

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

YEAR ENDED DECEMBER 31, 2015

## **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 150 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 700 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, 2015**



**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 CHART  
2015**

			<u>Term Expires</u>
<b>Elected Officers</b>			
<b>Commissioners</b>			
Chair	Ted Seifert	District 5	January 2017
Vice Chair	Dan Rechtzigel	District 3	January 2017
Board Member	Ronald Allen	District 1	January 2017
Board Member	Brad Anderson	District 2	January 2019
Board Member	Jason Majerus	District 4	January 2019
Attorney	Steven N. Betcher		January 2019
County Sheriff	Scott McNurlin		January 2019
<b>Appointed Officials</b>			
Administrator	Scott Arneson		Indefinite
Court Services	Joanne Pohl		Indefinite
Facilities Maintenance	Rick Seyffer		Indefinite
Finance Director	Carolyn Holmsten		Indefinite
Human Resources	Melissa Cushing		Indefinite
Health and Human Services	Nina Arneson		Indefinite
Information Technology	Randy Johnson		Indefinite
Land Use Management/Recorder	Lisa Hanni		Indefinite
Public Works	Greg Isakson		Indefinite
Veterans Service Officer	Lyman M. Robinson, Jr.		March 2018

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Goodhue County  
Red Wing, Minnesota

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodhue County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2015, in which Goodhue County has an equity interest. The SCHA is a joint venture discussed in Note 4.C. to the financial statements. The County's investment in the SCHA, \$4,129,774, represents 2.1 and 2.7 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have applied procedures on the conversion adjustment to the financial statements of the SCHA, which conform the financial reporting of the investment in joint venture to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amount included as an investment in joint venture, prior to these conversion adjustments, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally

accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Goodhue County as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 1.F. to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Goodhue County's basic financial statements. The supplementary information and the other information section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information section, consisting of the Tax Capacity, Tax Rates, Levies, and Percentage of Collections, Exhibit F-1, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2016, 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* in considering Goodhue County's internal control over financial reporting and compliance. It does not include the South Country Health Alliance joint venture, which was audited by other auditors.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Our audit was conducted 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 (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 29, 2016



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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2015

(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, 2015. We encourage readers to consider the information presented here in conjunction with the County's financial activity and performance.

**HIGHLIGHTS**

- On December 31, 2015, Goodhue County's total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$152,518,878, of which \$129,239,009 is the net investment in capital assets and \$5,701,457 is restricted to specific purposes. This leaves year-end unrestricted net position of \$17,578,412.
- Goodhue County's net position decreased by \$3,053,447 for the year ended December 31, 2015, after the restatement for Governmental Accounting Standards Board (GASB) Statements 68, 71, and 82. Additional information about the restatement can be found in Note 1.F.
- Overall program expenses for 2015 were \$58,537,846, an increase of \$8,933,594 (18 percent) from 2014. The largest area of increase was in highways and streets where the County wrapped up the major interchange project on Highway 52. Revenues decreased by 0.7 percent, or \$392,538, during 2015. The largest area of decrease can be found in capital grants and contributions, with federal highway construction dollars received in 2014 and not in 2015. General revenues contributed \$31,636,696 towards program expenses, an increase of \$853,762 from the previous year.
- County debt of \$7,760,000 was issued in 2014, the majority of it for construction of highways. Additional debt was issued in March 2015 for a total of \$10,720,000, with \$7,085,000 for the Citizen's Building renovation and \$3,635,000 to pay for other capital needs.
- The Board continues to analyze long-range needs for the County's highways and streets.
- At the end of 2015, the General Fund's unassigned fund balance was \$11,238,959, which represents approximately 36 percent of expenditures for the year (\$31,441,186). In 2014, the General Fund's unassigned fund balance was \$11,209,969, which was approximately 44 percent of expenditures for the year.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The three main sections of this report are: introduction, financial, and supplementary. The introduction contains the County's organization structure and principal officials. The financial section includes the MD&A and is intended to serve as a roadmap of the basic financial statements. These statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information section contains the budget to actual presentation for the County's major funds. Other supplementary information is included to enhance the reader's understanding of County financial activity (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 Position (Exhibit 1) presents information on all County assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as net position. Over time, changes in net position 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 position 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.

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

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

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

The financial statements provide two other sources of information:

1. Budgetary comparisons

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

2. 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 position may be a useful indicator of a government's financial position over time. As of December 31, 2015, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$152,518,878. The following table provides a summary of Goodhue County's governmental net position, which decreased \$3,053,447 from the previous year.

**Table 1  
Net Position**

	Governmental Activities		
	2015	2014	\$ Change
Assets			
Current and other assets	\$ 52,255,780	\$ 45,761,248	\$ 6,494,532
Capital assets (net)	148,146,931	147,912,697	234,234
Total Assets	\$ 200,402,711	\$ 193,673,945	\$ 6,728,766
Deferred Outflows of Resources	\$ 2,990,675	\$ -	\$ 2,990,675
Liabilities			
Long-term debt outstanding	\$ 45,260,659	\$ 19,719,147	\$ 25,541,512
Other liabilities	3,302,310	3,132,287	170,023
Total Liabilities	\$ 48,562,969	\$ 22,851,434	\$ 25,711,535
Deferred Inflows of Resources	\$ 2,311,539	\$ -	\$ 2,311,539
Net Position			
Invested in capital assets, net of debt	\$ 129,239,009	\$ 135,880,303	\$ (6,641,294)
Restricted	5,701,457	2,447,518	3,253,939
Unrestricted	17,578,412	32,494,690	(14,916,278)
Total Net Position, as reported	\$ 152,518,878	\$ 170,822,511	\$ (18,303,633)
Change in accounting principle*	-	(15,250,186)	15,250,186
Total Net Position, as restated	\$ 152,518,878	\$ 155,572,325	\$ (3,053,447)

\*This is the first year the County implemented the new pension accounting and financial reporting, Governmental Accounting Standards Board (GASB) Statements 68, 71, and 82. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

The largest portion of Goodhue County's net position, 85 percent, or approximately \$129 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, as well as roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Resources needed to repay the debt must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

An additional \$17.6 million of net position, or 12 percent, represents unrestricted net position that may be used to meet ongoing obligations to citizens and creditors. In 2015, unrestricted net position decreased by \$14,916,278.

## Governmental Activities

Reflected in Table 2 are the changes in revenues and expenses sorted by activity. Total 2015 revenue for County governmental activities decreased by 0.7 percent; expenses increased by 18 percent.

