

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

GOODHUE COUNTY
RED WING, MINNESOTA

YEAR ENDED DECEMBER 31, 2007

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, 2007



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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

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**GOODHUE COUNTY
RED WING, MINNESOTA**

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**GOODHUE COUNTY
RED WING, MINNESOTA**

CURRENT ORGANIZATION

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

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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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, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Goodhue County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information as listed in the table of contents and the Management's Discussion and Analysis are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Goodhue County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2008, on our consideration of Goodhue County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 30, 2008, except for the change described in Note 6.B. to the financial statements for which the date is December 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**GOODHUE COUNTY
RED WING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007
(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, 2007. We encourage readers to consider the information presented here in conjunction with the County's financial activity and performance.

FINANCIAL HIGHLIGHTS

- On December 31, 2007, Goodhue County's total net assets exceed liabilities by \$143,567,629, of which \$113,358,909 is invested in capital assets (net of related debt) and \$4,213,586 is restricted to specific purposes. This leaves year-end unrestricted net assets of \$25,995,134.
- Goodhue County's net assets increased by \$6,438,991 from current operations for the year ended December 31, 2007. Of this amount, capital assets (both nondepreciable and depreciable) increased by \$3,728,071.
- Total liabilities decreased nearly \$1.9 million. Of this decrease, \$1.7 million is attributable to long-term debt payments and the remainder to daily County operations.
- Goodhue County continues its joint powers agreement with South Country Health Alliance whereby each original participating county has an equity interest. Changes to the agreement have impacted the equity investment. This joint venture was recorded at \$1,692,568 for the fiscal year ending December 31, 2006, and reduced in 2007 to \$525,212. In April 2007, the County received a \$1,089,167 equity payment from South Country Health Alliance. This payment, in combination with 2007 operational losses, led to the County's 2007 reduction in joint venture equity.
- On May 12, 2008, the South Country Health Alliance Joint Powers Board issued a capital call to all participating counties. The County's portion of that capital call was \$1,120,596 payable in two installments. The first installment was paid on May 27, 2008, with the second installment due no later than November 25, 2008. The County plans to use the 2007 equity funds to cover this capital call.

- The County's net expenses supported by fees, grants, and contributions increased by \$1,452,257 from 2006. The net costs were funded by general revenues and other items totaling \$28,553,493. These general revenues increased by \$371,242 from the previous year.
- At the end of the year, the General Fund's unreserved, undesignated fund balance was \$8,837,231. This amount represents 45 percent of the expenditures for the year.
- Unused capital plan dollars housed in the General Fund increased the 2007 fund balance by \$1,657,892 over 2006. Designated capital dollars of \$2,275,632 are set aside for the ongoing Sheriff's radio project. Additionally, \$1,632,166 are designated for repairs of the Government Center and Public Health Building, which were budgeted in 2006 and/or 2007 but not yet expended.
- The County continues to reduce its long-term debt. In January 2007, the County made its final payment on the 2002 Capital Equipment Note. The final levy for major debt will be in 2013, with the last payments due in February 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

The three main sections of this report are: introductory, financial, and supplementary. The introduction contains the County's organization structure and principal officials. The financial section includes the MD&A and is intended to serve as a roadmap of the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information section contains the budget to actual presentation for the County's major funds. Other supplementary information is included to enhance the reader's understanding of County financial activity (such as 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 nonfinancial factors, such as changes in the County's property tax base and the condition of County roads, must also be considered to assess the overall health of the County.

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

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

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

- general government,
- public safety,
- highways and streets,
- human and social services,
- public health, and
- sanitation.

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

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

The financial statements provide two other sources of information:

- Budgetary comparison--Goodhue County adopts an annual budget for the General Fund, all special revenue funds, and the Debt Service Fund. Budgetary comparison schedules are provided for 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, 2007, assets exceeded liabilities by \$143,567,629. The following table provides a summary of Goodhue County's governmental net assets, which increased \$6,438,991 from the previous year.

Table 1
Net Assets

	Governmental Activities		
	2007	2006	\$ Change
Current and other assets	\$ 37,400,422	\$ 36,582,804	\$ 817,618
Capital assets	125,012,396	121,284,325	3,728,071
Total Assets	\$ 162,412,818	\$ 157,867,129	\$ 4,545,689
Long-term debt outstanding	\$ 16,367,521	\$ 17,770,765	\$ (1,403,244)
Other liabilities	2,477,668	2,967,726	(490,058)
Total Liabilities	\$ 18,845,189	\$ 20,738,491	\$ (1,893,302)
Net Assets			
Invested in capital assets, net of debt	\$ 113,358,909	\$ 107,988,964	\$ 5,369,945
Restricted	4,213,586	2,985,843	1,227,743
Unrestricted	25,995,134	26,153,831	(158,697)
Total Net Assets	\$ 143,567,629	\$ 137,128,638	\$ 6,438,991

The largest portion of Goodhue County's net assets, 87 percent, or approximately \$113 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Resources needed to repay the debt must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

An additional \$26 million of net assets, or 18.1 percent, represents unrestricted net assets that may be used to meet ongoing obligations to citizens and creditors. In 2007, unrestricted net assets decreased by only \$159,000.

As reflected in Table 2 below, 2007 overall net assets increased because government-wide revenues exceeded expenses by \$6.4 million.

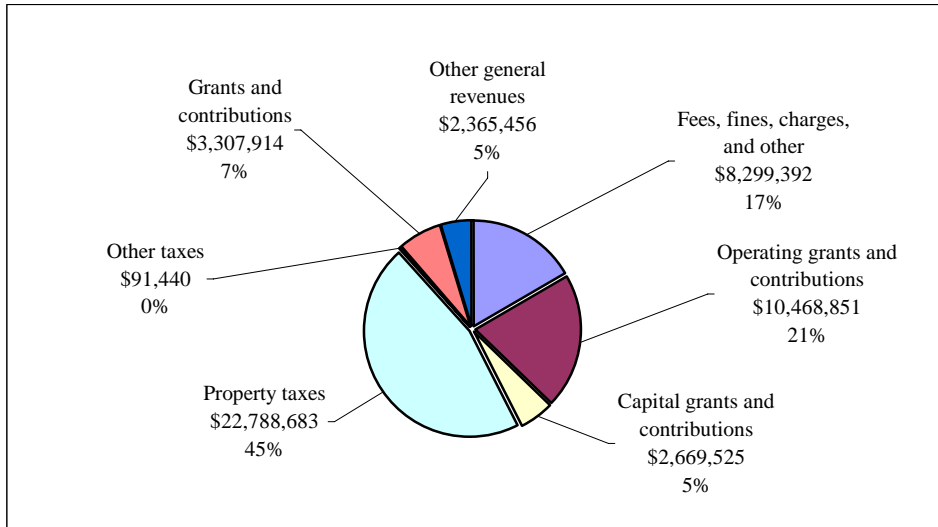
Table 2
Changes in Net Assets

	Governmental Activities			
	2007	2006	\$ Change	% Change
Revenues				
Program revenues				
Fees, fines, charges, and other	\$ 8,299,392	\$ 8,134,330	\$ 165,062	2.0
Operating grants and contributions	10,468,851	8,356,172	2,112,679	25.3
Capital grants and contributions	2,669,525	4,137,528	(1,468,003)	(35.5)
General revenues				
Property taxes	22,788,683	22,212,800	575,883	2.6
Other taxes	91,440	151,243	(59,803)	(39.5)
Grants and contributions	3,307,914	3,558,734	(250,820)	(7.0)
Other general revenues	2,365,456	2,259,474	105,982	4.7
Total Revenues	\$ 49,991,261	\$ 48,810,281	\$ 1,180,980	2.4
Program expenses				
General government	\$ 8,904,444	\$ 8,678,929	\$ 225,515	2.6
Public safety	10,532,023	9,631,320	900,703	9.4
Highways and streets	6,514,610	8,348,546	(1,833,936)	(22.0)
Sanitation	810,992	775,501	35,491	4.6
Human services	11,004,777	8,683,562	2,321,215	26.7
Health	3,753,359	3,404,232	349,127	10.3
Culture and recreation	581,223	571,147	10,076	1.8
Conservation of natural resources	711,523	630,362	81,161	12.9
Economic development	258,826	12,589	246,237	1955.97
Interest	480,493	554,087	(73,594)	(13.3)
Total Program Expenses	\$ 43,552,270	\$ 41,290,275	\$ 2,261,995	5.5
Increase (Decrease) in Net Assets	\$ 6,438,991	\$ 7,520,006	\$ (1,081,015)	(14.4)
Net Assets - January 1	137,128,638	129,608,632	7,520,006	5.8
Net Assets - December 31	\$ 143,567,629	\$ 137,128,638	\$ 6,438,991	4.7

Governmental Activities

Also reflected in Table 2 are the changes in revenues and expenses sorted by activity. Total revenues for County governmental activities increased by only 2.4 percent in 2007, but expenses increased by 5.4 percent. This variation created a decrease in the increase to net assets of \$1,081,015 (14.4 percent). The largest revenue changes, an increase in operating grants and contributions of \$2,112,679 and a decrease in capital grants and contributions of \$1,468,003, are both attributable to highways and streets. The net revenue change in this program alone was an increase of \$359,791.

**Governmental Activities
Revenues by Source**



Per Table 2, one can see the cost of all governmental activities in 2007 was \$43,552,270 compared to \$41,290,275 last year. However, as shown in the Statement of Activities (Exhibit 2), not all of this is paid for with County revenues. Of the total cost, \$8,299,392 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 \$13,138,376 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, Children); and other Public Health and Human Services programs. The amount that was financed for these activities through County general revenues was only \$22,114,502.

Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2007 from \$20,628,030 to \$21,437,768, which is almost half capital grants and contributions. The County paid for the remaining "public benefit" portion of governmental activities with 2007 general revenue dollars of \$28,553,493, up \$371,242 from 2006. General revenues, which are made up of primarily taxes (some of which could only be used for certain programs) also include investment earnings and other general entitlements. The increase in unrestricted investment earnings (\$419,224) can be attributed to improved earnings on cash investments.

