
Number of loans made	43	3
Loans outstanding - January 1	\$ -	\$ 86,942
Loans made	359,447	37,267
Payments made on loans	<u>(272,505)</u>	<u>(27,500)</u>
Loans outstanding - December 31	<u>\$ 86,942</u>	<u>\$ 96,709</u>



**GOODHUE COUNTY  
RED WING, MINNESOTA**

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6. Belle Creek Watershed Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Presentation

The District does not prepare separate financial statements.

B. Detailed Notes on the General Fund

Deposits

At December 31, 2010, the District's deposits were \$246,390.

The District is authorized by Minn. Stat. §§ 118.02 and 118.04 to designate a depository for public funds and to invest in certificates of deposit. All District deposits are required by Minn. Stat. § 118.03 to be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit 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 standard 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.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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6. Belle Creek Watershed Disclosures

B. Detailed Notes on the General Fund (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to it. As of December 31, 2010, the District's deposits were not exposed to custodial credit risk.

Capital Assets

The District's capital asset activity for the year ended December 31, 2010, was as follows:

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 14,342,794	\$ 14,342,794	\$ 14,357,555	\$ 14,761
Special assessments	-	-	19,472	19,472
Licenses and permits	188,680	188,680	170,441	(18,239)
Intergovernmental	3,896,345	4,896,345	4,964,456	68,111
Charges for services	2,042,981	2,042,981	1,841,270	(201,711)
Fines and forfeits	15,100	15,100	16,347	1,247
Gifts and contributions	11,500	11,500	8,508	(2,992)
Investment earnings	506,500	506,500	272,976	(233,524)
Miscellaneous	1,292,272	1,322,272	1,740,836	418,564
<b>Total Revenues</b>	<b>\$ 22,296,172</b>	<b>\$ 23,326,172</b>	<b>\$ 23,391,861</b>	<b>\$ 65,689</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 248,081	\$ 248,081	\$ 232,882	\$ 15,199
Courts	153,000	153,000	100,798	52,202
County administration	357,368	358,058	347,991	10,067
County auditor-treasurer	576,490	577,765	537,506	40,259
County assessor	760,928	789,703	809,132	(19,429)
Elections	65,092	77,092	83,529	(6,437)
Data processing	842,510	858,626	818,756	39,870
Personnel	306,306	306,306	281,233	25,073
Attorney	1,476,348	1,476,348	1,442,779	33,569
Law library	95,900	95,900	83,565	12,335
Recorder	491,120	491,120	551,109	(59,989)
Surveyor	218,932	218,932	189,636	29,296
GIS	195,423	195,423	192,681	2,742
Building permits	295,254	295,254	287,300	7,954
Planning and zoning	306,593	306,593	290,692	15,901
Environmental health	179,642	183,042	169,344	13,698
Buildings and plant	1,185,730	1,482,678	1,219,353	263,325
Veterans service officer	214,641	214,641	256,301	(41,660)
Other general government	1,659,800	1,677,800	1,505,457	172,343
<b>Total general government</b>	<b>\$ 9,629,158</b>	<b>\$ 10,006,362</b>	<b>\$ 9,400,044</b>	<b>\$ 606,318</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