**Table 2**  
**Changes in Net Position**

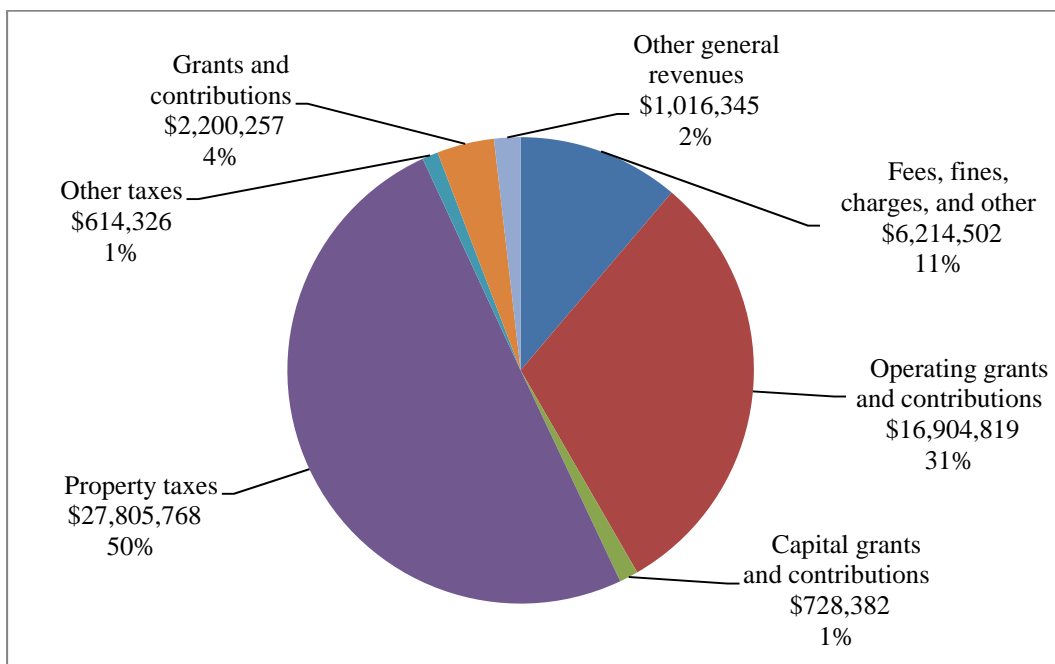
	Governmental Activities			
	2015	2014	\$ Change	% Change
Revenues				
Program revenues				
Fees, fines, charges, and other	\$ 6,214,502	\$ 5,386,282	\$ 828,220	15.38%
Operating grants and contributions	16,904,819	15,694,506	1,210,313	7.71%
Capital grants and contributions	728,382	4,013,215	(3,284,833)	-81.85%
General revenues				
Property taxes	27,805,768	27,361,094	444,674	1.63%
Other taxes	614,326	625,033	(10,707)	-1.71%
Grants and contributions	2,200,257	2,085,821	114,436	5.49%
Other general revenues	1,016,345	710,986	305,359	42.95%
<b>Total Revenues</b>	<b>\$ 55,484,399</b>	<b>\$ 55,876,937</b>	<b>\$ (392,538)</b>	<b>-0.70%</b>
Program expenses				
General government	\$ 12,108,499	\$ 12,872,848	\$ (764,349)	-5.94%
Public safety	13,626,610	13,021,732	604,878	4.65%
Highways and streets	16,042,500	8,605,987	7,436,513	86.41%
Sanitation	682,309	763,417	(81,108)	-10.62%
Human services	10,933,174	10,013,359	919,815	9.19%
Health	3,053,450	2,650,021	403,429	15.22%
Culture and recreation	758,214	687,744	70,470	10.25%
Conservation of natural resources	742,202	707,371	34,831	4.92%
Economic development	58,793	81,032	(22,239)	-27.44%
Interest	532,095	200,741	331,354	165.07%
<b>Total Program Expenses</b>	<b>\$ 58,537,846</b>	<b>\$ 49,604,252</b>	<b>\$ 8,933,594</b>	<b>18.01%</b>
Increase (Decrease) in Net Position	\$ (3,053,447)	\$ 6,272,685	\$ (9,326,132)	-148.68%
Net Position - January 1, as restated (Note 1.F.)	155,572,325 *	164,549,826	(8,977,501)	-5.46%
Net Position - December 31, as reported	\$ 152,518,878	\$ 170,822,511	\$ (18,303,633)	-10.72%

\*Amount includes a change in accounting principles.

Overall, County governmental program revenues decreased from \$25,094,003 in 2014 to \$23,847,703, including a decrease of \$3.3 million in capital grants and contributions. The County paid for the remaining “public benefit” portion of governmental activities with 2015 general revenue dollars of \$31,636,696, up \$853,762 from 2014. General revenues, which are made up of primarily taxes (up \$444,674), also include grants and miscellaneous (up \$409,088).

Total program expenditures reflect a net increase of 18 percent. The increase seen in highways and streets of \$7,436,513 is due to the fact that the County had a larger volume of projects during 2015. The program area where expenses were down the most was 27.4 percent in Economic Development.

**Governmental Activities  
Revenues by Source**



Per Table 2, one can see the cost of all governmental activities in 2015 was \$58,537,846, compared to \$49,604,252 in 2014. However, as shown in the Statement of Activities (Financial Statement Exhibit 2), not all of this is paid with County taxes. Those who directly benefited from the programs paid \$6,214,502 of the cost. For example, direct users are charged things such as building permit fees, recording fees, inmate boarding fees, etc. Another \$17,633,201 was covered by other governments and organizations that subsidized either a specific program or general operations with operating or capital grants and contributions. Some examples of grants received are State Construction, State Police Aid, Probation Officer Salary Reimbursements, WIC, and other Health and Human Services programs. The total amount financed for governmental activities through County general revenues was \$31,636,696.

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

**Table 3  
Governmental Activities  
Costs of Services**

	Total Cost of Services		
	2015	2014	\$ Change
Highways and streets	\$ 16,042,500	\$ 8,605,987	\$ 7,436,513
Public safety	13,626,610	13,021,732	604,878
General government	12,108,499	12,872,848	(764,349)
Human services	10,933,174	10,013,359	919,815
Health	3,053,450	2,650,021	403,429
All others	2,773,613	2,440,305	333,308
<b>Totals</b>	<b>\$ 58,537,846</b>	<b>\$ 49,604,252</b>	<b>\$ 8,933,594</b>

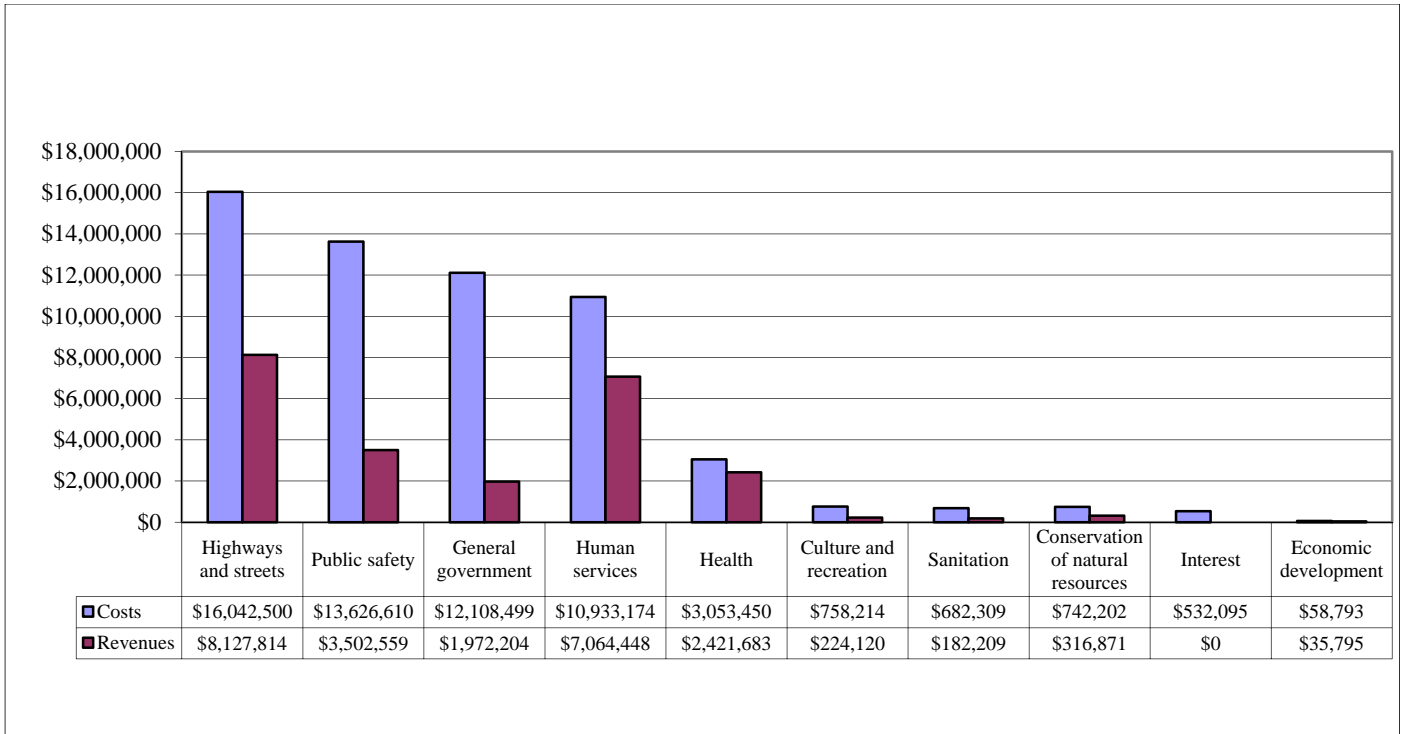
  

	Net Cost of Services		
	2015	2014	\$ Change
Highways and streets	\$ 7,914,686	\$ (2,189,981)	\$ 10,104,667
Public safety	10,124,051	10,166,753	(42,702)
General government	10,136,295	11,020,155	(883,860)
Human services	3,868,726	3,030,430	838,296
Health	631,767	776,218	(144,451)
All others	2,014,618	1,706,674	307,944
<b>Totals</b>	<b>\$ 34,690,143</b>	<b>\$ 24,510,249</b>	<b>\$ 10,179,894</b>

The net cost of services increased \$10,179,894, or 41.5 percent, compared to the previous year. As shown in the Table 3 above, Highway Projects increased 86.4 percent (more projects). The following chart represents, by program, the costs incurred for these County services and the program revenues received in conjunction with those services. The difference leads to the amount of tax revenues needed to help offset operational costs.