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

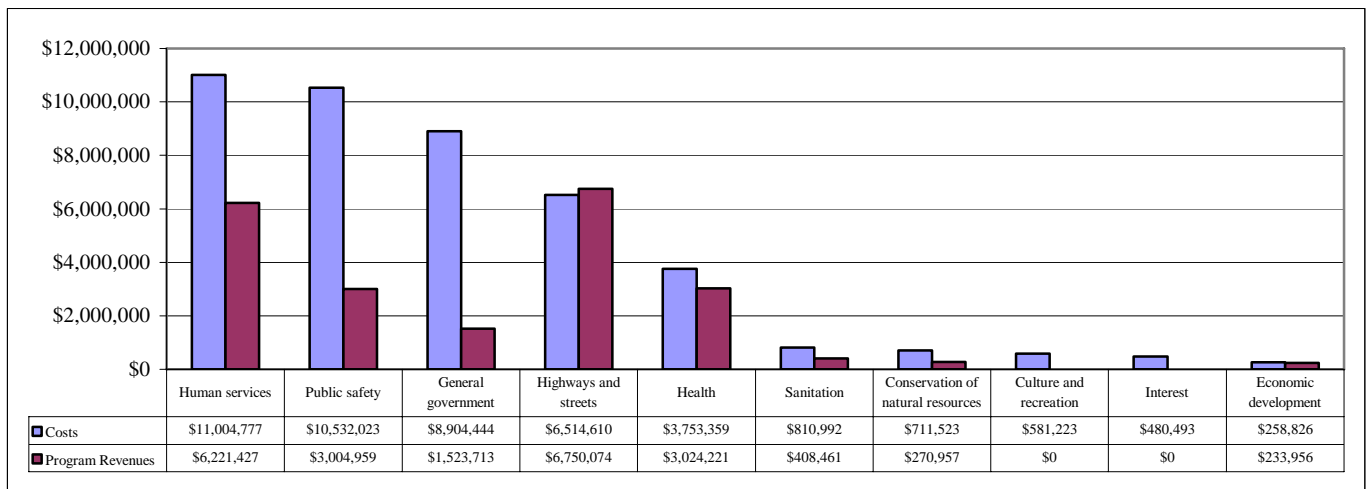
**Table 3
Governmental Activities
Costs of Services**

	Total Costs of Services		
	2007	2006	\$ Change
Human services	\$ 11,004,777	\$ 8,683,562	\$ 2,321,215
Public safety	10,532,023	9,631,320	900,703
General government	8,904,444	8,678,929	225,515
Highways and streets	6,514,610	8,348,546	(1,833,936)
Health	3,753,359	3,404,232	349,127
All others	2,843,057	2,543,686	299,371
Totals	\$ 43,552,270	\$ 41,290,275	\$ 2,261,995

	Net Costs of Services		
	2007	2006	\$ Change
Human services	\$ 4,783,350	\$ 2,119,390	\$ 2,663,960
Public safety	7,527,064	6,810,689	716,375
General government	7,380,731	6,917,146	463,585
Highways and streets	(235,464)	2,023,742	(2,259,206)
Health	729,138	795,138	(66,000)
All others	1,929,683	1,996,140	(66,457)
Totals	\$ 22,114,502	\$ 20,662,245	\$ 1,452,257

The net cost of services increased \$1,452,257, or 7.0 percent, compared to the previous year when the increase was 14.7 percent. The following chart represents, by program, the costs incurred for these County services and the program revenues received in conjunction with those services. The difference is typically the amount of tax revenues needed to help offset operational costs.

**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 and Reporting Standards (COFARS), we would like to maintain a minimum number of funds to meet our legal and operating requirements.

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

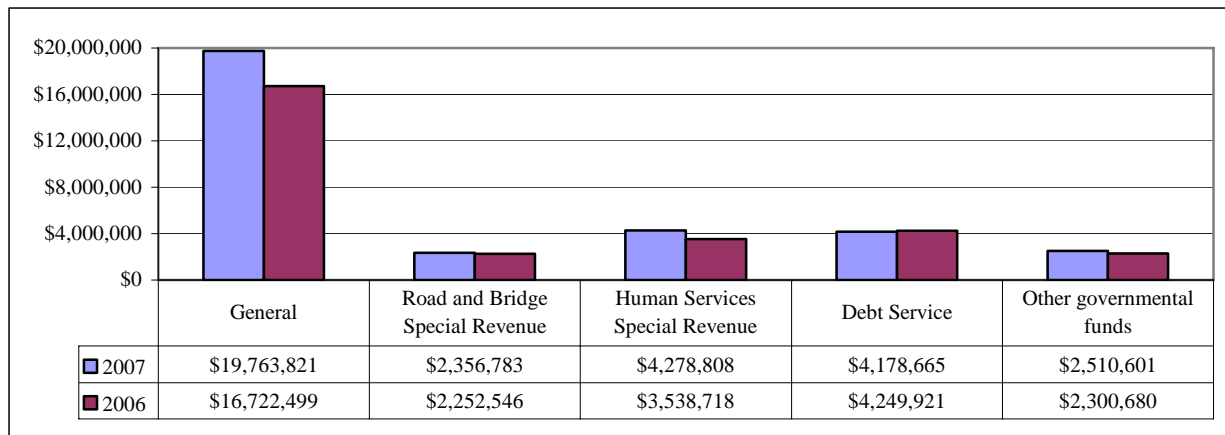
The focus of Goodhue County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Therefore, the timing of cash flows is taken into account in the governmental fund financial statements, while it is disregarded in the government-wide statements.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

The County's Funds

Goodhue County has four major governmental funds. These funds are: (1) General, (2) Road and Bridge Special Revenue, (3) Human Services Special Revenue, 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 \$33,088,678. This represents a \$4,024,314 increase, or 13.84 percent, more than December 31, 2006.

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



(Unaudited)

The General Fund is the primary operating fund of the Goodhue County government. Most of the County's traditional services are reported here. The General Fund's fund balance increased by \$3,041,322, or 18 percent, in 2007. The largest contributor to this increase was the appropriation of capital dollars for future years' projects. As previously mentioned, the equipment replacement designation has \$2,275,632 earmarked for the Sheriff's 800 MHz radio project, and the property management designation has \$1,632,166 earmarked for building improvements. The Board adopted finance policies in late 2005 which start allocating resources to these larger projects in an attempt to minimize the burden on any single year's budget.

The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$2.35 million fund balance at the end of 2007 that represented a \$104,000, or 4.6 percent, increase from 2006. Expenses near \$6.5 million were balanced quite well with the related revenues coming from grants and intergovernmental sources. Maintaining the current fund balance for cash flow purposes will be very important, as sources of revenue from other governments could potentially tighten due to national economic factors.

The Human Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$4.28 million fund balance at the end of 2007 representing a \$740,090, or 20.9 percent increase from 2006.

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 \$4.2 million fund balance at the end of 2007 which was \$71,256 less than the previous year, truly a reflection of debt payments.

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

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

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

General Fund Budgetary Highlights

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

On December 31, 2007, the County's General Fund actual expenditures were \$1,866,912 below the projected budget. This is accounted for in three large capital projects--water pipes and an elevator in the Government Center and the radio project in the Sheriff's Office. Of these budgets, 55 percent of the water pipes and 100 percent of the elevator budgets, a total of \$477,000, was carried over and completed in 2008. The radio project, endorsed by the Board on September 4, 2007, has \$2,275,632 carried over for use upon implementation. In addition to these funds, the County has applied for financial aid from sources such as the State of Minnesota, the Minnesota Department of Public Safety, and the Federal Department of Homeland Security. Over \$2 million has already been committed from outside sources.

With a stable budget and ability to meet ongoing cash flow needs, the County has increased its flexibility to take advantage of investments in the market. This ability, paired with a more global and long-term investment strategy, led to the increase in 2007 interest on investments showing \$1,117,374 over budget in the General Fund Budgetary Comparison Schedule (Schedule 1) and county-wide on the Statement of Activities (Exhibit 2) of \$1,980,011. Other General Fund revenue accounts had immaterial differences between the budget and actual funds received.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the County had \$125,012,396 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of \$3,728,071, or 3.07 percent, over the previous year.

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

	2007	2006	Variance
Land	\$ 7,704,161	\$ 7,640,132	\$ 64,029
Construction in progress	3,776,161	3,579,165	196,996
Buildings and land improvements	25,183,803	25,999,904	(816,101)
Machinery, vehicles, furniture, and equipment	4,147,021	3,858,585	288,436
Infrastructure	84,201,250	80,206,539	3,994,711
Totals	<u>\$ 125,012,396</u>	<u>\$ 121,284,325</u>	<u>\$ 3,728,071</u>

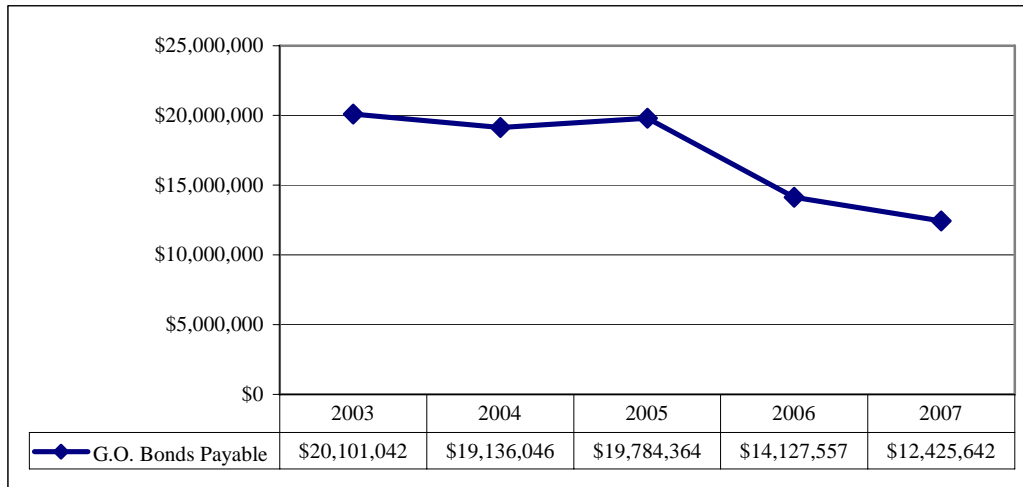
The largest difference from 2006 to 2007 is an increase in infrastructure, which increased by \$3,994,711, by and large the improvements made to County Road No. 1. Machinery, vehicles, furniture, and equipment increased by \$288,436, which is from continually replacing depreciated assets such as Sheriff squad cars and technology equipment. Even though the building and land improvements decreased by \$816,101, the County did not dispose of any of its property. The reduction is completely due to depreciation.

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, 2007, the County had \$12,425,642 in bonds and notes outstanding versus \$14,127,557 last year--a decrease of 12.0 percent--as shown in Table 5. The final payment on the 2002 Capital Equipment Note was made in 2007.

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



Other long-term liabilities carried at year-end 2007 include: compensated absence liability (accrued vacation and sick leave payable) of \$3,448,351, landfill closure and postclosure care liability of \$652,533, special assessments of \$33,381, and capital leases of \$2,430. 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 2007 for the U.S., Minnesota, and Goodhue County was 4.6 percent, 4.6 percent, and 5.0 percent, respectively. This compared to 2006 of 4.6 percent, 4.0 percent, and 4.2 percent, respectively.

Property Value Growth

The County's tax base in recent years peaked in 2006 at 13.0 percent growth. A slight fall to 10.5 percent for 2007 brought it closer to the 2004 and 2005 rates of 9.0 percent and 9.5 percent, respectively. As across the rest of the country, markets have tightened resulting in slower growth. In addition, the Department of Revenue changed its ruling on how utilities are to be valued effective Pay 2008. With these two large influences, the County was still able to see a Pay 2008 growth rate of 5.1 percent. Local agricultural property continues to show an increase in value, and residential property has been holding its own or decreasing only slightly. It is expected that the Pay 2009 tax base may grow similar to that of the previous year.