***EXHIBIT A-1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 3,991,327	\$ 6,424,002	\$ 5,536,254	\$ 887,748
Sheriff - seasonal	290,133	320,133	269,613	50,520
Emergency management	167,695	167,695	180,251	(12,556)
Coroner	84,913	84,913	82,625	2,288
E-911 system	895,330	895,330	785,095	110,235
Adult detention center	4,533,023	4,542,398	4,263,319	279,079
Court services	1,065,585	1,065,585	972,973	92,612
Family court services	30,400	30,400	14,999	15,401
<b>Total public safety</b>	<b>\$ 11,058,406</b>	<b>\$ 13,530,456</b>	<b>\$ 12,105,129</b>	<b>\$ 1,425,327</b>
<b>Sanitation</b>				
Individual septic treatment systems	\$ -	\$ -	\$ 37,267	\$ (37,267)
<b>Culture and recreation</b>				
Historical society	\$ 102,000	\$ 102,000	\$ 102,000	\$ -
Regional library	403,525	403,525	403,525	-
Byllesby dam	154,060	154,060	133,091	20,969
Other culture and recreation	32,200	32,200	78,692	(46,492)
<b>Total culture and recreation</b>	<b>\$ 691,785</b>	<b>\$ 691,785</b>	<b>\$ 717,308</b>	<b>\$ (25,523)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 144,512	\$ 144,512	\$ 142,389	\$ 2,123
Soil and water conservation	542,000	542,000	615,488	(73,488)
Fairs	33,000	33,000	33,000	-
<b>Total conservation of natural resources</b>	<b>\$ 719,512</b>	<b>\$ 719,512</b>	<b>\$ 790,877</b>	<b>\$ (71,365)</b>
<b>Economic development</b>				
SEMMCHRA	\$ 310,000	\$ 310,000	\$ 260,673	\$ 49,327
Regional Railroad Authority	3,142	3,142	3,462	(320)
<b>Total economic development</b>	<b>\$ 313,142</b>	<b>\$ 313,142</b>	<b>\$ 264,135</b>	<b>\$ 49,007</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 21,504	\$ (21,504)
Interest	-	-	1,752	(1,752)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,256</b>	<b>\$ (23,256)</b>
<b>Total Expenditures</b>	<b>\$ 22,412,003</b>	<b>\$ 25,261,257</b>	<b>\$ 23,338,016</b>	<b>\$ 1,923,241</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (115,831)</b>	<b>\$ (1,935,085)</b>	<b>\$ 53,845</b>	<b>\$ 1,988,930</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 41,250	\$ 41,250	\$ 1,500	\$ (39,750)
Transfers out	(217,650)	(533,463)	(447,600)	85,863
Proceeds from sale of capital assets	-	-	30,552	30,552
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (176,400)</b>	<b>\$ (492,213)</b>	<b>\$ (415,548)</b>	<b>\$ 76,665</b>
<b>Net Change in Fund Balance</b>	<b>\$ (292,231)</b>	<b>\$ (2,427,298)</b>	<b>\$ (361,703)</b>	<b>\$ 2,065,595</b>
<b>Fund Balance - January 1</b>	<b>19,963,385</b>	<b>19,963,385</b>	<b>19,963,385</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 19,671,154</b>	<b>\$ 17,536,087</b>	<b>\$ 19,601,682</b>	<b>\$ 2,065,595</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,920,617	\$ 3,920,617	\$ 3,903,767	\$ (16,850)
Licenses and permits	7,200	7,200	7,215	15
Intergovernmental	5,878,851	5,878,851	5,877,015	(1,836)
Charges for services	7,800	7,800	16,551	8,751
Miscellaneous	15,100	15,100	138,010	122,910
<b>Total Revenues</b>	<b>\$ 9,829,568</b>	<b>\$ 9,829,568</b>	<b>\$ 9,942,558</b>	<b>\$ 112,990</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 684,095	\$ 782,095	\$ 471,190	\$ 310,905
Maintenance	2,775,037	2,775,037	2,374,972	400,065
Construction	5,475,024	6,198,749	6,246,644	(47,895)
Equipment maintenance and shop	668,341	948,341	934,984	13,357
<b>Total highways and streets</b>	<b>\$ 9,602,497</b>	<b>\$ 10,704,222</b>	<b>\$ 10,027,790</b>	<b>\$ 676,432</b>
<b>Culture and recreation</b>				
Parks	39,071	58,071	44,394	13,677
<b>Intergovernmental</b>				
Highways and streets	323,000	323,000	346,751	(23,751)
<b>Total Expenditures</b>	<b>\$ 9,964,568</b>	<b>\$ 11,085,293</b>	<b>\$ 10,418,935</b>	<b>\$ 666,358</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (135,000)</b>	<b>\$ (1,255,725)</b>	<b>\$ (476,377)</b>	<b>\$ 779,348</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 85,000	\$ 365,000	\$ 359,763	\$ (5,237)
Transfers out	-	-	(1,500)	(1,500)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 85,000</b>	<b>\$ 365,000</b>	<b>\$ 358,263</b>	<b>\$ (6,737)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (50,000)</b>	<b>\$ (890,725)</b>	<b>\$ (118,114)</b>	<b>\$ 772,611</b>
<b>Fund Balance - January 1</b>	<b>5,543,658</b>	<b>5,543,658</b>	<b>5,543,658</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(43,686)</b>	<b>(43,686)</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,493,658</b>	<b>\$ 4,652,933</b>	<b>\$ 5,381,858</b>	<b>\$ 728,925</b>