**Governmental Activities  
Costs and Program Revenues**



**Fund Level Financial Analysis**

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

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

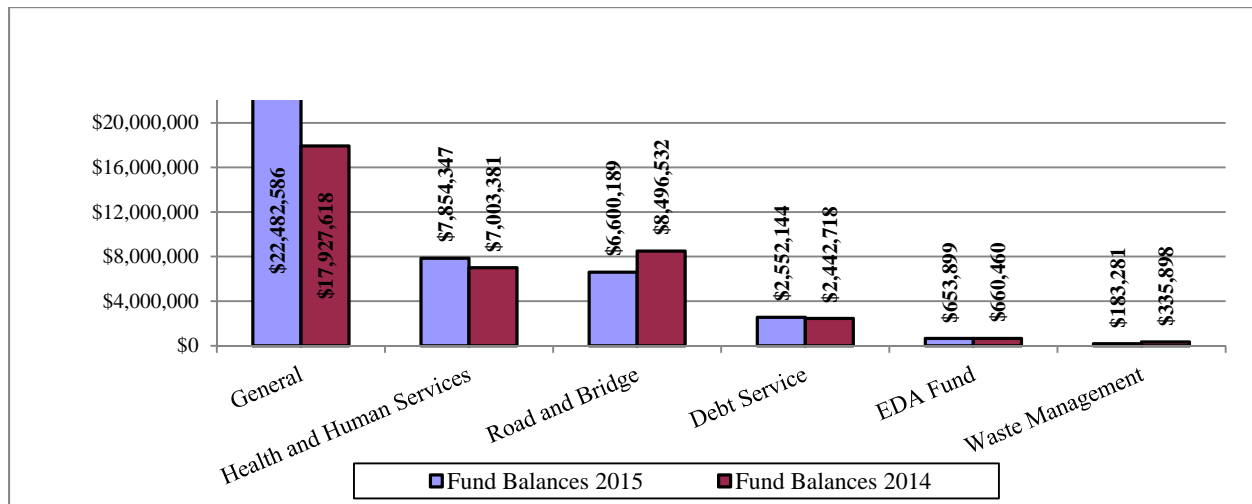
The focus of Goodhue County’s governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Therefore, the timing of cash flows is taken into account in the governmental fund financial statements, while it is disregarded in the government-wide statements.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

## The County's Funds

Goodhue County utilizes five major governmental funds. These funds are: (1) General, (2) Road and Bridge Special Revenue, (3) Health and Human Services Special Revenue, (4) Economic Development Authority Special Revenue, and (5) 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 \$40,326,446. This represents an increase of \$3.5 million (9.4 percent) from December 31, 2014. A large part of this increase can be attributed to the General Fund where there remains a residual balance of bond proceeds for financing ongoing construction projects.

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



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 \$4,554,968, or 25.4 percent, in 2015. This was largely due to unused bond proceeds for construction and renovation on the Citizen's Building. Work on this building and the spend-down of these bond proceeds were completed in 2016.

The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The \$6.6 million fund balance at the end of 2015 represents a decrease of \$1.9 million (22.3 percent) over 2014 and is a direct result of spending bond proceeds from 2014. These bond proceeds were depleted by the end of 2015.

The Health and Human Services Special Revenue Fund exists to account for resources expended for public assistance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$7.9 million fund balance at the end of 2015, up \$850,966 from 2014. The fund continues to monitor spending, as approximately half of its revenue comes from other governmental sources.

The Economic Development Authority Special Revenue Fund is used to account for various economic activities, including the loans made to provide assistance with flood-related expenditures after the 2010 flood. All loan proceeds have been distributed as of June 2013. Repayments from these loans go into a revolving loan program within this fund.

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 \$2.6 million fund balance at the end of 2015, which was similar with the previous year. This will be used to contribute to principal and interest payments due in February of the following year.

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

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

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

### **General Fund Budgetary Highlights**

During a December meeting held by the Goodhue County Board of Commissioners, budgets for all governmental funds were approved by resolution. The most significant budgeted fund is the General Fund.

On December 31, 2015, the County's General Fund actual expenditures were \$4,382,797 less than projected budget. Buildings and plant came in under budget \$3,441,119 due to the unspent bond proceeds on the Citizen's Building. Information technology also had unfinished projects at year-end which led to its excess budget of \$727,693.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2015, the County had \$148,146,931 invested in a broad range of capital assets, including land, buildings, equipment and infrastructure. (See Table 4 on page 15.) This represents a net increase of \$234,234.

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

	Governmental Activities		
	2015	2014	\$ Change
Land	\$ 9,041,251	\$ 8,892,773	\$ 148,478
Construction in progress	13,456,959	5,722,128	7,734,831
Buildings and land improvements	19,688,299	20,273,217	(584,918)
Machinery, vehicles, furniture, and equipment	11,047,713	11,127,153	(79,440)
Infrastructure	94,912,709	101,897,426	(6,984,717)
<b>Totals</b>	<b>\$ 148,146,931</b>	<b>\$ 147,912,697</b>	<b>\$ 234,234</b>

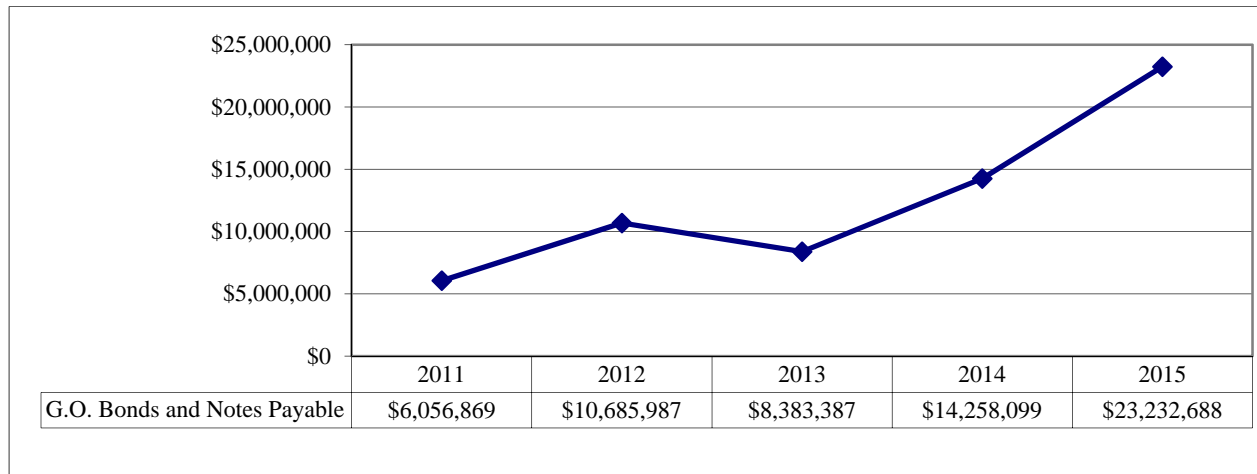
**Debt Administration**

Annual payments of principal and interest are regularly made February 1 with additional interest payments due August 1.

As of December 31, 2015, the County had \$23,232,688 in bonds and notes outstanding. During the year, \$1,745,411 was paid off.

The Board sold \$7,085,000 in bonds in 2015 to renovate the Citizen’s Building, which houses several Health and Human Services departments. These departments were located in various places throughout the County, and all moved back into the updated building in March 2016. Additional bonds of \$3,635,000 were sold to provide financial support for various smaller capital projects of the County. Table 5 shows the annual debt activity.