In December 2006, Goodhue County and NSP/Xcel Energy signed a ten-year revenue stabilization agreement detailing a payment in lieu of tax which NSP/Xcel agrees to pay to Goodhue County to replace tax revenue that the County will lose beginning in payable 2008 when a Minnesota Department of Revenue rule change occurs. With the agreement in place, lost tax revenue will be replaced dollar for dollar by a stabilization payment made by NSP/Xcel. NSP/Xcel has signed a similar agreement with the City of Red Wing. The initial year of 2008 required Xcel to pay the County \$176,642, of which the first half was paid in May 2008, and the remainder in October.

State Financial Position

The summer 2008 media reports indicate the state's November forecast will show a deficit in the range of \$4 billion. Being an election year as well, the 2009 Legislature could be forced to make numerous changes in how, when, and/or what programs they finance. The County is anticipating there could be some reductions implemented by the Legislature but feels there is sufficient fund balance to cover these rainy day needs if necessary.

Budgeting Approach

In 2007, the Goodhue County Board began forecasting using a two-year budget cycle. While planning for both 2008 and 2009, it looked at reducing expenditures where possible and increasing revenue sources. In addition, it implemented a very thorough review and budgeting process for all capital expenditures.

The 2008 Legislature did take action to limit the amount of local levy which could be approved by County Boards for the Pay 2009 to 2011 taxes. This 3.9 percent limit on non-special levies causes additional strain on County operations; however, there will be much planning and preparation as the County strives to effectively promote the safety, health, and well-being of our residents.

The 2009 budget was revisited by department heads in early summer 2008 and again since the levy limits were enacted. As is the practice throughout Minnesota, the Board will establish a preliminary levy within the limit in September 2008 and, in December, after all special levies requested have been approved by the Department of Revenue, it will finalize all levy amounts for 2009.

REQUESTS FOR INFORMATION

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

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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, 2007**

	Primary Government Governmental Activities	Belle Creek Watershed Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 32,096,987	\$ 220,825
Petty cash and change funds	3,900	-
Departmental cash	5,231	-
Cash with escrow agent	499,710	-
Taxes receivable		
Prior - net	718,044	-
Accounts receivable - net	256,060	-
Accrued interest receivable	397,664	7,056
Loans receivable	96,967	-
Due from other governments	1,817,219	-
Due from primary government	-	129
Inventories	365,857	-
Prepaid items	223,038	-
Restricted assets		
Cash and pooled investments	211,673	-
Deferred charges	182,860	-
Investment in joint venture	525,212	-
Capital assets		
Non-depreciable	11,480,322	378,550
Depreciable - net of accumulated depreciation	113,532,074	-
Total Assets	\$ 162,412,818	\$ 606,560
<u>Liabilities</u>		
Accounts payable	\$ 625,883	\$ -
Salaries payable	679,471	-
Contracts payable	510,930	-
Due to other governments	258,502	903
Accrued interest payable	158,539	-
Unearned revenue	242,374	-
Customer deposits	1,969	-
Long-term liabilities		
Due within one year	3,023,372	-
Due in more than one year	13,344,149	-
Total Liabilities	\$ 18,845,189	\$ 903

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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	<u>Primary Government Governmental Activities</u>	<u>Belle Creek Watershed Component Unit</u>
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 113,358,909	\$ 378,550
Restricted for		
General government	725,304	-
Public safety	451,094	-
Highways and streets	437,668	-
Human services	1,197,795	-
Health	108,629	-
Conservation of natural resources	2,853	-
Economic development	50,000	-
Debt service	499,710	-
Landfill postclosure	211,673	-
Gravel pit postclosure	52,912	-
Investments pledged as collateral	475,948	-
Unrestricted	<u>25,995,134</u>	<u>227,107</u>
Total Net Assets	<u>\$ 143,567,629</u>	<u>\$ 605,657</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 8,904,444	\$ 1,267,769
Public safety	10,532,023	2,235,370
Highways and streets	6,514,610	106,675
Sanitation	810,992	301,120
Human services	11,004,777	1,829,973
Health	3,753,359	2,557,502
Culture and recreation	581,223	-
Conservation of natural resources	711,523	983
Economic development	258,826	-
Interest	480,493	-
Total Governmental Activities	\$ 43,552,270	\$ 8,299,392
Component unit		
Belle Creek Watershed	\$ 8,754	\$ 100

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

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Belle Creek Watershed Discretely Presented Component Unit
\$ 227,796	\$ 28,148	\$ (7,380,731)	
769,589	-	(7,527,064)	
4,016,831	2,626,568	235,464	
107,341	-	(402,531)	
4,391,454	-	(4,783,350)	
466,719	-	(729,138)	
-	-	(581,223)	
255,165	14,809	(440,566)	
233,956	-	(24,870)	
-	-	(480,493)	
\$ 10,468,851	\$ 2,669,525	\$ (22,114,502)	
\$ -	\$ -		\$ (8,654)
		\$ 22,788,683	\$ 9,077
		36,601	-
		54,839	-
		191,844	-
		3,307,914	-
		1,980,011	6,428
		187,627	-
		5,974	-
		\$ 28,553,493	\$ 15,505
		\$ 6,438,991	\$ 6,851
		137,128,638	598,806
		\$ 143,567,629	\$ 605,657

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**GOODHUE COUNTY
RED WING, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 19,588,023	\$ 2,250,320
Petty cash and change funds	1,100	50
Departmental cash	5,231	-
Cash with escrow agent	-	-
Taxes receivable		
Prior	405,405	106,907
Accounts receivable	43,746	8,643
Accrued interest receivable	397,664	-
Due from other funds	13,860	14,880
Due from other governments	385,891	746,653
Prepaid items	119,677	21,503
Inventories	-	365,857
Loans receivable	96,967	-
Restricted assets		
Cash and pooled investments	-	-
Total Assets	\$ 21,057,564	\$ 3,514,813
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 274,315	\$ 48,633
Salaries payable	383,181	68,384
Contracts payable	-	503,486
Due to other funds	29,385	62
Due to other governments	117,537	14,367
Deferred revenue - unavailable	487,356	523,098
Deferred revenue - unearned	-	-
Customer deposits	1,969	-
Total Liabilities	\$ 1,293,743	\$ 1,158,030

EXHIBIT 3

<u>Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 4,492,372	\$ 3,666,495	\$ 2,099,777	\$ 32,096,987
450	-	2,300	3,900
-	-	-	5,231
-	499,710	-	499,710
90,757	76,117	38,858	718,044
53,119	-	150,552	256,060
-	-	-	397,664
4,656	-	42,478	75,874
533,260	-	151,415	1,817,219
41,204	-	40,654	223,038
-	-	-	365,857
-	-	-	96,967
-	-	211,673	211,673
<u>\$ 5,215,818</u>	<u>\$ 4,242,322</u>	<u>\$ 2,737,707</u>	<u>\$ 36,768,224</u>
\$ 277,337	\$ 58	\$ 25,540	\$ 625,883
117,916	-	109,990	679,471
-	-	7,444	510,930
40,925	-	5,502	75,874
108,113	-	18,485	258,502
150,345	63,599	60,145	1,284,543
242,374	-	-	242,374
-	-	-	1,969
<u>\$ 937,010</u>	<u>\$ 63,657</u>	<u>\$ 227,106</u>	<u>\$ 3,679,546</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
(Continued)		
Fund Balances		
Reserved for		
Encumbrances	\$ -	\$ 161,561
Sales and use tax	21,506	-
Inventories	-	365,857
Sheriff's contingency	6,585	-
Debt service	-	-
Enhanced 911	231,844	-
Victim assistance	1,926	-
Gravel pit closure	52,912	-
Individual sewage treatment systems	59,420	-
County ditch #1	2,853	-
Prepaid items	119,677	21,503
Law library	106,359	-
Landfill closure	-	-
Recorder's compliance fund	287,629	-
Recorder's equipment purchases	212,577	-
Gun permit applications	13,294	-
Sheriff's forfeited property	2,883	-
Attorney's forfeited property	10,018	-
Veteran's transportation	3,026	-
Health	-	-
HAVA grant	22,282	-
Unclaimed funds	561	-
Counteract	5,216	-
Correction service fee	26,302	-
Sheriff K-9	1,064	-
Local correctional fees	52,189	-
NPP funds	111,717	-
EDA loan program	-	-
Unreserved, designated in major funds (Note 3.D.)	9,574,750	597,728
Unreserved, undesignated	8,837,231	1,210,134
Unreserved in nonmajor special revenue funds	-	-
	\$ 19,763,821	\$ 2,356,783
Total Fund Balances		
	\$ 21,057,564	\$ 3,514,813
Total Liabilities and Fund Balances		

**EXHIBIT 3
(Continued)**

<u>Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 161,561
-	-	-	21,506
-	-	-	365,857
-	-	-	6,585
-	499,710	-	499,710
-	-	-	231,844
-	-	-	1,926
-	-	-	52,912
-	-	-	59,420
-	-	-	2,853
41,204	-	40,654	223,038
-	-	-	106,359
-	-	211,673	211,673
-	-	-	287,629
-	-	-	212,577
-	-	-	13,294
-	-	-	2,883
-	-	-	10,018
-	-	-	3,026
1,197,795	-	108,629	1,306,424
-	-	-	22,282
-	-	-	561
-	-	-	5,216
-	-	-	26,302
-	-	-	1,064
-	-	-	52,189
-	-	-	111,717
-	-	50,000	50,000
450	3,678,955	-	13,851,883
3,039,359	-	-	13,086,724
-	-	2,099,645	2,099,645
<u>\$ 4,278,808</u>	<u>\$ 4,178,665</u>	<u>\$ 2,510,601</u>	<u>\$ 33,088,678</u>
<u>\$ 5,215,818</u>	<u>\$ 4,242,322</u>	<u>\$ 2,737,707</u>	<u>\$ 36,768,224</u>

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**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Fund balances - total governmental funds (Exhibit 3)		\$ 33,088,678
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		125,012,396
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		525,212
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,284,543
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	\$ (8,570,000)	
Revenue bonds	(3,699,571)	
Bond issuance premiums	(29,621)	
Deferred amounts on refunding	224,437	
Notes payable	(156,071)	
Deferred debt issuance charges	182,860	
Capital leases	(2,430)	
Special assessments	(33,381)	
Compensated absences	(3,448,351)	
Accrued interest payable	(158,539)	
Landfill postclosure care liability	(652,533)	
	(16,343,200)	(16,343,200)
Net Assets of Governmental Activities (Exhibit 1)		\$ 143,567,629