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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,339,887	\$ 4,339,887	\$ 4,338,536	\$ (1,351)
Intergovernmental	5,807,514	5,608,247	6,214,235	605,988
Charges for services	2,327,668	2,521,668	2,572,620	50,952
Gifts and contributions	-	-	2,315	2,315
Miscellaneous	422,065	422,065	488,497	66,432
<b>Total Revenues</b>	<b>\$ 12,897,134</b>	<b>\$ 12,891,867</b>	<b>\$ 13,616,203</b>	<b>\$ 724,336</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 3,010,798	\$ 3,010,798	\$ 2,877,628	\$ 133,170
Social services	6,676,776	6,676,776	6,562,124	114,652
<b>Total human services</b>	<b>\$ 9,687,574</b>	<b>\$ 9,687,574</b>	<b>\$ 9,439,752</b>	<b>\$ 247,822</b>
<b>Health</b>				
Quality assurance - health services	\$ 1,288,186	\$ 1,288,186	\$ 1,075,404	\$ 212,782
Healthy communities/behaviors	1,052,382	1,083,651	961,603	122,048
Disaster preparedness	33,450	41,717	28,593	13,124
Infectious disease	143,883	143,883	152,260	(8,377)
Environmental health	-	-	9,751	(9,751)
Health services - administration	729,836	729,836	724,591	5,245
<b>Total health</b>	<b>\$ 3,247,737</b>	<b>\$ 3,287,273</b>	<b>\$ 2,952,202</b>	<b>\$ 335,071</b>
<b>Total Expenditures</b>	<b>\$ 12,935,311</b>	<b>\$ 12,974,847</b>	<b>\$ 12,391,954</b>	<b>\$ 582,893</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (38,177)</b>	<b>\$ (82,980)</b>	<b>\$ 1,224,249</b>	<b>\$ 1,307,229</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	81,400	81,400	77,281	(4,119)
<b>Net Change in Fund Balance</b>	<b>\$ 43,223</b>	<b>\$ (1,580)</b>	<b>\$ 1,301,530</b>	<b>\$ 1,303,110</b>
<b>Fund Balance - January 1, restated</b>	<b>4,136,978</b>	<b>4,136,978</b>	<b>4,136,978</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,180,201</b>	<b>\$ 4,135,398</b>	<b>\$ 5,438,508</b>	<b>\$ 1,303,110</b>

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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Budgetary Information

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

On or before mid-July of each year, all departments and agencies submit requests for appropriations to the County Administrator so that a budget can be prepared. On or before September 15, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 28.

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

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**SUPPLEMENTARY INFORMATION**

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**MAJOR FUND**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT B-1*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,897,495	\$ 1,897,495	\$ 1,899,091	\$ 1,596
Special assessments	10,154	10,154	6,914	(3,240)
Intergovernmental	112,245	112,245	79,034	(33,211)
<b>Total Revenues</b>	<b>\$ 2,019,894</b>	<b>\$ 2,019,894</b>	<b>\$ 1,985,039</b>	<b>\$ (34,855)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 1,612,249	\$ 1,612,249	\$ 1,612,249	\$ -
Interest	407,645	407,645	277,871	129,774
Administrative - fiscal charges	-	-	9,836	(9,836)
<b>Total Expenditures</b>	<b>\$ 2,019,894</b>	<b>\$ 2,019,894</b>	<b>\$ 1,899,956</b>	<b>\$ 119,938</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 85,083</b>	<b>\$ 85,083</b>
<b>Fund Balance - January 1</b>	<b>4,447,434</b>	<b>4,447,434</b>	<b>4,447,434</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,447,434</b>	<b>\$ 4,447,434</b>	<b>\$ 4,532,517</b>	<b>\$ 85,083</b>

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT C-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2010**