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



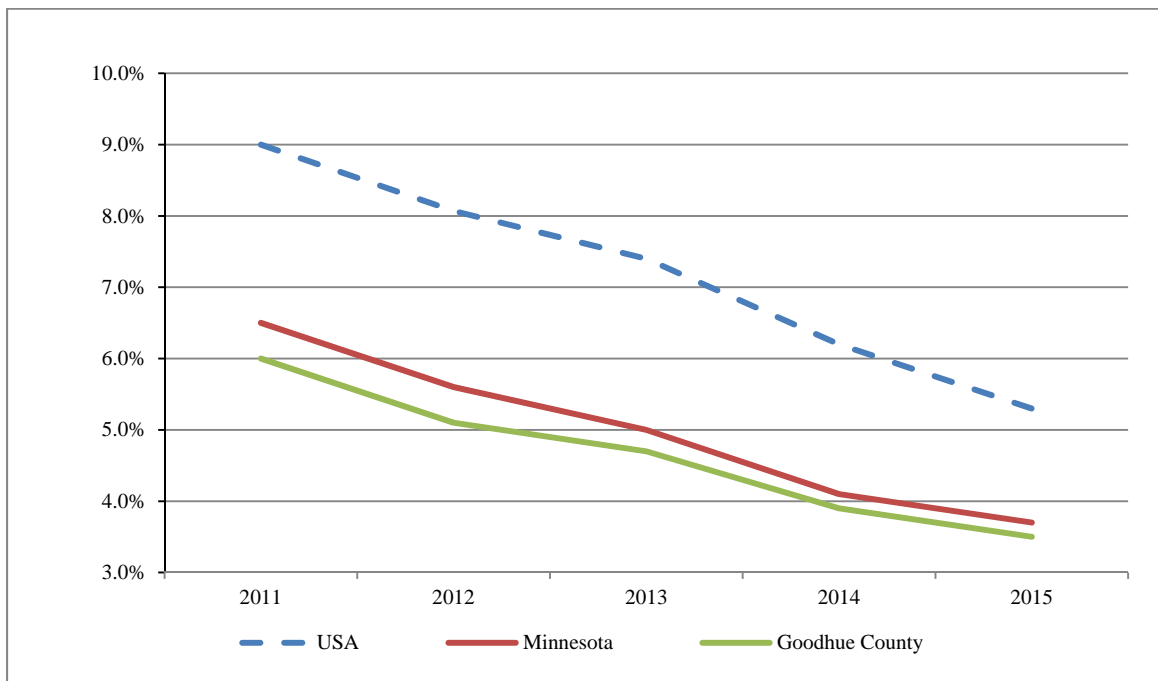
Other long-term liabilities on December 31, 2015, include: compensated absence liability (accrued vacation, sick leave and compensatory payable) of \$4,456,419; net pension liability of \$16,293,375; and landfill closure and postclosure care liability of \$933,142. More detailed information about the County’s long-term liabilities is presented in Notes 2.C. and 3 of the financial statements.

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

Unemployment

The 12-month average for unemployment in 2015 for the U.S., Minnesota, and Goodhue County was 5.3 percent, 3.7 percent, and 3.9 percent, respectively. This compared to 2014 of 6.2 percent, 4.1 percent, and 3.9 percent. As outlined in Table 6, Goodhue County and the State of Minnesota continue to trend well below national unemployment averages. Current 2016 average unemployment rates for April 2016 were 4.7 percent, 3.8 percent, and 3.5 percent for the U.S., Minnesota, and Goodhue County, respectively. Like all local units of government, we are very concerned about both the national and local economic conditions and the impacts on our County. We believe the County will continue to trend below the national average. The County is not aware of any work force reductions in the area with businesses continuing to strive for economic stability, followed by growth.

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



### Property Value Growth

Agricultural property values remained stable or declined slightly for Payable 2015.

Other classifications have not had any significant changes due to economic or other conditions. Real estate sales (both prices and volume) and new construction continue to be moving in the positive direction.

Xcel Energy, a local nuclear plant, has been licensed to continue operating through at least 2034. Equipment valued at more than \$166 million has been added over the last few years, increasing the utilities tax base in the County.

### State Financial Position

The County's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and the tax rates and fees that were charged for government services. Goodhue County relies on state-paid aids, credits, and grants. Should the State of Minnesota significantly change the formula for state-provided payments to the County, it could potentially have a significant impact on the following year's budget. There is no indication since 2015 that there is a possibility of that occurring.

### Budgeting Approach

The Goodhue County Board prepares budgets using a two-year cycle with a very thorough review process. As is the practice throughout Minnesota, the Board establishes a preliminary levy in September. In December, after all special levies requested have been approved by the Department of Revenue, the Board finalizes all amounts within the state-mandated levy limits, if applicable. The Board continues to strive for a balanced budget while, at the same time, effectively promoting the safety, health, and well-being of our residents.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Goodhue County's finances. If you have any questions about this report or need additional information, please contact the Finance & Taxpayer Services Office, Goodhue County Government Center, 509 W. 5th Street, Red Wing, Minnesota 55066, or at (651) 385-3040.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015**

**Assets**

Cash and pooled investments	\$	39,484,614
Petty cash and change funds		2,150
Taxes receivable		
Prior		509,420
Special assessments receivable		
Current		11,942
Noncurrent		11,942
Accounts receivable		280,557
Accrued interest receivable		60,603
Loans receivable		911,127
Due from other governments		5,687,903
Inventories		443,183
Prepaid items		503,514
Restricted assets		
Cash and pooled investments		219,051
Investment in joint venture		4,129,774
Capital assets		
Non-depreciable		22,498,210
Depreciable - net of accumulated depreciation		125,648,721
<b>Total Assets</b>	<b>\$</b>	<b>200,402,711</b>

**Deferred Outflows of Resources**

Deferred pension outflows	\$	2,990,675
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**Liabilities**

Accounts payable	\$	867,471
Salaries payable		778,272
Contracts payable		739,452
Due to other governments		464,668
Accrued interest payable		323,118
Unearned revenue		115,048
Customer deposits		14,281
Long-term liabilities		
Due within one year		3,267,231
Due in more than one year		25,700,053
Net pension liability		16,293,375
<b>Total Liabilities</b>	<b>\$</b>	<b>48,562,969</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015**

**Deferred Inflows of Resources**

Advanced allotments	\$ 17,035
Deferred pension inflows	<u>2,294,504</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 2,311,539</u></b>

**Net Position**

Net investment in capital assets	\$ 129,239,009
Restricted for	
General government	289,098
Public safety	240,658
Highways and streets	3,805,911
Sanitation	77,034
Conservation of natural resources	94,100
Economic development	604,283
Debt service	199,231
Landfill postclosure	219,051
Gravel pit postclosure	172,091
Unrestricted	<u>17,578,412</u>
<b>Total Net Position</b>	<b><u>\$ 152,518,878</u></b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT 2*

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b><u>Functions/Programs</u></b>					
<b>Primary government</b>					
<b>Governmental activities</b>					
General government	\$ 12,108,499	\$ 1,809,888	\$ 162,316	\$ -	\$ (10,136,295)
Public safety	13,626,610	2,244,780	1,257,779	-	(10,124,051)
Highways and streets	16,042,500	59,493	7,339,939	728,382	(7,914,686)
Sanitation	682,309	181,881	328	-	(500,100)
Human services	10,933,174	1,046,842	6,017,606	-	(3,868,726)
Health	3,053,450	728,031	1,693,652	-	(631,767)
Culture and recreation	758,214	-	224,120	-	(534,094)
Conservation of natural resources	742,202	111,148	205,723	-	(425,331)
Economic development	58,793	32,439	3,356	-	(22,998)
Interest	532,095	-	-	-	(532,095)
<b>Total Governmental Activities</b>	<b>\$ 58,537,846</b>	<b>\$ 6,214,502</b>	<b>\$ 16,904,819</b>	<b>\$ 728,382</b>	<b>\$ (34,690,143)</b>
<b>General Revenues</b>					
Property taxes				\$ 27,805,768	
Gravel taxes				73,888	
Mortgage registry and deed tax				40,930	
Wheelage tax				499,508	
Payments in lieu of tax				223,607	
Grants and contributions not restricted to specific programs				2,200,257	
Unrestricted investment earnings				177,993	
Miscellaneous				600,805	
Gain on sale of capital assets				13,940	
<b>Total general revenues</b>				<b>\$ 31,636,696</b>	
<b>Change in net position</b>				<b>\$ (3,053,447)</b>	
<b>Net Position - Beginning, as restated (Note 1.F.)</b>				<b>155,572,325</b>	
<b>Net Position - Ending</b>				<b>\$ 152,518,878</b>	

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 23,006,674	\$ 6,353,846
Petty cash and change funds	1,475	50
Taxes receivable		
Prior	302,941	67,244
Special assessments		
Current	-	-
Prior	-	-
Accounts receivable	66,658	14,289
Accrued interest receivable	60,603	-
Due from other funds	41,088	2,662
Due from other governments	565,643	3,917,119
Prepaid items	337,477	31,769
Inventories	-	443,183
Loans receivable	14,734	-
Restricted assets		
Cash and pooled investments	-	-
	<b>\$ 24,397,293</b>	<b>\$ 10,830,162</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 383,611	\$ 44,138
Salaries payable	481,533	58,155
Contracts payable	414,295	325,157
Due to other funds	2,653	-
Due to other governments	168,288	96,613
Unearned revenue	115,048	-
Customer deposits	14,281	-
	<b>\$ 1,579,709</b>	<b>\$ 524,063</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue	\$ 334,998	\$ 3,688,875
Advanced allotments	-	17,035
	<b>\$ 334,998</b>	<b>\$ 3,705,910</b>
<b>Fund Balances</b>		
Nonspendable	\$ 337,477	\$ 474,952
Restricted	5,065,181	-
Committed	3,958,913	357,189
Assigned	1,882,056	5,768,048
Unassigned	11,238,959	-
	<b>\$ 22,482,586</b>	<b>\$ 6,600,189</b>
	<b>\$ 22,482,586</b>	<b>\$ 6,600,189</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 24,397,293</b>	<b>\$ 10,830,162</b>