**GOODHUE COUNTY
RED WING, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Road and Bridge
Revenues		
Taxes	\$ 13,177,023	\$ 3,637,870
Special assessments	-	-
Licenses and permits	14,058	8,465
Intergovernmental	4,313,649	6,922,271
Charges for services	2,843,221	70,030
Fines and forfeits	24,789	-
Gifts and contributions	14,030	-
Investment earnings	2,018,374	-
Miscellaneous	848,314	31,766
	\$ 23,253,458	\$ 10,670,402
Expenditures		
Current		
General government	\$ 8,213,761	\$ -
Public safety	10,015,015	-
Highways and streets	-	10,557,054
Sanitation	61,096	-
Human services	-	-
Health	-	-
Culture and recreation	510,077	71,146
Conservation of natural resources	711,540	-
Economic development	233,956	-
Debt service		
Principal	9,722	-
Interest	1,390	-
Intergovernmental		
Highways and streets	-	287,526
	\$ 19,756,557	\$ 10,915,726
Excess of Revenues Over (Under) Expenditures	\$ 3,496,901	\$ (245,324)
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ 410,198
Transfers out	(463,419)	-
Proceeds from sale of capital assets	7,840	616
	\$ (455,579)	\$ 410,814
Change in Fund Balance	\$ 3,041,322	\$ 165,490
Fund Balance - January 1	16,722,499	2,252,546
Increase (decrease) in reserved for inventories	-	(61,253)
Fund Balance - December 31	\$ 19,763,821	\$ 2,356,783

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

EXHIBIT 5

Human Services	Debt Service	Nonmajor Funds	Total
\$ 2,840,055	\$ 1,878,409	\$ 1,272,696	\$ 22,806,053
-	14,809	-	14,809
-	-	452,160	474,683
4,830,603	135,644	767,253	16,969,420
1,241,729	-	2,224,171	6,379,151
-	-	-	24,789
6,990	-	63	21,083
-	22,058	9,361	2,049,793
1,644,510	-	394,856	2,919,446
\$ 10,563,887	\$ 2,050,920	\$ 5,120,560	\$ 51,659,227
\$ -	\$ -	\$ 578,499	\$ 8,792,260
-	-	-	10,015,015
-	-	-	10,557,054
-	-	668,318	729,414
9,826,615	-	-	9,826,615
-	-	3,689,355	3,689,355
-	-	-	581,223
-	-	-	711,540
-	-	24,870	258,826
-	1,701,915	-	1,711,637
-	420,261	-	421,651
-	-	-	287,526
\$ 9,826,615	\$ 2,122,176	\$ 4,961,042	\$ 47,582,116
\$ 737,272	\$ (71,256)	\$ 159,518	\$ 4,077,111
\$ 2,818	\$ -	\$ 50,403	\$ 463,419
-	-	-	(463,419)
-	-	-	8,456
\$ 2,818	\$ -	\$ 50,403	\$ 8,456
\$ 740,090	\$ (71,256)	\$ 209,921	\$ 4,085,567
3,538,718	4,249,921	2,300,680	29,064,364
-	-	-	(61,253)
\$ 4,278,808	\$ 4,178,665	\$ 2,510,601	\$ 33,088,678

**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, 2007**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 4,085,567

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	\$ 1,284,543	
Deferred revenue - January 1	(2,816,709)	(1,532,166)

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

Expenditures for general capital assets and infrastructure	\$ 7,998,136	
Net book value of assets sold	(2,482)	
Current year depreciation	(4,267,583)	3,728,071

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. (1,167,356)

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	\$ 1,701,915	
Special assessment retirement	11,127	
Capital lease retirement	9,722	1,722,764

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

Amortization of deferred issuance costs	\$ (34,042)	
Amortization of deferred charges on refunding	(41,726)	
Amortization of bond premiums	4,743	
Change in accrued interest payable	16,926	
Change in landfill postclosure care liability	(43,223)	
Change in compensated absences	(239,314)	
Change in inventories	(61,253)	(397,889)

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 6,438,991

FIDUCIARY FUNDS

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**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 1,623,360
Accounts receivable	15,747
Due from other governments	<u>44,817</u>
Total Assets	<u><u>\$ 1,683,924</u></u>
<u>Liabilities</u>	
Due to component unit	\$ 129
Due to other governments	<u>1,683,795</u>
Total Liabilities	<u><u>\$ 1,683,924</u></u>

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**GOODHUE COUNTY
RED WING, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

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, 2007. 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 so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Goodhue County has one blended component unit.

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Belle Creek Watershed District	The 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**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, 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 2007 were \$2,018,374.

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

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

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

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

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

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

6. Compensated Absences

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

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	\$ 580,310	\$ -
Loans receivable	96,967	-
Receivables that do not provide current financial resources	607,266	-
Grant drawdowns prior to meeting all eligibility requirements	-	242,374
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 1,284,543	\$ 242,374

8. Long-Term Obligations

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Fund Equity

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

10. Use of Estimates

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

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**

2. Stewardship, Compliance, and Accountability

Expenditures in Excess of Budget

The following is a summary of the individual funds which had expenditures in excess of budget for the year ended December 31, 2007.

	Budget	Expenditures	Excess
Special Revenue Funds			
Human Services	\$ 9,524,209	\$ 9,826,615	\$ 302,406
Waste Management	664,083	668,318	4,235

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental Funds		
Cash and pooled investments	\$	32,096,987
Petty cash and change funds		3,900
Cash with escrow agent		499,710
Restricted cash		211,673
Fiduciary Funds		
Agency funds		
Cash and pooled investments		1,623,360
Total Cash and Investments	\$	34,435,630
Deposits	\$	6,867,539
Petty cash and change funds		3,900
Investments		27,564,191
Total Cash and Investments	\$	34,435,630

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the 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, 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, 2007, Goodhue County's deposits were not exposed to custodial credit risk.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County has no policy concerning custodial credit risk. At December 31, 2007, all of the investments held in the escrow agent accounts listed, totaling \$499,709, 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, 2007, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Fair Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
Mutual funds					
MAGIC - Cash Management Funds	N/A	N/A	N/A	N/A	\$ 922,598
Wells Fargo Brokerage					
Money Market Mutual Funds	Aaa	Moody's	N/A	N/A	973,062
Total mutual funds					<u>\$ 1,895,660</u>
Commercial paper					
Wells Fargo Brokerage					
Zions Bancorporation	P1	Fitch	2.94%	01/04/2008	\$ 811,685
UBS Finance Delaware	A1+	Moody's	7.44%	01/10/2008	2,050,819
ING (US) Funding	A1+	Moody's	5.43%	01/17/2008	1,497,212
Zions Bancorporation	P1	Fitch	7.24%	01/17/2008	1,996,282
Societe Generale N American	A1+	Moody's	2.53%	01/22/2008	698,048
New Center Asset Trust	A1	Moody's	4.40%	01/22/2008	1,211,612
Neatexis Banq US Fin Co	A1+	Moody's	4.55%	02/12/2008	1,254,035
HSBC Finance Corp	A1+	Moody's	7.50%	02/14/2008	2,068,511
Marshall & Illsley Corp	A1	Moody's	7.22%	02/15/2008	1,988,953
Goldman Sachs Group	A1+	Moody's	8.10%	02/29/2008	2,231,708
ABN Amro N American Finance Inc	A1+	Moody's	3.64%	03/10/2008	1,003,567
HSBC Finance Corp	A1+	Moody's	1.80%	03/14/2008	495,833
GE Capital Corp (GECC)	A1+	Moody's	5.69%	03/19/2008	1,568,817
GE Capital Corp (GECC)	A1+	Moody's	3.64%	04/16/2008	1,002,313
GE Capital Corp (GECC)	A1+	Moody's	5.02%	04/24/2008	1,382,969
Total commercial paper					<u>\$ 21,262,364</u>
Agency securities					
Wells Fargo Brokerage					
FNMA	AAA/A aaAAA AAA/ AaaA	Moody's	2.08%	10/22/2009	\$ 573,027
FHLB	AA	Moody's	3.62%	12/03/2009	999,060
Wells Fargo - Red Wing Repurchase agreement	N/A	N/A	N/A	01/02/2008	1,827,748
Total agency securities					<u>\$ 3,399,835</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Fair Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
Bonds					
Small Business Administration*					
Wells Fargo Brokerage			N/A	10/25/2011	\$ 33,752
Wells Fargo Brokerage			N/A	03/25/2022	66,090
Wells Fargo Brokerage			N/A	10/25/2023	71,454
Wells Fargo Brokerage			N/A	04/25/2024	79,864
Wells Fargo Brokerage			NA	07/25/2024	224,788
Total bonds					<u>\$ 475,948</u>
EE U.S. savings bonds					
	N/A	N/A	N/A	07/25/2010	\$ 4,025
	N/A	N/A	N/A	01/28/2020	3,050
	N/A	N/A	N/A	07/28/2021	525
	N/A	N/A	N/A	09/28/2022	275
	N/A	N/A	N/A	10/25/2022	6,400
	N/A	N/A	N/A	09/16/2023	15,650
	N/A	N/A	N/A	10/05/2028	750
Total EE U.S. savings bonds					<u>\$ 30,675</u>
Escrow agent					
Mutual funds					
US Bank - U.S. Treasury Money Market Funds	Aaa	Moody's	N/A	N/A	\$ 31
US Bank - U.S. Treasury Money Market Funds	Aaa	Moody's	N/A	N/A	582
US Bank - U.S. Treasury Money Market Funds	Aaa	Moody's	N/A	N/A	499,096
Total mutual funds					<u>\$ 499,709</u>
Total Investments					<u><u>\$ 27,564,191</u></u>

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

At December 31, 2007, \$475,948 market value--\$2,952,518 original par value--of Goodhue County's investments listed have been pledged as collateral to the bank issuing a letter of credit to ensure financing is available for landfill postclosure care.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2007, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 718,044	\$ -
Due from other governments	1,817,219	-
Accounts	256,060	-
Interest	397,664	-
Loans receivable	96,967	96,967
Total Governmental Activities	\$ 3,285,954	\$ 96,967

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 7,640,132	\$ 64,029	\$ -	\$ 7,704,161
Construction in progress	3,579,165	3,776,161	3,579,165	3,776,161
Total capital assets not depreciated	\$ 11,219,297	\$ 3,840,190	\$ 3,579,165	\$ 11,480,322
Capital assets depreciated				
Land improvements	\$ 146,123	\$ 54,099	\$ -	\$ 200,222
Buildings	35,945,512	-	-	35,945,512
Machinery, furniture, and equipment	8,953,279	1,241,352	334,289	9,860,342
Infrastructure	128,276,863	6,441,660	351,172	134,367,351
Total capital assets depreciated	\$ 173,321,777	\$ 7,737,111	\$ 685,461	\$ 180,373,427
Less: accumulated depreciation for				
Land improvements	\$ 29,225	\$ 5,547	\$ -	\$ 34,772
Buildings	10,062,506	864,653	-	10,927,159
Machinery, furniture, and equipment	5,094,694	950,434	331,807	5,713,321
Infrastructure	48,070,324	2,446,949	351,172	50,166,101
Total accumulated depreciation	\$ 63,256,749	\$ 4,267,583	\$ 682,979	\$ 66,841,353
Total capital assets depreciated, net	\$ 110,065,028	\$ 3,469,528	\$ 2,482	\$ 113,532,074
Capital Assets, Net	\$ 121,284,325	\$ 7,309,718	\$ 3,581,647	\$ 125,012,396