	<u>Economic Development Authority</u>	<u>Waste Management</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 99,896	\$ 404,264	\$ 504,160
Petty cash and change funds	-	75	75
Taxes receivable			
Prior	733	11,201	11,934
Accounts receivable	-	23,242	23,242
Due from other governments	-	4,569	4,569
Prepaid items	-	4,461	4,461
Restricted assets			
Cash and pooled investments	-	218,130	218,130
<b>Total Assets</b>	<b><u>\$ 100,629</u></b>	<b><u>\$ 665,942</u></b>	<b><u>\$ 766,571</u></b>
 <b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 15,724	\$ 15,724
Salaries payable	-	18,915	18,915
Due to other governments	-	8,575	8,575
Deferred revenue - unavailable	631	9,105	9,736
<b>Total Liabilities</b>	<b><u>\$ 631</u></b>	<b><u>\$ 52,319</u></b>	<b><u>\$ 52,950</u></b>
 <b>Fund Balances</b>			
Reserved for prepaid items	\$ -	\$ 4,461	\$ 4,461
Reserved for landfill closure and postclosure	-	218,130	218,130
Reserved for EDA loan program	50,000	-	50,000
Unreserved			
Designated for petty cash	-	75	75
Designated for EDA loan program	7,320	-	7,320
Undesignated	42,678	390,957	433,635
<b>Total Fund Balances</b>	<b><u>\$ 99,998</u></b>	<b><u>\$ 613,623</u></b>	<b><u>\$ 713,621</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 100,629</u></b>	<b><u>\$ 665,942</u></b>	<b><u>\$ 766,571</u></b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT C-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Economic Development Authority</b>	<b>Waste Management</b>	<b>Total</b>
<b>Revenues</b>			
Taxes	\$ 12,164	\$ 295,001	\$ 307,165
Licenses and permits	-	7,216	7,216
Intergovernmental	511	126,619	127,130
Charges for services	-	59,829	59,829
Interest on investments	-	444	444
Miscellaneous	1,145	273,671	274,816
<b>Total Revenues</b>	<b>\$ 13,820</b>	<b>\$ 762,780</b>	<b>\$ 776,600</b>
<b>Expenditures</b>			
<b>Current</b>			
Sanitation	\$ -	\$ 707,570	\$ 707,570
Economic development	23,383	-	23,383
<b>Total Expenditures</b>	<b>\$ 23,383</b>	<b>\$ 707,570</b>	<b>\$ 730,953</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (9,563)</b>	<b>\$ 55,210</b>	<b>\$ 45,647</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	10,000	556	10,556
<b>Net Change in Fund Balance</b>	<b>\$ 437</b>	<b>\$ 55,766</b>	<b>\$ 56,203</b>
<b>Fund Balance - January 1</b>	<b>99,561</b>	<b>557,857</b>	<b>657,418</b>
<b>Fund Balance - December 31</b>	<b>\$ 99,998</b>	<b>\$ 613,623</b>	<b>\$ 713,621</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT C-3*

**BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 12,233	\$ 12,233	\$ 12,164	\$ (69)
Intergovernmental	2,517	2,517	511	(2,006)
Miscellaneous	700	700	1,145	445
<b>Total Revenues</b>	<b>\$ 15,450</b>	<b>\$ 15,450</b>	<b>\$ 13,820</b>	<b>\$ (1,630)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Community development	25,450	25,450	23,383	2,067
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (10,000)</b>	<b>\$ (10,000)</b>	<b>\$ (9,563)</b>	<b>\$ 437</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	10,000	10,000	10,000	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 437</b>	<b>\$ 437</b>
<b>Fund Balance - January 1</b>	<b>99,561</b>	<b>99,561</b>	<b>99,561</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 99,561</b>	<b>\$ 99,561</b>	<b>\$ 99,998</b>	<b>\$ 437</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT C-4*

**BUDGETARY COMPARISON SCHEDULE  
WASTE MANAGEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 295,264	\$ 295,264	\$ 295,001	\$ (263)
Licenses and permits	6,000	6,000	7,216	1,216
Intergovernmental	130,066	130,066	126,619	(3,447)
Charges for services	57,600	57,600	59,829	2,229
Interest on investments	3,500	3,500	444	(3,056)
Miscellaneous	163,190	163,190	273,671	110,481
<b>Total Revenues</b>	<b>\$ 655,620</b>	<b>\$ 655,620</b>	<b>\$ 762,780</b>	<b>\$ 107,160</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 77,476	\$ 77,476	\$ 74,786	\$ 2,690
Recycling	378,866	378,866	371,314	7,552
Hazardous waste	111,142	111,142	111,636	(494)
Landfill	163,136	198,136	149,834	48,302
<b>Total Expenditures</b>	<b>\$ 730,620</b>	<b>\$ 765,620</b>	<b>\$ 707,570</b>	<b>\$ 58,050</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (75,000)</b>	<b>\$ (110,000)</b>	<b>\$ 55,210</b>	<b>\$ 165,210</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	35,000	556	(34,444)
<b>Net Change in Fund Balance</b>	<b>\$ (75,000)</b>	<b>\$ (75,000)</b>	<b>\$ 55,766</b>	<b>\$ 130,766</b>
<b>Fund Balance - January 1</b>	<b>557,857</b>	<b>557,857</b>	<b>557,857</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 482,857</b>	<b>\$ 482,857</b>	<b>\$ 613,623</b>	<b>\$ 130,766</b>