**EXHIBIT 3**

<u>Health and Human Services</u>	<u>Economic Development Authority</u>	<u>Debt Service</u>	<u>Nonmajor Fund Waste Management</u>	<u>Total</u>
\$ 7,294,697	\$ 286,698	\$ 2,542,699	\$ -	\$ 39,484,614
550	-	-	75	2,150
95,345	163	37,846	5,881	509,420
-	-	11,942	-	11,942
-	-	11,942	-	11,942
194,368	-	-	5,242	280,557
-	-	-	-	60,603
-	-	-	-	43,750
1,203,993	-	-	1,148	5,687,903
129,839	-	456	3,973	503,514
-	-	-	-	443,183
-	896,393	-	-	911,127
-	-	-	219,051	219,051
<b><u>\$ 8,918,792</u></b>	<b><u>\$ 1,183,254</u></b>	<b><u>\$ 2,604,885</u></b>	<b><u>\$ 235,370</u></b>	<b><u>\$ 48,169,756</u></b>
\$ 423,773	\$ 1,283	\$ 724	\$ 13,942	\$ 867,471
226,246	-	-	12,338	778,272
-	-	-	-	739,452
31,279	-	-	9,818	43,750
188,132	-	-	11,635	464,668
-	-	-	-	115,048
-	-	-	-	14,281
<b><u>\$ 869,430</u></b>	<b><u>\$ 1,283</u></b>	<b><u>\$ 724</u></b>	<b><u>\$ 47,733</u></b>	<b><u>\$ 3,022,942</u></b>
\$ 195,015	\$ 528,072	\$ 52,017	\$ 4,356	\$ 4,803,333
-	-	-	-	17,035
<b><u>\$ 195,015</u></b>	<b><u>\$ 528,072</u></b>	<b><u>\$ 52,017</u></b>	<b><u>\$ 4,356</u></b>	<b><u>\$ 4,820,368</u></b>
\$ 129,839	\$ -	\$ 456	\$ 3,973	\$ 946,697
-	604,283	199,231	219,051	6,087,746
150,550	49,616	2,352,457	35,075	6,903,800
7,573,958	-	-	-	15,224,062
-	-	-	(74,818)	11,164,141
<b><u>\$ 7,854,347</u></b>	<b><u>\$ 653,899</u></b>	<b><u>\$ 2,552,144</u></b>	<b><u>\$ 183,281</u></b>	<b><u>\$ 40,326,446</u></b>
<b><u>\$ 8,918,792</u></b>	<b><u>\$ 1,183,254</u></b>	<b><u>\$ 2,604,885</u></b>	<b><u>\$ 235,370</u></b>	<b><u>\$ 48,169,756</u></b>

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 40,326,446</b>
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.		148,146,931
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		4,129,774
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		4,803,333
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		2,990,675
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	\$ (23,120,000)	
Revenue bonds	(20,154)	
Bond issuance discounts	27,078	
Bond issuance premiums	(372,113)	
Notes payable	(92,534)	
Net pension liability	(16,293,375)	
Compensated absences	(4,456,419)	
Accrued interest payable	(323,118)	
Landfill postclosure care liability	<u>(933,142)</u>	(45,583,777)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(2,294,504)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b><u>\$ 152,518,878</u></b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 16,718,541	\$ 4,127,948
Special assessments	-	-
Licenses and permits	391,793	15,025
Intergovernmental	3,968,724	5,183,748
Charges for services	2,898,449	15,537
Fines and forfeits	15,927	-
Gifts and contributions	33,251	-
Investment earnings	178,358	-
Miscellaneous	1,547,336	37,333
	<b>\$ 25,752,379</b>	<b>\$ 9,379,591</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 16,729,313	\$ -
Public safety	13,250,058	-
Highways and streets	-	11,234,340
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	707,269	47,238
Conservation of natural resources	736,978	-
Economic development	-	-
<b>Debt service</b>		
Principal	17,568	-
Interest	-	-
Administrative (fiscal) charges	-	-
<b>Intergovernmental</b>		
Highways and streets	-	446,646
	<b>\$ 31,441,186</b>	<b>\$ 11,728,224</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (5,688,807)</b>	<b>\$ (2,348,633)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 122,639	\$ 544,585
Transfers out	(789,311)	-
Bonds issued	10,720,000	-
Premiums on bonds issued	176,507	-
Proceeds from sale of capital assets	13,940	-
	<b>\$ 10,243,775</b>	<b>\$ 544,585</b>
<b>Change in Fund Balance</b>	<b>\$ 4,554,968</b>	<b>\$ (1,804,048)</b>
<b>Fund Balance - January 1</b>	<b>17,927,618</b>	<b>8,496,532</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>(92,295)</b>
<b>Fund Balance - December 31</b>	<b>\$ 22,482,586</b>	<b>\$ 6,600,189</b>

**EXHIBIT 5**

<u>Health and Human Services</u>	<u>Economic Development Authority</u>	<u>Debt Service</u>	<u>Nonmajor Fund Waste Management</u>	<u>Total</u>
\$ 5,285,028	\$ 2,644	\$ 1,969,038	\$ 308,387	\$ 28,411,586
-	-	18,134	-	18,134
-	-	-	7,392	414,210
7,820,247	9,921	76,089	6,133	17,064,862
1,358,271	1,000	-	63,755	4,337,012
-	-	-	-	15,927
-	-	-	-	33,251
-	-	-	328	178,686
413,419	35,177	-	116,888	2,150,153
<b>\$ 14,876,965</b>	<b>\$ 48,742</b>	<b>\$ 2,063,261</b>	<b>\$ 502,883</b>	<b>\$ 52,623,821</b>
\$ -	\$ -	\$ -	\$ -	\$ 16,729,313
-	-	-	-	13,250,058
-	-	-	-	11,234,340
-	-	-	689,903	689,903
11,028,616	-	-	-	11,028,616
3,061,863	-	-	-	3,061,863
-	-	-	-	754,507
-	-	-	-	736,978
-	58,793	-	-	58,793
-	-	1,727,843	-	1,745,411
-	-	240,758	-	240,758
-	-	4,948	-	4,948
-	-	-	-	446,646
<b>\$ 14,090,479</b>	<b>\$ 58,793</b>	<b>\$ 1,973,549</b>	<b>\$ 689,903</b>	<b>\$ 59,982,134</b>
<b>\$ 786,486</b>	<b>\$ (10,051)</b>	<b>\$ 89,712</b>	<b>\$ (187,020)</b>	<b>\$ (7,358,313)</b>
\$ 180,609	\$ 10,000	\$ 19,714	\$ 34,403	\$ 911,950
(116,129)	(6,510)	-	-	(911,950)
-	-	-	-	10,720,000
-	-	-	-	176,507
-	-	-	-	13,940
<b>\$ 64,480</b>	<b>\$ 3,490</b>	<b>\$ 19,714</b>	<b>\$ 34,403</b>	<b>\$ 10,910,447</b>
<b>\$ 850,966</b>	<b>\$ (6,561)</b>	<b>\$ 109,426</b>	<b>\$ (152,617)</b>	<b>\$ 3,552,134</b>
<b>7,003,381</b>	<b>660,460</b>	<b>2,442,718</b>	<b>335,898</b>	<b>36,866,607</b>
-	-	-	-	<b>(92,295)</b>
<b>\$ 7,854,347</b>	<b>\$ 653,899</b>	<b>\$ 2,552,144</b>	<b>\$ 183,281</b>	<b>\$ 40,326,446</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 3,552,134**

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.

Unavailable revenue - December 31	\$ 4,803,333	
Unavailable revenue - January 1	(1,859,718)	2,943,615

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 position differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 10,735,162	
Net book value of assets sold	(3,984,981)	
Current year depreciation	(6,515,947)	234,234

In the statement of net position, an asset is reported for the equity interest in joint venture. The change in net position differs from the change in fund equity by the increases and decreases in the investment in joint venture. 187,402

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 position.