**GOODHUE COUNTY
RED WING, MINNESOTA**

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	\$ 909,808
Public safety	382,383
Highways and streets, including depreciation of infrastructure assets	2,856,459
Human services	44,914
Health	18,542
Sanitation	55,477
	\$ 4,267,583
Total Depreciation Expense - Governmental Activities	\$ 4,267,583

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 62
	Land Use Management	278
	Human Services	11,048
	Public Health	2,472
Total due to General Fund		\$ 13,860
Road and Bridge	General	\$ 12,128
	Land Use Management	350
	Waste Management	2,402
Total due to Road and Bridge Fund		\$ 14,880
Human Services	General	\$ 4,656
Public Health	General	\$ 12,601
	Human Services	29,877
Total due to Public Health Fund		\$ 42,478
Total Due To/From Other Funds		\$ 75,874

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfers to Public Health Fund from the General Fund	\$ 16,403	Capital expenditures
Transfers to Human Services Fund from the General Fund	2,818	Capital expenditures
Transfers to Land Use Management Fund from the General Fund	15,000	Capital expenditures
Transfers to Road and Bridge Fund from the General Fund	410,198	Capital expenditures
Transfers to Waste Management Fund from the General Fund	<u>19,000</u>	Capital expenditures
Total Interfund Transfers	<u>\$ 463,419</u>	

C. Liabilities

1. Payables

Payables at December 31, 2007, were as follows:

	Governmental Activities
Accounts	\$ 625,883
Salaries	679,471
Contracts	510,930
Due to other governments	<u>258,502</u>
Total Payables	<u>\$ 2,074,786</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Capital Leases

The County has entered into a lease agreement as lessee for financing the acquisition of a global positioning system. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date for the acquisition amount of \$29,166. The lease will be paid off in 2008 with payments totaling \$2,778, including \$348 representing interest. The present value of the remaining payments is \$2,430.

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2007
General Obligation Bonds					
1997B G.O. Welch Village Revenue Bonds	2018	\$3,120 - \$8,095	1.58	\$ 143,750	\$ 79,571
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	3,620,000
2004A Landfill Closure Refunding Bonds	2013	\$140,000 - \$170,000	1.375 - 3.80	1,235,000	950,000
2005A Jail Refunding Bonds	2012	\$750,000 - \$880,000	2.10 - 3.10	5,670,000	4,160,000
2005B Jail Refunding Bonds	2014	\$20,000 - \$1,860,000	3.60 - 3.625	<u>3,460,000</u>	<u>3,460,000</u>
Total General Obligation Bonds				<u>\$ 15,589,420</u>	<u>\$ 12,425,642</u>
Special Assessments					
1999 LEC Improvement	2010	\$11,127	5.00	<u>\$ 111,271</u>	<u>\$ 33,381</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Year Ending December 31	General Obligation Refunding Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 965,000	\$ 252,141	\$ 562,024	\$ 121,078
2009	990,000	228,429	577,136	101,973
2010	1,015,000	202,445	597,249	81,560
2011	1,045,000	173,688	617,364	60,292
2012	1,075,000	141,913	642,481	37,601
2013 - 2017	3,480,000	130,054	699,223	14,588
2018	-	-	4,094	32
Total	\$ 8,570,000	\$ 1,128,670	\$ 3,699,571	\$ 417,124

Year Ending December 31	General Obligation Revenue Notes		Special Assessments	
	Principal	Interest	Principal	Interest
2008	\$ -	\$ -	\$ 11,127	\$ 1,669
2009	-	-	11,127	1,113
2010	-	-	11,127	556
2011	-	-	-	-
2012	13,401	-	-	-
2013 - 2017	85,272	-	-	-
2018 - 2022	54,840	-	-	-
2023	2,558	-	-	-
Total	\$ 156,071	\$ -	\$ 33,381	\$ 3,338

**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, 2007, 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	\$ 9,475,000	\$ -	\$ 905,000	\$ 8,570,000	\$ 965,000
G.O. revenue bonds	4,241,486	-	541,915	3,699,571	562,024
G.O. capital notes	255,000	-	255,000	-	-
G.O. notes	156,071	-	-	156,071	-
Deferred amounts					
For issuance premiums	34,364	-	4,743	29,621	-
On refunding	(266,163)	-	(41,726)	(224,437)	-
Total bonds and notes payable	\$ 13,895,758	\$ -	\$ 1,664,932	\$ 12,230,826	\$ 1,527,024
Special assessments	44,508	-	11,127	33,381	11,127
Capital leases	12,152	-	9,722	2,430	2,430
Closure and postclosure care	609,310	43,223	-	652,533	-
Compensated absences	3,209,037	1,631,104	1,391,790	3,448,351	1,482,791
Governmental Activity Long-Term Liabilities	<u>\$ 17,770,765</u>	<u>\$ 1,674,327</u>	<u>\$ 3,077,571</u>	<u>\$ 16,367,521</u>	<u>\$ 3,023,372</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 \$652,533 landfill closure and postclosure care liability at December 31, 2007, is based on what it would cost to perform all closure and postclosure care in 2007. Actual costs may be higher

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Landfill Closure and Postclosure Care Costs (Continued)

due to inflation, changes in technology, or changes in regulations. Not included in the above liability are \$873,982 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, 2007, investments of \$211,673 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 \$2,007,000 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, 2007.

Designation	General	Road and Bridge	Human Services	Debt Service
Petty cash and change	\$ 1,100	\$ 50	\$ 450	\$ -
Debt service	-	-	-	3,678,955
Operations	3,476,636	-	-	-
Inmate improvement	42,959	-	-	-
Buildings and grounds	23,075	15,181	-	-
Employee training and development	76,917	-	-	-
Health and wellness	406,824	-	-	-
Compensated absences	547,244	-	-	-
Capital equipment	4,637,052	-	-	-
Extension programs	1,380	-	-	-
Byllesby dam	361,563	-	-	-
Byllesby park	-	34,763	-	-
TH 52 development	-	49,134	-	-
Township turnbacks	-	48,600	-	-
TH 52 corridor construction	-	450,000	-	-
Total	<u>\$ 9,574,750</u>	<u>\$ 597,728</u>	<u>\$ 450</u>	<u>\$ 3,678,955</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Goodhue County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. 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 Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	2007	2008
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2007	2006	2005
Public Employees Retirement Fund	\$ 782,393	\$ 703,621	\$ 622,889
Public Employees Police and Fire Fund	257,828	223,645	188,753
Public Employees Correctional Fund	183,033	168,894	167,800

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

B. Defined Contribution Plan

Of 430 eligible employees, 4 are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. The plan is 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. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary,

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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, 2007, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 2,802	\$ 2,802
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

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 Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

with coverage at \$400,000 per claim in 2007. Should MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

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

C. Joint Ventures

Southeastern Minnesota Multi-County Housing and Redevelopment Authority

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southeast Minnesota Water Resources Board

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

Goodhue County Family Services Collaborative

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

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Country Health Alliance

South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. 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, 2007, was \$525,212. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as human services.

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

D. Debt Obligation Contingency

Southeast Minnesota Multi-County Housing and Redevelopment Authority (HRA)

The Southeast Minnesota Multi-County Housing and Redevelopment Authority (HRA) issued \$3,670,000 Housing Development Revenue Refunding Bonds (Goodhue County, Minnesota General Obligation - Goodhue County Apartment Projects) Series 2007B, on April 3, 2007. The purpose of the original issuance was to provide funds to

**GOODHUE COUNTY
RED WING, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Debt Obligation Contingency

Southeast Minnesota Multi-County Housing and Redevelopment Authority (HRA)
(Continued)

undertake housing development projects and to acquire and construct multi-family rental housing for the purpose of providing housing for elderly persons and for persons and families of low and moderate income in accordance with Minn. Stat. § 469.034, subd. 2, for the HRA. The principal and interest on the bonds are payable primarily from revenues from operations and tax increments resulting from increases in valuation of real property in Tax Increment Financing District 1-3. In the event of a deficiency, the HRA has pledged to levy its special benefit tax. Should these revenues fail to provide sufficient revenue for payment of principal and interest on the debt issue, the full faith and credit of Goodhue County is irrevocably pledged for payment of the bond.

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 2007 and prior years is:

	<u>Prior Years</u>	<u>During 2007</u>
Number of loans made	30	6
Loans outstanding - January 1	\$ -	\$ 67,253
Loans made	235,706	61,096
Payments made on loans	<u>(168,453)</u>	<u>(31,382)</u>
Loans outstanding - December 31	<u>\$ 67,253</u>	<u>\$ 96,967</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

6. Subsequent Event

A. South Country Health Alliance

The joint venture, South Country Health Alliance, has recommended in 2008 a capital call from the County of \$1,120,596 payable in two installments. The first installment of \$560,298 was paid on May 27, 2008, by the County, with the second half installment of \$560,298 due no later than November 25, 2008.

B. Correction of an Error

Both revenues and expenditures in the General Fund were increased by \$233,956 to correct an error in the previously published financial report. A pass-through federal grant was not reported as revenues and expenditures.

7. 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. The District presents its one fund as a governmental fund.

Basis of Accounting

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

7. Belle Creek Watershed Disclosures (Continued)

B. Detailed Notes on the General Fund

Deposits

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

Governmental Funds	
Cash and pooled investments	\$ 220,825
	<hr/>
Deposits	\$ 220,825
	<hr/>

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

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to it. As of December 31, 2007, the District's deposits were not exposed to custodial credit risk.