**GOODHUE COUNTY  
RED WING, MINNESOTA**

**AGENCY FUNDS**

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

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

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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT D-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>FAMILY COLLABORATIVE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 551,008	\$ 226,245	\$ 377,606	\$ 399,647
Due from other governments	31,498	153,469	125,639	59,328
<b>Total Assets</b>	<b>\$ 582,506</b>	<b>\$ 379,714</b>	<b>\$ 503,245</b>	<b>\$ 458,975</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 582,506</b>	<b>\$ 379,714</b>	<b>\$ 503,245</b>	<b>\$ 458,975</b>
<b><u>TAXES AND PENALTIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 2,158,026</b>	<b>\$ 49,568,103</b>	<b>\$ 50,852,058</b>	<b>\$ 874,071</b>
<b><u>Liabilities</u></b>				
Due to component unit	\$ 348	\$ 9,319	\$ 9,459	\$ 208
Due to other governments	2,157,678	49,558,784	50,842,599	873,863
<b>Total Liabilities</b>	<b>\$ 2,158,026</b>	<b>\$ 49,568,103</b>	<b>\$ 50,852,058</b>	<b>\$ 874,071</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT D-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>OTHER AGENCY FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 148,858	\$ 1,525,598	\$ 1,484,266	\$ 190,190
Accounts receivable	-	21,570	-	21,570
	<b>\$ 148,858</b>	<b>\$ 1,547,168</b>	<b>\$ 1,484,266</b>	<b>\$ 211,760</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 148,858</b>	<b>\$ 1,547,168</b>	<b>\$ 1,484,266</b>	<b>\$ 211,760</b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 2,857,892	\$ 51,319,946	\$ 52,713,930	\$ 1,463,908
Accounts receivable	-	21,570	-	21,570
Due from other governments	31,498	153,469	125,639	59,328
	<b>\$ 2,889,390</b>	<b>\$ 51,494,985</b>	<b>\$ 52,839,569</b>	<b>\$ 1,544,806</b>
<b><u>Liabilities</u></b>				
Due to component unit	\$ 348	\$ 9,319	\$ 9,459	\$ 208
Due to other governments	2,889,042	51,485,666	52,830,110	1,544,598
	<b>\$ 2,889,390</b>	<b>\$ 51,494,985</b>	<b>\$ 52,839,569</b>	<b>\$ 1,544,806</b>

**BELLE CREEK WATERSHED COMPONENT UNIT**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT E-1*

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET  
BELLE CREEK WATERSHED COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>General Fund</b>	<b>Reconciliation</b>	<b>Statement of Net Assets</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 246,390	\$ -	\$ 246,390
Accrued interest receivable	278	-	278
Due from primary government	208	-	208
Capital assets			
Not depreciable - land	-	378,550	378,550
<b>Total Assets</b>	<b>\$ 246,876</b>	<b>\$ 378,550</b>	<b>\$ 625,426</b>
<b><u>Liabilities</u></b>			
Due to other governments	\$ -	\$ -	\$ -
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance			
Unreserved			
Undesignated	246,876	(246,876)	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 246,876</b>		
<b>Net Assets</b>			
Invested in capital assets		\$ 378,550	\$ 378,550
Unrestricted		246,876	246,876
<b>Total Net Assets</b>		<b>\$ 625,426</b>	<b>\$ 625,426</b>
<b>Reconciliation of the General Fund Balance to Net Assets</b>			
Fund Balance - Governmental Fund			\$ 246,876
Capital assets are reported in the Statement of Net Assets but not on the fund balance sheet.			378,550
<b>Net Assets - Governmental Activities</b>			<b>\$ 625,426</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT E-2*

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
BELLE CREEK WATERSHED COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General Fund</u>	<u>Reconciliation</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Taxes	\$ 9,319	\$ -	\$ 9,319
Intergovernmental	1,135	-	1,135
Investment earnings	5,341	-	5,341
	<hr/>	<hr/>	<hr/>
<b>Total Revenues</b>	<b>\$ 15,795</b>	<b>\$ -</b>	<b>\$ 15,795</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
General government	12,965	-	12,965
	<hr/>	<hr/>	<hr/>
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>\$ 2,830</b>	<b>\$ -</b>	<b>\$ 2,830</b>
<b>Fund Balance/Net Assets - January 1</b>	<b>244,046</b>	<b>378,550</b>	<b>622,596</b>
	<hr/>	<hr/>	<hr/>
<b>Fund Balance/Net Assets - December 31</b>	<b><u>246,876</u></b>	<b><u>378,550</u></b>	<b><u>625,426</u></b>

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



## **OTHER SCHEDULES**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT F-1*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**Shared Revenue**

**State**

Highway users tax	\$	5,518,794
PERA rate reimbursement		61,078
Disparity reduction aid		29,145
Police aid		245,982
County program aid		1,326,881
Market value credit		943,879
Indian casino aid		16,435
Enhanced 911		129,602
		129,602