The net proceeds for debt issuance are		
Bonds issued	\$ (10,720,000)	
Premium on bonds issued	(176,507)	(10,896,507)

Principal repayments		
Expenditures for principal retirement		1,745,411

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 bond premiums and discounts	\$ (3,007)	
Change in net pension liability, as restated	(126,414)	
Change in accrued interest payable	(283,382)	
Change in landfill postclosure care liability	60,966	
Change in compensated absences	(155,000)	
Change in deferred outflows of resources, as restated	2,073,900	
Change in deferred inflows of resources	(2,294,504)	
Change in inventories	(92,295)	(819,736)

**Change in Net Position of Governmental Activities (Exhibit 2) \$ (3,053,447)**



**FIDUCIARY FUNDS**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2015**

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 1,330,353
Accounts receivable	25,423
Due from other governments	<u>28,809</u>
<b>Total Assets</b>	<b><u><u>\$ 1,384,585</u></u></b>
<b><u>Liabilities</u></b>	
Due to other governments	<b><u><u>\$ 1,384,585</u></u></b>

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). 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 component unit. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Unit

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in several joint ventures which are described in Note 4.C. The County also participates in jointly-governed organizations described in Note 4.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government. 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 position 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 position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

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 accounted for in another fund.

The Road and Bridge Special Revenue Fund accounts for restricted revenue sources from the federal, state, and other oversight agencies, as well as committed property tax revenues for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Health and Human Services Special Revenue Fund accounts for restricted revenue sources from the federal, state, and other oversight agencies, as well as committed property tax revenues used to account for economic assistance and community social services programs.

The Economic Development Authority (EDA) Special Revenue Fund accounts for restricted revenue sources from the federal, state, and other oversight agencies, as well as committed property tax revenues used to account for various economic activities, including the loans made to provide assistance with flood-related expenditures after the 2010 flood. Repayments from these loans will go in to a revolving loan program within this fund.

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund type:

Fiduciary 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Goodhue County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, shared revenues, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured.

Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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



**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Director for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, 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 2015 were \$177,993.

Goodhue County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position 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 nonspendable balance account in applicable governmental funds to indicate that they are not in spendable form.

There is no allowance for uncollectible accounts receivable, taxes receivable, and special assessments receivable presented due to the amounts being minimal.

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position 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 vacation, compensatory, 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. 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. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion is calculated using a trend analysis of disbursements made during the year for vacation, vested sick leave, and compensatory time. The resulting percentage is then used to determine the current portion for vacation, vested sick leave, and compensatory time. The noncurrent portion consists of the remaining amount of vacation, vested sick leave, and compensatory time.

7. Unearned Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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 other financing sources, while the discount on debt issuances is reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. Pension liability is liquidated from member and employer contributions by each fund and income from the investment of fund assets as administered by PERA.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

10. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, that qualifies for reporting in this category. This outflow arises only under the accrual basis of accounting. The deferred pension outflow consists of pension plan contributions paid subsequent to the measurement date and differences between projected and actual earnings on pension plan investments. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of items, unavailable revenue, advanced allotments, and deferred pension inflows, that qualify for reporting in this category. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period the amounts become available. Deferred pension inflows arise only under the accrual basis of accounting and, accordingly, are reported only in the statement of net position. This amount consists of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share. The County reports advance allotments for state aid received by the County not yet appropriated by the State of Minnesota. Advanced allotments are reported in the governmental funds balance sheet and on the government-wide statement of net position.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

11. Classification of Net Position

Net position in government-wide statements are classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

12. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - amounts for which constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

12. Classification of Fund Balances (Continued)

Committed - amounts that can be used only for the specific purposes imposed by resolution of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Administrator or the Finance Director who has been delegated that authority by Board resolution.

Unassigned - the residual classification for the General Fund; it includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The County Board reviews financial activities of the County to ensure compliance with established policies. It is the County's policy to fund current expenditures with current revenues and to strive to maintain a diversified and stable revenue stream to protect the government from problematic fluctuations in any single revenue source and provide stability in providing ongoing services.



**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

12. Classification of Fund Balances (Continued)

Goodhue County's General Fund unassigned fund balance will be maintained to provide the County with sufficient working capital and a margin of safety to address emergencies without issuing debt.

13. Use of Estimates

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

E. Revenues

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

Imposed Nonexchange Transactions

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Revenues (Continued)

Intergovernmental

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

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

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

Exchange Transactions

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

F. Change in Accounting Principles

During the year ended December 31, 2015, the County adopted new accounting guidance by implementing the provisions of GASB Statement Nos. 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No.73*, modifies the measure of payroll that is presented in the required supplementary information schedules.

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources.

	Governmental Activities
Net Position, January 1, 2015, as previously reported	\$ 170,822,511
Change in accounting principles	(15,250,186)
Net Position, January 1, 2015 as restated	\$ 155,572,325

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental funds	
Cash and pooled investments	\$ 39,484,614
Petty cash and change funds	2,150
Restricted cash	219,051
Fiduciary funds	
Agency funds	
Cash and pooled investments	<u>1,330,353</u>
Total Cash and Investments	<u>\$ 41,036,168</u>
Deposits	\$ 16,512,378
Petty cash and change funds	2,150
Investments	<u>24,521,640</u>
Total	<u>\$ 41,036,168</u>

a. Deposits

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the County’s deposits may not be returned to it. The County’s policy on custodial credit risk mirrors state statute. As of December 31, 2015, Goodhue County’s deposits were not exposed to custodial credit risk.

b. Investments

Interest Rate Risk

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County has no policy concerning custodial credit risk. On December 31, 2015, the County's investments were not exposed 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**

2. 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, 2015, and information relating to potential custodial and concentration credit risks:

Investment - Issuer	Credit Risk		Concentration Risk (%)	Carrying (Fair) Value
	Credit Rating	Rating Agency		
Mutual funds				
MAGIC - cash management funds	N/A	N/A	N/A	\$ 5,010
Wells Fargo Brokerage - money market mutual funds	Aa1	Moody's	N/A	<u>95,768</u>
Total mutual funds				\$ 100,778
Municipal bonds				
St. Croix County, Wisconsin	Aa1	Moody's	<5%	380,000
Bonds				
Small Business Administration Wells Fargo Brokerage			N/A	103,570
EE U.S. Savings Bonds	N/A	N/A	N/A	30,675
Negotiable certificates of deposit	N/A	N/A	N/A	<u>23,906,617</u>
Total Investments				<u>\$ 24,521,640</u>

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Investments	Fair Value	Investment Maturities (in Years)		
		Less Than 2	2 - 3	3 - 5
Municipal bonds				
St. Croix County, Wisconsin	\$ 380,000	\$ 380,000	\$ -	\$ -
Bonds				
Small Business Administration	\$ 103,570	\$ -	\$ -	\$ 103,570
EE U.S. Savings Bonds	30,675	-	-	30,675
Total bonds	\$ 134,245	\$ -	\$ -	\$ 134,245
Negotiable certificates of deposit	\$ 23,906,617	\$ 21,950,749	\$ 1,466,188	\$ 489,680
Total Investments Subject to Interest Rate Risk	\$ 24,420,862	\$ 22,330,749	\$ 1,466,188	\$ 623,925
Investments not subject to interest rate risk	100,778			
Total Investments	\$ 24,521,640			



**GOODHUE COUNTY  
RED WING, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2015, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 509,420	\$ -
Special assessments	23,884	11,942
Accounts	280,557	-
Interest	60,603	-
Loans	911,127	849,579
Due from other governments	5,687,903	-
Total Governmental Activities	\$ 7,473,494	\$ 861,521

Of the loans receivable, \$896,393 were made with funding through the State of Minnesota to help qualified businesses directly and adversely affected by the 2010 flood. Part of the loans may be written off if the business meets qualifications for a period of time, and part of the loans will be paid back by the businesses. The loans receivable balance includes \$839,153 in MIF flood loans that are not scheduled for collection in the subsequent year.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 8,892,773	\$ 148,478	\$ -	\$ 9,041,251
Construction in progress	5,722,128	7,734,831	-	13,456,959
<b>Total capital assets not depreciated</b>	<b>\$ 14,614,901</b>	<b>\$ 7,883,309</b>	<b>\$ -</b>	<b>\$ 22,498,210</b>
Capital assets depreciated				
Land improvements	\$ 252,269	\$ -	\$ -	\$ 252,269
Buildings	35,673,222	539,271	247,631	35,964,862
Machinery, furniture, and equipment	20,604,337	1,342,738	813,705	21,133,370
Infrastructure	172,206,990	969,844	3,730,479	169,446,355
<b>Total capital assets depreciated</b>	<b>\$ 228,736,818</b>	<b>\$ 2,851,853</b>	<b>\$ 4,791,815</b>	<b>\$ 226,796,856</b>
Less: accumulated depreciation for				
Land improvements	\$ 100,988	\$ 9,658	\$ -	\$ 110,646
Buildings	15,551,286	868,964	2,064	16,418,186
Machinery, furniture, and equipment	9,477,184	1,413,243	804,770	10,085,657
Infrastructure	70,309,564	4,224,082	-	74,533,646
<b>Total accumulated depreciation</b>	<b>\$ 95,439,022</b>	<b>\$ 6,515,947</b>	<b>\$ 806,834</b>	<b>\$ 101,148,135</b>
<b>Total capital assets depreciated, net</b>	<b>\$ 133,297,796</b>	<b>\$ (3,664,094)</b>	<b>\$ 3,984,981</b>	<b>\$ 125,648,721</b>
<b>Capital Assets, Net</b>	<b>\$ 147,912,697</b>	<b>\$ 4,219,215</b>	<b>\$ 3,984,981</b>	<b>\$ 148,146,931</b>