**GOODHUE COUNTY
RED WING, MINNESOTA**

7. Belle Creek Watershed Disclosures

B. Detailed Notes on the General Fund (Continued)

Capital Assets

The District's capital asset activity for the year ended December 31, 2007, 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**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 13,194,348	\$ 13,194,348	\$ 13,177,023	\$ (17,325)
Licenses and permits	12,400	12,400	14,058	1,658
Intergovernmental	3,648,380	3,648,380	4,313,649	665,269
Charges for services	2,980,723	2,980,723	2,843,221	(137,502)
Fines and forfeits	14,500	14,500	24,789	10,289
Gifts and contributions	7,700	7,700	14,030	6,330
Investment earnings	901,000	901,000	2,018,374	1,117,374
Miscellaneous	520,548	520,548	848,314	327,766
Total Revenues	\$ 21,279,599	\$ 21,279,599	\$ 23,253,458	\$ 1,973,859
Expenditures				
Current				
General government				
Commissioners	\$ 239,598	\$ 239,598	\$ 207,639	\$ 31,959
Courts	156,500	156,500	134,233	22,267
County administration	296,709	296,709	297,336	(627)
County auditor-treasurer	472,804	472,804	459,648	13,156
County assessor	753,156	762,771	674,315	88,456
Elections	48,150	48,150	30,608	17,542
Data processing	1,097,914	1,097,914	917,847	180,067
Personnel	249,632	249,632	246,650	2,982
Attorney	1,291,419	1,294,513	1,262,507	32,006
Law library	83,220	83,220	79,397	3,823
Recorder	363,007	363,007	372,482	(9,475)
Surveyor	402,695	402,695	362,475	40,220
GIS	116,008	116,008	106,204	9,804
Buildings and plant	1,947,134	2,807,106	1,927,209	879,897
Veterans service officer	181,330	181,330	238,956	(57,626)
Other general government	868,525	884,525	896,255	(11,730)
Total general government	\$ 8,567,801	\$ 9,456,482	\$ 8,213,761	\$ 1,242,721
Public safety				
Sheriff	\$ 4,659,327	\$ 4,659,927	\$ 3,614,895	\$ 1,045,032
Sheriff - seasonal	179,125	179,125	180,459	(1,334)
Emergency management	163,739	163,739	176,363	(12,624)
Coroner	80,000	80,000	70,190	9,810
E-911 system	814,827	814,827	778,776	36,051
Adult detention center	4,086,319	4,086,319	4,169,514	(83,195)
Court services	1,042,712	1,042,712	983,872	58,840
Family court services	51,877	51,877	40,946	10,931
Total public safety	\$ 11,077,926	\$ 11,078,526	\$ 10,015,015	\$ 1,063,511

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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Sanitation				
Individual septic treatment systems	\$ -	\$ -	\$ 61,096	\$ (61,096)
Culture and recreation				
Historical society	\$ 100,766	\$ 100,766	\$ 100,766	\$ -
Regional library	366,223	366,223	366,223	-
Byllesby dam	30,000	30,000	11,113	18,887
Other culture and recreation	30,542	30,542	31,975	(1,433)
Total culture and recreation	\$ 527,531	\$ 527,531	\$ 510,077	\$ 17,454
Conservation of natural resources				
County extension	\$ 141,629	\$ 141,629	\$ 143,029	\$ (1,400)
Soil and water conservation	375,031	383,900	531,166	(147,266)
Fairs	35,401	35,401	35,401	-
County ditch	-	-	1,944	(1,944)
Total conservation of natural resources	\$ 552,061	\$ 560,930	\$ 711,540	\$ (150,610)
Economic development				
Southeastern Minnesota Multi-County Housing and Redevelopment Authority	\$ -	\$ -	\$ 233,956	\$ (233,956)
Debt service				
Principal	\$ -	\$ -	\$ 9,722	\$ (9,722)
Interest	-	-	1,390	(1,390)
Total debt service	\$ -	\$ -	\$ 11,112	\$ (11,112)
Total Expenditures	\$ 20,725,319	\$ 21,623,469	\$ 19,522,601	\$ 2,100,868
Excess of Revenues Over (Under) Expenditures	\$ 554,280	\$ (343,870)	\$ 3,730,857	\$ 4,074,727

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers out	\$ (613,000)	\$ (686,000)	\$ (463,419)	\$ 222,581
Proceeds from sale of capital assets	-	-	7,840	7,840
Total Other Financing Sources (Uses)	\$ (613,000)	\$ (686,000)	\$ (455,579)	\$ 230,421
Net Change in Fund Balance	\$ (58,720)	\$ (1,029,870)	\$ 3,275,278	\$ 4,305,148
Fund Balance - January 1	16,722,499	16,722,499	16,722,499	-
Fund Balance - December 31	\$ 16,663,779	\$ 15,692,629	\$ 19,997,777	\$ 4,305,148

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,660,122	\$ 3,660,122	\$ 3,637,870	\$ (22,252)
Licenses and permits	8,400	8,400	8,465	65
Intergovernmental	6,927,937	6,927,937	6,922,271	(5,666)
Charges for services	12,300	12,300	70,030	57,730
Miscellaneous	25,500	25,500	31,766	6,266
Total Revenues	\$ 10,634,259	\$ 10,634,259	\$ 10,670,402	\$ 36,143
Expenditures				
Current				
Highways and streets				
Administration	\$ 396,435	\$ 426,435	\$ 402,263	\$ 24,172
Maintenance	2,100,623	2,100,623	2,037,336	63,287
Construction	7,276,445	7,276,445	7,125,358	151,087
Equipment maintenance and shop	1,075,466	1,118,466	992,097	126,369
Total highways and streets	\$ 10,848,969	\$ 10,921,969	\$ 10,557,054	\$ 364,915
Culture and recreation				
Parks	\$ 47,050	\$ 47,050	\$ 71,146	\$ (24,096)
Intergovernmental				
Highways and streets	\$ 292,240	\$ 292,240	\$ 287,526	\$ 4,714
Total Expenditures	\$ 11,188,259	\$ 11,261,259	\$ 10,915,726	\$ 345,533
Excess of Revenues Over (Under) Expenditures	\$ (554,000)	\$ (627,000)	\$ (245,324)	\$ 381,676
Other Financing Sources (Uses)				
Transfers in	\$ 554,000	\$ 627,000	\$ 410,198	\$ (216,802)
Proceeds from sale of capital assets	-	-	616	616
Total Other Financing Sources (Uses)	\$ 554,000	\$ 627,000	\$ 410,814	\$ (216,186)
Net Change in Fund Balance	\$ -	\$ -	\$ 165,490	\$ 165,490
Fund Balance - January 1	2,252,546	2,252,546	2,252,546	-
Increase (decrease) in reserved for inventories	-	-	(61,253)	(61,253)
Fund Balance - December 31	\$ 2,252,546	\$ 2,252,546	\$ 2,356,783	\$ 104,237

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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,842,254	\$ 2,842,254	\$ 2,840,055	\$ (2,199)
Intergovernmental	4,420,979	4,420,979	4,830,603	409,624
Charges for services	1,152,880	1,152,880	1,241,729	88,849
Gifts and contributions	-	-	6,990	6,990
Miscellaneous	650,363	650,363	1,644,510	994,147
Total Revenues	\$ 9,066,476	\$ 9,066,476	\$ 10,563,887	\$ 1,497,411
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,280,157	\$ 2,280,157	\$ 2,419,498	\$ (139,341)
Social services	7,244,052	7,244,052	7,407,117	(163,065)
Total Expenditures	\$ 9,524,209	\$ 9,524,209	\$ 9,826,615	\$ (302,406)
Excess of Revenues Over (Under) Expenditures	\$ (457,733)	\$ (457,733)	\$ 737,272	\$ 1,195,005
Other Financing Sources (Uses)				
Transfers in	-	-	2,818	2,818
Net Change in Fund Balance	\$ (457,733)	\$ (457,733)	\$ 740,090	\$ 1,197,823
Fund Balance - January 1	3,538,718	3,538,718	3,538,718	-
Fund Balance - December 31	\$ 3,080,985	\$ 3,080,985	\$ 4,278,808	\$ 1,197,823

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**GOODHUE COUNTY
RED WING, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. Budgetary Information

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

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

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

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2007, expenditures exceeded appropriations (the legal level of budgetary control) in the Human Services Special Revenue Fund by \$302,406. Excess expenditures in the Human Services Special Revenue Fund were funded by greater than anticipated revenues.

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SUPPLEMENTARY INFORMATION

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MAJOR FUND

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,875,459	\$ 1,875,459	\$ 1,878,409	\$ 2,950
Special assessments	10,254	10,254	14,809	4,555
Intergovernmental	132,536	132,536	135,644	3,108
Interest on investments	-	-	22,058	22,058
Total Revenues	\$ 2,018,249	\$ 2,018,249	\$ 2,050,920	\$ 32,671
Expenditures				
Debt service				
Principal	\$ 1,701,915	\$ 1,701,915	\$ 1,701,915	\$ -
Interest	574,840	574,840	420,261	154,579
Total Expenditures	\$ 2,276,755	\$ 2,276,755	\$ 2,122,176	\$ 154,579
Net Change in Fund Balance	\$ (258,506)	\$ (258,506)	\$ (71,256)	\$ 187,250
Fund Balance - January 1	4,249,921	4,249,921	4,249,921	-
Fund Balance - December 31	\$ 3,991,415	\$ 3,991,415	\$ 4,178,665	\$ 187,250

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**GOODHUE COUNTY
RED WING, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2007**

	Economic Development Authority	Land Use Management	Public Health	Waste Management	Total
<u>Assets</u>					
Cash and pooled investments	\$ 88,247	\$ 673,522	\$ 963,338	\$ 374,670	\$ 2,099,777
Petty cash and change funds	-	-	2,300	-	2,300
Taxes receivable					
Prior	1,099	9,572	20,836	7,351	38,858
Accounts receivable	-	3	135,118	15,431	150,552
Due from other funds	-	-	42,478	-	42,478
Due from other governments	-	1,803	149,612	-	151,415
Prepaid items	-	5,835	30,641	4,178	40,654
Restricted assets					
Cash and pooled investments	-	-	-	211,673	211,673
Total Assets	\$ 89,346	\$ 690,735	\$ 1,344,323	\$ 613,303	\$ 2,737,707
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 2,257	\$ 14,501	\$ 8,782	\$ 25,540
Salaries payable	-	14,574	84,240	11,176	109,990
Contracts payable	-	-	7,444	-	7,444
Due to other funds	-	628	2,472	2,402	5,502
Due to other governments	-	2,062	14,198	2,225	18,485
Deferred revenue - unavailable	871	7,657	45,752	5,865	60,145
Total Liabilities	\$ 871	\$ 27,178	\$ 168,607	\$ 30,450	\$ 227,106
Fund Balances					
Reserved for prepaid items	\$ -	\$ 5,835	\$ 30,641	\$ 4,178	\$ 40,654
Reserved for landfill closure and postclosure	-	-	-	211,673	211,673
Reserved for EDA loan program	50,000	-	-	-	50,000
Reserved for health	-	-	108,629	-	108,629
Unreserved					
Designated for petty cash	-	-	2,300	-	2,300
Designated for EDA loan program	7,320	-	-	-	7,320
Undesignated	31,155	657,722	1,034,146	367,002	2,090,025
Total Fund Balances	\$ 88,475	\$ 663,557	\$ 1,175,716	\$ 582,853	\$ 2,510,601
Total Liabilities and Fund Balances	\$ 89,346	\$ 690,735	\$ 1,344,323	\$ 613,303	\$ 2,737,707