**Total shared revenue** **\$ 8,271,796**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	<b>1,377,930</b>
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**Payments**

**Local**

Local contributions	\$	154,295
Payments in lieu of taxes		201,650
		201,650

**Total payments** **\$ 355,945**

**Grants**

**State**

Minnesota Department/Board of		
Corrections	\$	288,610
Health		361,662
Human Services		1,244,623
Natural Resources		178,051
Pollution Control		900
Public Safety		1,121,145
Veterans Affairs		85,000
Water and Soil Resources		169,047
Office of Environmental Assistance		113,446
Peace Officer Standards and Training Board		15,774
		15,774

**Total state** **\$ 3,578,258**

**GOODHUE COUNTY  
RED WING, MINNESOTA**

***EXHIBIT F-1  
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 363,082
Justice	88,959
Interior	11,842
Housing and Urban Development	260,673
Transportation	237,690
Health and Human Services	2,650,913
Homeland Security	64,782

**Total federal** **\$ 3,677,941**

**Total state and federal grants** **\$ 7,256,199**

**Total Intergovernmental Revenue** **\$ 17,261,870**

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**EXHIBIT F-2**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 147,183
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	210,191
State Administrative Matching Grants for SNAP - ARRA	10.561	<u>5,708</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 363,082</u></b>
<b>U.S. Department of Housing and Urban Development</b>		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	<b><u>\$ 260,673</u></b>
<b>U.S. Department of the Interior</b>		
Direct Payments in lieu of taxes	15.226	<b><u>\$ 11,842</u></b>
<b>U.S. Department of Justice</b>		
Direct State Criminal Alien Assistance Program	16.606	\$ 15,838
Bulletproof Vest Partnership Program	16.607	3,816
Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program - ARRA	16.810	<u>90,758</u>
<b>Total U.S. Department of Justice</b>		<b><u>\$ 110,412</u></b>
<b>U.S. Department of Transportation</b>		
Highway Planning and Construction Cluster Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 194,560
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	14,275
Passed Through Minnesota Department of Public Safety Highway Safety Cluster		
State and Community Highway Safety	20.600	13,308
Occupant Protection Incentive Grants	20.602	5,390
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>10,157</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 237,690</u></b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**EXHIBIT F-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Southeastern Minnesota Area Agency on Aging Special Programs for the Aging- Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 7,487
Passed Through Minnesota Department of Health Public Health Emergency Preparedness Immunization Cluster	93.069	68,903
Immunization Grants	93.268	500
Immunization Grants - ARRA	93.712	5,093
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	21,696
Temporary Assistance for Needy Families	93.558	47,462
Maternal and Child Health Services Block Grant to the States	93.994	41,134
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	11,536
Temporary Assistance for Needy Families	93.558	398,186
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	929,490
Child Support Enforcement - ARRA	93.563	60,963
Refugee and Entrance Assistance - State-Administered Programs	93.566	271
Child Care Mandatory and Matching Funds of Child Care and Development Fund	93.596	34,072
Child Welfare Services - State Grants	93.645	2,226
Foster Care Title IV-E	93.658	184,355
Social Services Block Grant	93.667	226,136
Chafee Foster Care Independence Program	93.674	8,699
Children's Health Insurance Program	93.767	894
Medical Assistance	93.778	584,285
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 2,633,388</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 26,061
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	11,058
Emergency Management Performance Grants	97.042	33,251
Passed Through Southeastern Minnesota Regional Radio Board Interoperable Emergency Communications	97.055	3,782
Homeland Security Grant Program	97.067	97,006
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 171,158</b>
<b>Total Federal Awards</b>		<b>\$ 3,788,245</b>

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Goodhue County under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Goodhue County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Goodhue County.

3. Summary of Significant Accounting Policies

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue (Exhibit F-1)	\$	3,677,941
Grants deferred in 2009 and recognized in 2010		
Child Support Enforcement (CFDA #93.563)		(29,400)
Foster Care Title IV-E (CFDA #93.658)		(1,206)
Medical Assistance (CFDA #93.778)		(3,402)
Grants deferred in 2010		
Bulletproof Vest Partnership Program (CFDA #16.607)		483
Assistance to Rural Law Enforcement - ARRA (CFDA #16.810)		20,970
Temporary Assistance for Needy Families (TANF) (CFDA #93.558)		294
Child Care Mandatory and Matching Funds (CFDA #93.596)		2,631
Foster Care Title IV-E (CFDA #93.658)		11,363
Medical Assistance (CFDA #93.778)		2,195
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)		9,370
Homeland Security Program (CFDA #97.067)		97,006
		97,006
Expenditures per Schedule of Expenditures of Federal Awards (Exhibit F-2)	\$	3,788,245

5. Subrecipients

During 2010, Goodhue County passed \$260,673 (CFDA #14.228) to the Southeastern Minnesota Multi-County Housing and Redevelopment Authority.