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

Governmental Activities	
General government	\$ 1,073,540
Public safety	602,742
Highways and streets, including depreciation of infrastructure assets	4,714,670
Health and human services	42,848
Sanitation	78,440
Culture and recreation	3,707
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 6,515,947</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2015, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Health and Human Services	\$ 31,279
	Waste Management	9,809
Road and Bridge	General	2,653
	Waste Management	9
Total Due To/From Other Funds		<u>\$ 43,750</u>

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, 2015, consisted of the following:

Transfers to General Fund from Health and Human Services Fund	\$ 7,500	Time on public health projects
	108,629	Building projects
Transfers to General Fund from Economic Development Authority Fund	6,510	Overpaid 2014 market value credit
Transfers to Road and Bridge Fund from General Fund	415	OEM training drills
	532,970	Capital expenditures
	11,200	Kenyon Park purchase
Transfers to Health and Human Services Fund from General Fund	17,630	Capital expenditures
	70,338	Reimburse moving costs
	6,286	Software license/maintenance
	82,290	Termination payments
	4,065	OEM training drills
Transfers to Economic Development Authority Fund from General Fund	10,000	1916 tax incentives
Transfer to Debt Service Fund from General Fund	19,714	Debt proceeds
Transfers to Waste Management Fund from General Fund	139	OEM training drills
	33,755	Capital expenditures
	509	Aquatic species reimbursement
Total Interfund Transfers	<u>\$ 911,950</u>	

**GOODHUE COUNTY  
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2015, were as follows:

	Governmental Activities
Accounts	\$ 867,471
Salaries	778,272
Contracts	739,452
Due to other governments	464,668
Total Payables	\$ 2,849,863

2. Capital Leases

The County has not entered into any capital lease agreements as of December 31, 2015.

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
1997B G.O. Welch Village Revenue Bonds	2018	\$3,036 - \$4,094	1.58	\$ 143,750	\$ 20,154
1998, 2001, and 2003 G.O. Revenue Notes	2023	\$1,274 - \$8,784	0.00	175,670	92,534
2012A CIP Highway Project Bonds	2023	\$405,000 - \$1,720,000	0.5 - 1.85	5,065,000	3,345,000
2014A G.O. CIP Highway Project Bonds	2025	\$695,000 - \$965,000	2.0 - 2.5	7,760,000	7,760,000
2012B Taxable QECB Bonds	2027	\$1,295,000	3.45	1,295,000	1,295,000
2015A G.O. CIP Citizen's Remodel & Other Bonds	2030	\$180,000 - \$1,710,000	2.0 - 3.0	10,720,000	10,720,000
Total General Obligation Bonds and Notes				\$ 25,159,420	\$ 23,232,688

**GOODHUE COUNTY  
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31	General Obligation CIP Bonds	
	Principal	Interest
2016	\$ 1,370,000	\$ 658,724
2017	1,280,000	531,849
2018	1,300,000	510,529
2019	1,325,000	488,094
2020	1,345,000	464,628
2021 - 2025	7,140,000	1,884,479
2026 - 2030	9,360,000	686,142
Total	<u>\$ 23,120,000</u>	<u>\$ 5,224,445</u>

Year Ending December 31	General Obligation Revenue Bonds		General Obligation Revenue Notes	
	Principal	Interest	Principal	Interest
2016	\$ 7,967	\$ 287	\$ 17,568	\$ -
2017	8,093	161	17,568	-
2018	4,094	32	17,568	-
2019	-	-	11,568	-
2020	-	-	11,568	-
2021 - 2025	-	-	16,694	-
Total	<u>\$ 20,154</u>	<u>\$ 480</u>	<u>\$ 92,534</u>	<u>\$ -</u>

Goodhue County's Series 2012B General Obligation Capital Improvement Bonds are structured with annual sinking-fund payments of \$99,615. These sinking-fund payments began February 1, 2015, and span 13 years. The final sinking-fund payment is due February 1, 2027, at which time the debt will be retired.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows and Resources (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, 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	\$ 14,120,000	\$ 10,720,000	\$ 1,720,000	\$ 23,120,000	\$ 1,370,000
G.O. revenue bonds	27,997	-	7,843	20,154	7,967
G.O. notes	110,102	-	17,568	92,534	17,568
Deferred amounts					
For issuance premiums	195,606	176,507	-	372,113	-
For issuance discounts	(30,085)	-	(3,007)	(27,078)	-
Total bonds and notes payable	\$ 14,423,620	\$ 10,896,507	\$ 1,742,404	\$ 23,577,723	\$ 1,395,535
Closure and postclosure care	994,108	-	60,966	933,142	-
Compensated absences	4,301,419	1,579,938	1,424,938	4,456,419	1,871,696
Governmental Activity Long-Term Liabilities	<u>\$ 19,719,147</u>	<u>\$ 12,476,445</u>	<u>\$ 3,228,308</u>	<u>\$ 28,967,284</u>	<u>\$ 3,267,231</u>

Closure and postclosure care liabilities are liquidated by the Waste Management Special Revenue Fund. Compensated absences liabilities are generally liquidated by the General Fund and the Road and Bridge, Health and Human Services, and Waste Management Special Revenue Funds.

6. 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 \$933,142 landfill closure and postclosure care liability at December 31, 2015, is based on what it would cost to perform all closure and postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Not included in the above liability are \$835,617 of estimated contingency action costs which may be incurred.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows and Resources

6. Landfill Closure and Postclosure Care Costs (Continued)

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2015, investments of \$219,051 are held for these purposes. These are reported as restricted assets on the balance sheet.

Because the amount in trust is considerably smaller than the estimated postclosure care and contingency costs, the state has required Goodhue County to obtain a letter of credit for \$1,910,000 to ensure financing is available, if needed.

7. Unearned Revenue/Deferred Inflows of Resources

As of December 31, 2015, the various components of unearned and unavailable revenue were as follows:

	<u>Unearned Revenue</u>	<u>Unavailable Revenue</u>
Delinquent property taxes	\$ -	\$ 373,976
Special assessments	-	23,884
Loans receivable	-	542,664
Intergovernmental	115,048	3,812,868
Charges for services	-	15,691
Other	-	34,250
	<hr/>	<hr/>
Total Governmental Funds	<u>\$ 115,048</u>	<u>\$ 4,803,333</u>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

D. Fund Balance

Nonspendable, Restricted, Committed, and Assigned Fund Balances

Fund balances of the governmental funds were designated as follows at December 31, 2015.