**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Economic Development Authority</u>	<u>Land Use Management</u>	<u>Public Health</u>	<u>Waste Management</u>	<u>Total</u>
Revenues					
Taxes	\$ 35,461	\$ 318,638	\$ 667,253	\$ 251,344	\$ 1,272,696
Licenses and permits	-	245,536	198,899	7,725	452,160
Intergovernmental	2,603	26,261	561,631	176,758	767,253
Charges for services	-	4,536	2,140,855	78,780	2,224,171
Gifts and contributions	-	-	63	-	63
Interest on investments	-	-	-	9,361	9,361
Miscellaneous	819	-	188,783	205,254	394,856
Total Revenues	\$ 38,883	\$ 594,971	\$ 3,757,484	\$ 729,222	\$ 5,120,560
Expenditures					
Current					
General government	\$ -	\$ 578,499	\$ -	\$ -	\$ 578,499
Sanitation	-	-	-	668,318	668,318
Health	-	-	3,689,355	-	3,689,355
Economic development	24,870	-	-	-	24,870
Total Expenditures	\$ 24,870	\$ 578,499	\$ 3,689,355	\$ 668,318	\$ 4,961,042
Excess of Revenues Over (Under) Expenditures	\$ 14,013	\$ 16,472	\$ 68,129	\$ 60,904	\$ 159,518
Other Financing Sources (Uses)					
Transfers in	-	15,000	16,403	19,000	50,403
Net Change in Fund Balance	\$ 14,013	\$ 31,472	\$ 84,532	\$ 79,904	\$ 209,921
Fund Balance - January 1	74,462	632,085	1,091,184	502,949	2,300,680
Fund Balance - December 31	\$ 88,475	\$ 663,557	\$ 1,175,716	\$ 582,853	\$ 2,510,601

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 35,589	\$ 35,589	\$ 35,461	\$ (128)
Intergovernmental	2,546	2,546	2,603	57
Miscellaneous	-	-	819	819
Total Revenues	\$ 38,135	\$ 38,135	\$ 38,883	\$ 748
Expenditures				
Current				
Economic development				
Community development	38,135	38,135	24,870	13,265
Net Change in Fund Balance	\$ -	\$ -	\$ 14,013	\$ 14,013
Fund Balance - January 1	74,462	74,462	74,462	-
Fund Balance - December 31	\$ 74,462	\$ 74,462	\$ 88,475	\$ 14,013

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
LAND USE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 318,815	\$ 318,815	\$ 318,638	\$ (177)
Licenses and permits	296,000	296,000	245,536	(50,464)
Intergovernmental	25,593	25,593	26,261	668
Charges for services	4,800	4,800	4,536	(264)
Miscellaneous	100	100	-	(100)
	<u>645,308</u>	<u>645,308</u>	<u>594,971</u>	<u>(50,337)</u>
Total Revenues	\$ 645,308	\$ 645,308	\$ 594,971	\$ (50,337)
Expenditures				
Current				
General government				
Planning and zoning	660,308	660,308	578,499	81,809
	<u>660,308</u>	<u>660,308</u>	<u>578,499</u>	<u>81,809</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (15,000)	\$ (15,000)	\$ 16,472	\$ 31,472
Other Financing Sources (Uses)				
Transfers in	15,000	15,000	15,000	-
	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 31,472	\$ 31,472
Fund Balance - January 1	632,085	632,085	632,085	-
	<u>632,085</u>	<u>632,085</u>	<u>632,085</u>	<u>-</u>
Fund Balance - December 31	\$ 632,085	\$ 632,085	\$ 663,557	\$ 31,472
	<u><u>632,085</u></u>	<u><u>632,085</u></u>	<u><u>663,557</u></u>	<u><u>31,472</u></u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 667,178	\$ 667,178	\$ 667,253	\$ 75
Licenses and permits	202,500	202,500	198,899	(3,601)
Intergovernmental	586,469	586,469	561,631	(24,838)
Charges for services	2,191,662	2,210,612	2,140,855	(69,757)
Gifts and contributions	-	-	63	63
Miscellaneous	106,000	106,000	188,783	82,783
Total Revenues	\$ 3,753,809	\$ 3,772,759	\$ 3,757,484	\$ (15,275)
Expenditures				
Current				
Health				
Nursing service	\$ 1,967,546	\$ 2,493,976	\$ 2,200,588	\$ 293,388
Transportation	53,393	64,003	74,437	(10,434)
Maternal and child health	93,087	117,751	154,467	(36,716)
Health center	1,683,733	1,196,937	1,259,863	(62,926)
Total Expenditures	\$ 3,797,759	\$ 3,872,667	\$ 3,689,355	\$ 183,312
Excess of Revenues Over (Under) Expenditures	\$ (43,950)	\$ (99,908)	\$ 68,129	\$ 168,037
Other Financing Sources (Uses)				
Transfers in	25,000	25,000	16,403	(8,597)
Change in Fund Balance	\$ (18,950)	\$ (74,908)	\$ 84,532	\$ 159,440
Fund Balance - January 1	1,091,184	1,091,184	1,091,184	-
Fund Balance - December 31	\$ 1,072,234	\$ 1,016,276	\$ 1,175,716	\$ 159,440

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
WASTE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 251,363	\$ 251,363	\$ 251,344	\$ (19)
Licenses and permits	6,500	6,500	7,725	1,225
Intergovernmental	128,820	128,820	176,758	47,938
Charges for services	72,700	72,700	78,780	6,080
Interest on investments	1,500	1,500	9,361	7,861
Miscellaneous	172,200	172,200	205,254	33,054
Total Revenues	\$ 633,083	\$ 633,083	\$ 729,222	\$ 96,139
Expenditures				
Current				
Sanitation				
Solid waste	\$ 65,541	\$ 65,541	\$ 64,247	\$ 1,294
Recycling	336,797	336,797	338,332	(1,535)
Hazardous waste	99,245	99,245	105,551	(6,306)
Landfill	162,500	162,500	160,188	2,312
Total Expenditures	\$ 664,083	\$ 664,083	\$ 668,318	\$ (4,235)
Excess of Revenues Over (Under) Expenditures	\$ (31,000)	\$ (31,000)	\$ 60,904	\$ 91,904
Other Financing Sources (Uses)				
Transfers in	19,000	19,000	19,000	-
Net Change in Fund Balance	\$ (12,000)	\$ (12,000)	\$ 79,904	\$ 91,904
Fund Balance - January 1	502,949	502,949	502,949	-
Fund Balance - December 31	\$ 490,949	\$ 490,949	\$ 582,853	\$ 91,904

**GOODHUE COUNTY
RED WING, MINNESOTA**

AGENCY FUNDS

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

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

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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FAMILY COLLABORATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 614,261	\$ 294,204	\$ 289,259	\$ 619,206
Due from other governments	38,043	44,817	38,043	44,817
Total Assets	\$ 652,304	\$ 339,021	\$ 327,302	\$ 664,023
<u>Liabilities</u>				
Due to other governments	\$ 652,304	\$ 339,021	\$ 327,302	\$ 664,023
 <u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 979,982	\$ 43,775,555	\$ 43,924,835	\$ 830,702
<u>Liabilities</u>				
Due to component unit	\$ 222	\$ 9,077	\$ 9,170	\$ 129
Due to other governments	979,760	43,766,478	43,915,665	830,573
Total Liabilities	\$ 979,982	\$ 43,775,555	\$ 43,924,835	\$ 830,702
 <u>OTHER AGENCY FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 652,636	\$ 2,039,415	\$ 2,518,599	\$ 173,452
Accounts receivable	21,986	15,747	21,986	15,747
Total Assets	\$ 674,622	\$ 2,055,162	\$ 2,540,585	\$ 189,199
<u>Liabilities</u>				
Due to other governments	\$ 674,622	\$ 2,055,162	\$ 2,540,585	\$ 189,199

**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,246,879	\$ 46,109,174	\$ 46,732,693	\$ 1,623,360
Accounts receivable	21,986	15,747	21,986	15,747
Due from other governments	38,043	44,817	38,043	44,817
Total Assets	\$ 2,306,908	\$ 46,169,738	\$ 46,792,722	\$ 1,683,924
<u>Liabilities</u>				
Due to component unit	\$ 222	\$ 9,077	\$ 9,170	\$ 129
Due to other governments	2,306,686	46,160,661	46,783,552	1,683,795
Total Liabilities	\$ 2,306,908	\$ 46,169,738	\$ 46,792,722	\$ 1,683,924

BELLE CREEK WATERSHED COMPONENT UNIT

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 4

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
BELLE CREEK WATERSHED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General Fund</u>	<u>Reconciliation</u>	<u>Statement of Net Assets</u>
<u>Assets</u>			
Cash and pooled investments	\$ 220,825	\$ -	\$ 220,825
Accrued interest receivable	7,056	-	7,056
Due from primary government	129	-	129
Capital assets			
Not depreciable - land	-	378,550	378,550
Total Assets	\$ 228,010	\$ 378,550	\$ 606,560
<u>Liabilities</u>			
Due to other governments	\$ 903	\$ -	\$ 903
<u>Fund Balance/Net Assets</u>			
Fund Balance			
Unreserved			
Undesignated	227,107	(227,107)	
Total Liabilities and Fund Balance	\$ 228,010		
<u>Net Assets</u>			
Invested in capital assets		\$ 378,550	\$ 378,550
Unrestricted		227,107	227,107
Total Net Assets		\$ 605,657	\$ 605,657
Reconciliation of the General Fund Balance to Net Assets			
Fund Balance - Governmental Fund			\$ 227,107
Capital assets are reported in the Statement of Net Assets but not on the Fund Balance Sheet.			378,550
Net Assets - Governmental Activities			\$ 605,657

**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 5

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
BELLE CREEK WATERSHED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General Fund	Reconciliation	Statement of Activities
Revenues			
Taxes	\$ 9,077	\$ -	\$ 9,077
Investment earnings	6,428	-	6,428
Miscellaneous	100	-	100
Total Revenues	\$ 15,605	\$ -	\$ 15,605
Expenditures/Expenses			
Current			
General government	8,754	-	8,754
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$ 6,851	\$ -	\$ 6,851
Fund Balance/Net Assets - January 1	220,256	378,550	598,806
Fund Balance/Net Assets - December 31	\$ 227,107	\$ 378,550	\$ 605,657

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

OTHER SCHEDULES

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 9

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

	2006		2007		2008	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 50,462,673		\$ 55,649,626		\$ 58,825,975	
Personal property	617,070		644,947		693,432	
Tax increment	(1,694,924)		(1,691,338)		(1,711,987)	
Net Tax Capacity	\$ 49,384,819		\$ 54,603,235		\$ 57,807,420	
Taxes Levied for County Purposes						
General	\$ 13,122,622	27.565	\$ 13,846,041	26.321	\$ 14,083,835	25.269
Road and Bridge	3,305,472	6.693	3,854,533	7.065	4,025,980	6.973
County Welfare	3,039,211	6.154	3,039,211	5.571	3,305,176	5.725
Public Health Service	714,274	1.446	714,274	1.309	872,900	1.512
Land Use Management	273,106	0.553	341,408	0.626	390,733	0.677
Economic Development Authority	5,000	0.010	38,135	0.070	31,435	0.054
Debt Service	2,922,865	5.918	2,007,995	3.678	2,007,185	3.472
Waste Management	278,230	0.563	269,183	0.493	351,155	0.608
Total Taxes Levied for County Purposes	\$ 23,660,780	48.902	\$ 24,110,780	45.133	\$ 25,068,399	44.290
Tax Capacity - Light and Power						
Transmission	\$ 44,542		\$ 47,442		\$ 43,836	
Distribution	6,164		6,560		6,068	
Total Tax Capacity - Light and Power	\$ 50,706		\$ 54,002		\$ 49,904	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.40, as amended)						
Transmission	\$ 48,654		\$ 49,034		\$ 45,588	
Distribution	6,734		6,781		6,310	
Total Light and Power Tax Levies	\$ 55,388	109.231	\$ 55,815	103.355	\$ 51,898	103.996