6. American Recovery and Reinvestment Act

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



**Other Information  
Section**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT G-1*

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

	2009		2010		2011	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real property	\$ 60,900,337		\$ 60,999,634		\$ 59,979,281	
Personal property	687,117		695,395		774,471	
Tax increment	(1,778,360)		(1,145,795)		(1,023,781)	
<b>Net Tax Capacity</b>	<b>\$ 59,809,094</b>		<b>\$ 60,549,234</b>		<b>\$ 59,729,971</b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 14,520,656	25.198	\$ 14,939,153	25.606	\$ 15,545,392	27.036
Road and Bridge	4,175,233	6.998	4,115,468	6.822	3,688,895	6.198
Health and Human Services	4,933,422	8.269	4,596,610	7.619	4,617,191	7.757
Economic Development Authority	31,935	0.054	12,957	0.021	14,950	0.025
Debt Service	2,007,561	3.357	2,009,740	3.32	2,013,000	3.371
Waste Management	317,851	0.533	312,730	0.518	307,230	0.516
<b>Total Taxes Levied for County Purposes</b>	<b>\$ 25,986,658</b>	<b>44.409</b>	<b>\$ 25,986,658</b>	<b>43.906</b>	<b>\$ 26,186,658</b>	<b>44.903</b>
<b>Tax Capacity - Light and Power</b>						
Transmission	\$ 42,960		\$ 42,306		\$ 45,188	
Distribution	5,950		5,860		6,252	
<b>Total Tax Capacity - Light and Power</b>	<b>\$ 48,910</b>		<b>\$ 48,166</b>		<b>\$ 51,440</b>	
<b>Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.40, as amended)</b>						
Transmission	\$ 44,013		\$ 43,385		\$ 47,278	
Distribution	6,096		6,009		6,541	
<b>Total Light and Power Tax Levies</b>	<b>\$ 50,109</b>	<b>102.45</b>	<b>\$ 49,394</b>	<b>102.550</b>	<b>\$ 53,819</b>	<b>104.625</b>

(Unaudited)

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT G-1  
(Continued)*

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

	2009		2010		2011	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Market Value - Light and Power</b>						
Transmission	\$ 2,185,500		\$ 2,152,800		\$ 2,296,900	
Distribution	297,500		293,000		312,600	
<b>Total Market Value - Light and Power</b>	<b>\$ 2,483,000</b>		<b>\$ 2,445,800</b>		<b>\$ 2,609,500</b>	
<b>Light and Power Tax Market Value Levies</b>						
Transmission	\$ 3,812		\$ 3,788		\$ 3,978	
Distribution	519		516		541	
<b>Total Light and Power Tax Market Value Levies</b>	<b>\$ 4,331</b>	<b>0.174</b>	<b>\$ 4,304</b>	<b>0.175</b>	<b>\$ 4,519</b>	<b>0.173</b>
<b>Market Value - State General Tax</b>						
Transmission	\$ 42,960		\$ 42,306		\$ 45,188	
Distribution	5,950		5,860		6,252	
<b>Total Market Value - State General Tax</b>	<b>\$ 48,910</b>		<b>\$ 48,166</b>		<b>\$ 51,440</b>	
<b>State General Tax Market Value Levies</b>						
Transmission	\$ 19,562		\$ 19,410		\$ 22,162	
Distribution	2,709		2,689		3,066	
<b>Total State General Tax Market Value Levies</b>	<b>\$ 22,271</b>	<b>45.535</b>	<b>\$ 22,099</b>	<b>45.881</b>	<b>\$ 25,228</b>	<b>49.043</b>
<b>Special Assessments</b>						
Belle Creek Watershed Improvement Bonds	<b>\$ 10,000</b>	<b>0.438</b>	<b>\$ 10,000</b>	<b>0.421</b>	<b>\$ 10,000</b>	<b>0.432</b>
<b>Percentage of Tax Collections for All Purposes</b>	<b>98.25%</b>		<b>98.55%</b>			

(Unaudited)



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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

- A. Our report expresses unqualified opinions on the basic financial statements of Goodhue County.
- B. Significant deficiencies in internal control were disclosed by the audit of the financial statements of Goodhue County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Goodhue County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Goodhue County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

State Administrative Matching Grant 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
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563
Temporary Assistance for Needy Families	CFDA #93.558

- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Goodhue County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

08-1 Payroll Segregation of Duties

During our review of internal controls over payroll, we noted County personnel entering information from employees' time sheets into the payroll system also have access to the payroll master file, allowing them to make changes to employee payroll records and add employees to the payroll system. The duties of entering time sheet information into the payroll system and making changes to the payroll master file by the same individual are considered incompatible duties because it provides an opportunity for errors or irregularities to occur without being detected in a timely basis.

Beginning in 2010, the County implemented a procedure to review changes made to the payroll master file. As part of this review, the Human Resource Director, who is independent of the payroll function, was to review and approve all changes to the payroll master file. Our review in December 2010 disclosed that May 2010 was the last time this procedure was performed, indicating that this procedure is not routinely being completed. The Human Resource Director stated that the reason that changes made to the master file were not reviewed beyond May 2010 was due to lack of time due to staffing.

We recommend that changes to the payroll master file be reviewed and approved on a timely basis in order to protect the integrity of the data in the master file.

Client's Response:

*Human Resources continues to look for ways to improve the timeliness of this review.*

08-3 Departmental Internal Accounting Controls

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



Due to the limited number of personnel within some County fee offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not always possible. This is not unusual in operations the size of Goodhue County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

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

Client's Response:

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

PREVIOUSLY REPORTED ITEM RESOLVED

**Audit Adjustments (07-2)**

The County had several audit adjustments which may be an indication that controls over financial preparation are not operating as designed.

**Resolution**

Review of the trial balances prepared by the County did not disclose significant audit adjustments.

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

None.

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### A. MINNESOTA LEGAL COMPLIANCE

###### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

###### 08-7 Driver Awareness Class

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

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

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

Client's Response:

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

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

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

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

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

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

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

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

*When the words of a law are not explicit, the intention of the legislature may be considered. Minn. Stat. Sec. 645.16. It appears that the legislature intended the subdivision 6(f) diversion language to include only citations filed with a court which are referred to a diversion program. The legislature recently added subdivision 6(g) to Minn. Stat. Sec. 357.021 which specifically carves out application of the statute to administrative citations. Administrative citations are not filed with courts and are handled by non-judicial hearing officers. This legislative action further bolsters the stance that it was not the legislature’s intent to impose surcharges on matters dealt with outside of court. Furthermore, when the legislature has so recently and thoroughly revisited this topic, we must conclude that a Sheriff’s Driver’s Awareness clinic like ours was intentionally omitted from the promulgated amendments.*

Auditor's Reply:

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

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

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

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

09-1

Insufficient Collateral

Governmental entities are required by Minn. Stat. § 118A.03 to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit. The County had deposits at White Rock Bank that were not adequately covered by collateral. The amount of collateral required to secure deposits at the White Rock Bank at December 31, 2010, was \$330,917 more than the amount of collateral pledged.

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

Client's Response:

*The County does monitor all County deposits in accordance with Minnesota statutes. This monitoring happens at month-end when banks send the County their monthly collateral summaries. The collateral shortage at White Rock Bank was discovered by Goodhue County staff and was immediately resolved with the bank in January. White Rock Bank has assured us that they will take a closer look at collateral substitutions when investments pledged as collateral mature.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Acceptance of Gifts (09-2)**

Departments were not presenting all gifts or donations received to the County Board. Since the County Board is not aware of the gifts, the Board is not following Minn. Stat. § 465.03.

**Resolution**

The County has established a policy for the acceptance of gifts and donations received.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

**Human Services Department - Social Welfare Disbursements (07-3)**

During the review of the disbursements made in the Social Welfare Fund, we noted the Social Welfare Fund had two clients with negative account balances.

**Resolution**

We did not find any negative account balances during our review of Social Welfare Fund disbursements.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Goodhue County for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and 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 are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the 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.

The County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the Board of County Commissioners intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

#### 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 the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources, and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are generally that the restricted or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.



The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;
- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
  - if yes, the fund may continue to be classified as a special revenue fund;
  - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at: [http://www.auditor.state.mn.us/other/Statements/fundbalances\\_postGASB54\\_1012\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf).

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REBECCA OTTO  
STATE AUDITOR

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

Board of County Commissioners  
Goodhue County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

### Compliance and Other Matters

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

### Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, 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 Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because Goodhue County did not have any.

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

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

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

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 23, 2011

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REBECCA OTTO  
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### **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Goodhue County

#### Compliance

We have audited Goodhue County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. Goodhue County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Goodhue County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

#### Internal Control Over Compliance

Management of Goodhue County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of 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.

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

September 23, 2011