**GOODHUE COUNTY
RED WING, MINNESOTA**

*Schedule 9
(Continued)*

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

	2006		2007		2008	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Market Value - Light and Power						
Transmission	\$ 2,264,600		\$ 2,409,600		\$ 2,229,300	
Distribution	308,200		328,000		303,400	
Total Market Value - Light and Power	<u>\$ 2,572,800</u>		<u>\$ 2,737,600</u>		<u>\$ 2,532,700</u>	
Light and Power Tax Market Value Levies						
Transmission	\$ 2,692		\$ 2,924		\$ 2,878	
Distribution	366		398		392	
Total Light and Power Tax Market Value Levies	<u>\$ 3,058</u>	0.119	<u>\$ 3,322</u>	0.121	<u>\$ 3,270</u>	0.129
Market Value - State General Tax						
Transmission	\$ 48,654		\$ 47,442		\$ 43,836	
Distribution	6,734		6,560		6,068	
Total Market Value - State General Tax	<u>\$ 55,388</u>		<u>\$ 54,002</u>		<u>\$ 49,904</u>	
State General Tax Market Value Levies						
Transmission	\$ 22,273		\$ 22,788		\$ 20,142	
Distribution	3,082		3,152		2,788	
Total State General Tax Market Value Levies	<u>\$ 25,355</u>	50.004	<u>\$ 25,940</u>	48.032	<u>\$ 22,930</u>	45.949
Special Assessments						
Belle Creek Watershed Improvement Bonds	\$ 8,000	0.453	\$ 10,000	0.491	\$ 22,930	0.451
Percentage of Tax Collections for All Purposes	99.13%		98.62%			

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 10

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Shared Revenue

State

Highway users tax	\$ 5,385,532
PERA rate reimbursement	61,078
Disparity reduction aid	29,155
Police aid	201,009
County program aid	1,655,526
Market value credit	1,561,910
Town road allotment	287,526
Indian casino aid	33,251
Enhanced 911	129,602
	<hr/>

Total Shared Revenue **\$ 9,344,589**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 2,963,760
	<hr/>

Payments in Lieu of Taxes

\$ 191,844

Grants

State

Minnesota Department of	
Corrections	\$ 264,903
Public Safety	142,157
Transportation	249,900
Health	151,350
Natural Resources	268,208
Human Services	1,170,112
Veterans Affairs	100,000
Office of Environmental Assistance	158,537
Peace Officer Standards and Training Board	16,883
	<hr/>

Total State **\$ 2,522,050**

Federal

Department of	
Agriculture	\$ 130,488
Housing and Urban Development	233,956
Justice	7,576
Labor	10,000
Transportation	740,000
Health and Human Services	780,709
Homeland Security	44,448
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Total Federal **\$ 1,947,177**

Total State and Federal Grants **\$ 4,469,227**

Total Intergovernmental Revenue **\$ 16,969,420**

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

INTERNAL CONTROL

ITEMS ARISING THIS YEAR

07-1 County Sheriff's Office

During our review of the civil process accounting duties, we noted one employee is responsible for performing all of the receipting, disbursing, and bank reconciliations for the Sheriff's civil process bank account. The duties of this employee are not monitored or reviewed for accuracy as a compensating control over the civil process accounting.

The receipts are deposited each day by different officers or by the employee performing all of the civil process duties. The disbursements for the civil process bank account are written out by the same employee who signs the check and performs the bank reconciliations. These disbursements and reconciliations are not reviewed by any other employee.

We recommend that the County segregate the receipting, disbursing, depositing, and bank reconciliation duties. We also recommend that these duties be monitored and reviewed along with providing documentation of such review.

Client's Response:

The Auditor/Treasurer's Office is working with the Civil Processing Division to set up appropriate controls relating to segregation of duties. Disbursements are prepared by the unit employee but signed by the supervisor, and the Auditor/Treasurer's Office has taken over the responsibility for the monthly reconciliation of the bank statement.

07-2 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a material misstatement in the financial statements not initially identified by the

entity's internal control over financial reporting. During our audit, we proposed a material adjustment that resulted in a significant change to the County's financial statements. Adjustments were made to record additional receivables and deferred revenues to the Road and Bridge Special Revenue Fund.

We recommend that the County design internal control over financial reporting to detect misstatements in the financial statements. The controls should include a review of draft financial statements by a qualified individual for compliance with generally accepted accounting principles and to identify potential misstatements.

Client's Response:

The County performs due diligence in preparation of the receivables and deferred revenue in the Road and Bridge Fund. In this instance, differences occurred due to adjustments made on the Minnesota Department of Transportation's yearly Status Report. These adjustments were mutually agreed upon by staff from the Minnesota Department of Transportation and the County's Public Works Department. Even though the initial entry was reversed, the internal controls already in place did ensure that adjustments to this report had been reviewed and agreed upon.

Internal controls will be reviewed to assure all material adjustments to trial balances are consistently evaluated. This will include considering both the cost accounting and financial accounting methods of recording activity.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

07-3 Human Services Department - Social Welfare Fund Disbursements

During the review of the disbursements made in the Social Welfare Fund, we noted 9 of 20 disbursements tested did not have documentation to support the checks written for individual clients.

Schedule 11
(Continued)

- Six of these disbursements were made for the clients' personal needs without the required approval of either the client or the County's social service worker, as required by County policy.
- One of the nine disbursements was made out to a County social service worker for a client's personal needs without supporting documentation.
- There was no documentation to support a check written for a car payment.
- There was no documentation to support a check written for housing rental.

We also noted that the Social Welfare Fund had seven clients with negative account balances during and at the end of the month.

We recommend that the Human Service Department obtain proper supporting documentation before disbursement checks are written on behalf of clients. Further, we recommend that the Human Service Department ensure that proper approval is obtained before disbursing the monies from the client's social welfare account. We also recommend the County ensure clients have sufficient funds before a check is written from their account.

Client's Response:

Goodhue County Social Services recognized that the issue of payment for services is important and sensitive and that all disbursements should have some kind of supporting documentation. Social Services will obtain supporting documentation for disbursements when there is one readily available. There are situations when a payment is required but no standard process can be applied. In the event we don't have supporting documentation we have created a Representative Payee Pre-Authorized Payment Requests form that each of the Social Welfare Clients will sign that will be in effect until social services is no longer their representative payee.

Negative balances can occur because cash may be brought in to pay a bill due immediately and the deposit might not be posted until the next day, or a check may be issued the last day of the month knowing the SSA benefit will be direct deposited the following Monday. This situation should not happen very often. Social Services will make a more concerted effort to make sure the funds are in the account before disbursements are made.

B. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statement, accounting for OPEB is now similar to the accounting used by governments for pension plans.

This year, the Legislature enacted a new law, Minn. Stat. § 471.6175, intended to help local governments address their OPEB liability in at least three important ways:

- it allows governments to create both irrevocable and revocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both irrevocable and revocable OPEB trusts; and
- it also permits governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

Schedule 11
(Continued)

Some of the issues that the Goodhue County Board will need to address in order to comply with the statement are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the Goodhue County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the Goodhue County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the Goodhue County Board will have to comply with the new legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;
- if an OPEB trust will be established, Goodhue County will have to decide whether to establish an irrevocable or a revocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities that need to be recognized, the Goodhue County Board will have to decide whether to hire an actuary.

GASB Statement 45 would be applicable to Goodhue County for the year ended December 31, 2008.



REBECCA OTTO
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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, 2007, and have issued our report thereon dated December 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 07-1 and 07-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Goodhue County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe neither of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

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

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

Goodhue County's written responses to the significant deficiencies, management practices comment, and an other item for consideration 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

December 30, 2008

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

Board of County Commissioners
Goodhue County

Compliance

We have audited the compliance of Goodhue County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Goodhue County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Goodhue County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County as of and for the year ended December 31, 2007, and have issued our report thereon dated December 30, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Goodhue County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

December 30, 2008

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 12

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 129,019
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	<u>1,469</u>
Total U.S. Department of Agriculture		\$ 130,488
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Economic Development Community Development Block Grant	14.228	<u>\$ 233,956</u>
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	<u>\$ 7,576</u>
U.S. Department of Labor		
Passed Through Minnesota Department of Labor and Industry Occupational Safety and Health State Program	17.503	<u>\$ 10,000</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	<u>\$ 740,000</u>
U.S. Department of Health and Human Services		
Passed Through Southeastern Minnesota Area Agency on Aging Title III-B Special Programs for the Aging	93.044	\$ 7,487
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	50,355
Immunization Grants	93.268	1,800
Maternal and Child Health Services Block Grant	93.994	41,491
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families (TANF)	93.558	272,734
Child Care Mandatory and Matching Funds	93.596	24,731
Child Welfare Services - State Grants	93.645	16,092
Foster Care Title IV-E	93.658	129,893
Social Services Block Grant Title XX	93.667	230,128
Chafee Foster Care Independence Program	93.674	4,500
Block Grant - Community Mental Health Services	93.958	<u>3,163</u>
Total U.S. Department of Health and Human Services		\$ 782,374

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 12
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Boating Safety Financial Assistance	97.012	\$ 26,300
Emergency Management Performance Grants	97.042	18,148
Total U.S. Department of Homeland Security		\$ 44,448
Total Federal Awards		\$ 1,948,842

Notes to Schedule of Expenditures of Federal Awards

- The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the County. The County's reporting entity is defined in Note 1 to the basic financial statements.
- The expenditures on this schedule are on the accrual basis of accounting. Expenditures on this schedule are greater than federal revenues reported in the financial statements by \$1,665, due to differences in basis of accounting.
- Pass-through grant numbers were not assigned by the pass-through agencies.
- During 2007, Goodhue County passed \$233,956 (CFDA No. 14.228) to the Southeastern Minnesota Multi-County Housing and Redevelopment Authority, a subrecipient of Goodhue County.
- Below is a reconciliation of the federal revenue on the Schedule of Intergovernmental Revenue (Schedule 10), which is based on modified accrual accounting, to the Schedule of Expenditures of Federal Awards, which is based on full accrual accounting.

Federal revenues on Schedule 10	\$ 1,947,177
Temporary Assistance for Needy Families	940
Chafee Foster Care Independence Program	725
Total	\$ 1,948,842