<u>Nonspendable</u>	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>	<u>Waste Management Fund</u>	<u>Economic Development Authority</u>	<u>Debt Service</u>
Prepaid items	\$ 337,477	\$ 31,769	\$ 129,839	\$ 3,973	\$ -	\$ 456
Inventories	-	443,183	-	-	-	-
<b>Total Nonspendable Fund Balance</b>	<b>\$ 337,477</b>	<b>\$ 474,952</b>	<b>\$ 129,839</b>	<b>\$ 3,973</b>	<b>\$ -</b>	<b>\$ 456</b>
 <u>Restricted</u>						
Unclaimed funds	\$ 801	\$ -	\$ -	\$ -	\$ -	\$ -
Gravel pit postclosure	172,091	-	-	-	-	-
Law library	25,401	-	-	-	-	-
Attorney's forfeiture activities	187	-	-	-	-	-
Attorney's victim assistance	6,093	-	-	-	-	-
Recorder's technology equipment	113,732	-	-	-	-	-
Recorder's compliance fund	128,423	-	-	-	-	-
Veteran's operational grant	12,500	-	-	-	-	-
Veterans transportation	1,961	-	-	-	-	-
Aquatic invasive species prevention	91,247	-	-	-	-	-
Sheriff forfeiture activities	180	-	-	-	-	-
Sheriff's counteract	6,975	-	-	-	-	-
Sheriff's K-9 donations	375	-	-	-	-	-
Gun permit activities	27,236	-	-	-	-	-
Sheriff's contingency	488	-	-	-	-	-
E-911	125,533	-	-	-	-	-
Correction service fee	13,996	-	-	-	-	-
Local correctional fees	65,875	-	-	-	-	-
County ditch #1	2,853	-	-	-	-	-
Individual sewage treatment systems	77,034	-	-	-	-	-
Bonded construction/capital projects	4,192,200	-	-	-	-	-
Landfill closure/postclosure	-	-	-	219,051	-	-
Debt (QECC lump sum due 2/1/2027)	-	-	-	-	-	199,231
EDA loan program (1998 IHP)	-	-	-	-	57,320	-
EDA loan program (2010 MIF)	-	-	-	-	546,963	-
<b>Total Restricted Fund Balance</b>	<b>\$ 5,065,181</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 219,051</b>	<b>\$ 604,283</b>	<b>\$ 199,231</b>



**GOODHUE COUNTY  
RED WING, MINNESOTA**

2. Detailed Notes on All Funds

D. Fund Balance

Nonspendable, Restricted, Committed, and Assigned Fund Balances (Continued)

Committed	General	Road and Bridge	Health and Human Services	Waste Management Fund	Economic Development Authority	Debt Service
Petty cash and change funds	\$ 1,475	\$ 50	\$ 550	\$ 75	\$ -	\$ -
Debt service	-	-	-	-	-	2,352,457
Economic development	-	-	-	-	49,616	-
Landfill transfer station	-	-	-	35,000	-	-
Land use/environmental ordinance	221,635	-	-	-	-	-
Employee wellness program	12,213	-	-	-	-	-
Railroad Authority	5,305	-	-	-	-	-
Compensated absences	921,475	-	-	-	-	-
27th payroll - future years	221,741	-	-	-	-	-
Tax court settlements	242,500	-	-	-	-	-
Natural, technological, human-caused hazards	1,000,000	-	-	-	-	-
Tax-forfeited property funding	8,468	-	-	-	-	-
Capital equipment/projects	1,283,923	-	-	-	-	-
Byllesby Dam	40,178	-	-	-	-	-
Byllesby Park and Trail	-	171,701	-	-	-	-
Out-of-home placement budget deficits	-	-	150,000	-	-	-
TH 52 development and construction	-	185,438	-	-	-	-
Total Committed Fund Balance	<u>\$ 3,958,913</u>	<u>\$ 357,189</u>	<u>\$ 150,550</u>	<u>\$ 35,075</u>	<u>\$ 49,616</u>	<u>\$ 2,352,457</u>
<u>Assigned</u>						
Employee training and development	\$ 37,166	\$ -	\$ -	\$ -	\$ -	\$ -
Motor pool	12,869	-	-	-	-	-
Highways and streets	-	5,758,523	-	-	-	-
Health and human services	-	-	6,481,557	-	-	-
County program aid contingency	1,518,111	-	-	-	-	-
Building contingencies	313,910	-	-	-	-	-
Township turnbacks	-	9,525	-	-	-	-
e-Document Compass/Onbase CM	-	-	305,000	-	-	-
Potential state/federal funding cuts	-	-	250,000	-	-	-
Technology improvements	-	-	150,000	-	-	-
Hiawatha Valley mental health center contingency	-	-	237,401	-	-	-
Foster care budget deficits	-	-	150,000	-	-	-
Total Assigned Fund Balance	<u>\$ 1,882,056</u>	<u>\$ 5,768,048</u>	<u>\$ 7,573,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Goodhue County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Fund. For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph 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 their public service.

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 General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

For General Employees Retirement Fund members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Fund and Public Employees Correctional Fund members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 55. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20
Public Employees Correctional Fund	8.75

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the years ending December 31, 2015, 2014, and 2013, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Employees Retirement Fund	\$ 1,095,772	\$ 1,063,249	\$ 1,017,025
Public Employees Police and Fire Fund	482,624	452,480	398,619
Public Employees Correctional Fund	230,698	231,320	219,672

The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$12,541,699 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.2420 percent. It was 0.2689 percent measured as of June 30, 2014. The County recognized pension expense of \$1,351,998 for its proportionate share of the General Employees Retirement Fund's pension expense.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

The County reported its proportionate share of the General Employees Retirement Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 632,315
Difference between projected and actual investment earnings	1,187,265	-
Changes in proportion	-	947,721
Contributions paid to PERA subsequent to the measurement date	599,435	-
Total	\$ 1,786,700	\$ 1,580,036

A total of \$599,435 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (229,863)
2017	(229,863)
2018	(229,863)
2019	296,816

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$3,533,689 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.3110 percent. It was 0.3170 percent measured as of June 30, 2014. The County recognized pension expense of \$598,163 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$27,990 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

The County reported its proportionate share of the Public Employees Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 573,048
Difference between projected and actual investment earnings	615,686	-
Changes in proportion	-	54,001
Contributions paid to PERA subsequent to the measurement date	275,359	-
Total	\$ 891,045	\$ 627,049

A total of \$275,359 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 28,511
2017	28,511
2018	28,511
2019	28,511
2020	(125,410)



**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$217,987 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 1.410 percent. It was 1.480 percent measured as of June 30, 2014. The County recognized pension expense of \$233,942 for its proportionate share of the Public Employees Correctional Fund's pension expense.

The County reported its proportionate share of the Public Employees Correctional Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ -	\$ 83,458
Difference between projected and actual investment earnings	181,710	-
Changes in proportion	-	3,961
Contributions paid to PERA subsequent to the measurement date	<u>131,220</u>	<u>-</u>
Total	<u>\$ 312,930</u>	<u>\$ 87,419</u>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

A total of \$131,220 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ 16,287
2017	16,287
2018	16,287
2019	45,427

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was \$2,184,103.

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for all years for the Public Employees Correctional Fund.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	20	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 19,720,004	\$ 12,541,699	\$ 6,613,516
Public Employees Police and Fire Fund net pension liability	6,887,195	3,553,689	763,107
Public Employees Correctional Fund net pension liability	1,518,091	217,987	(882,622)

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Pension Plans (Continued)

8. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. 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, 2015, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,590	\$ 4,590
Percentage of covered payroll	5%	5%

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$490,000 per claim in 2015 and \$500,000 per claim in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Contingent Liabilities

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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

C. Joint Ventures

Goodhue County, in conjunction with other governmental entities has formed the joint ventures listed below:

Family Services Collaborative

The Goodhue County Family Services Collaborative was established in 1999 under the authority of Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Goodhue County, 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 Collaborative is vested in a seven-member governing board appointed by the member parties. The Goodhue County Health and Human Services Department acts as fiscal agent for the Collaborative. The Collaborative is financed by state and federal grants and contributions from participating members.

The Collaborative was audited by the Minnesota Office of the State Auditor for 2010.

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. Cass, Crow Wing, and Freeborn Counties voted to withdraw as of December 31, 2010. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating counties' health care functions, referred to as county-based purchasing.

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization.

The County's equity interest in the SCHA at December 31, 2015, was \$4,129,774. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as Health and Human Services program expenses or revenues.

Complete financial statements for the SCHA can be obtained from the South Country Health Alliance at 100 West Fremont Street, Owatonna, Minnesota 55060, or from its fiscal agent at 2300 Park Drive, Suite 100, Owatonna, Minnesota 55060.

Southeast Minnesota Regional Emergency Communications Board

The Southeast Minnesota Regional Emergency Communications Board was established April 16, 2008, as provided by Minn. Stat. §§ 403.39 and 471.59. This joint powers board between Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties and the City of Rochester serves to provide regional administration of enhancement to the Allied Radio Matrix for Emergency Response (ARMER) system owned and operated by the State of Minnesota and enhance and improve interoperable public safety communications.

Control of the Southeast Minnesota Regional Emergency Communications Board is vested in a Joint Powers Board that is composed of one County Commissioner from each of the participating counties and one City Council member from the city.

The financial activities of the Board are accounted for by Olmsted County as fiscal agent. During the year, Goodhue County paid \$1,000 to the Emergency Communications Board.



**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southeastern Minnesota Multi-County Housing and Redevelopment Authority

Goodhue County and other regional counties have formed the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) for the purposes of providing housing and redevelopment services to Southeastern Minnesota counties. The governing body consists of an eight-member Board of Commissioners. Two Commissioners were appointed by each of the County Boards. The HRA adopts its own budget.

Complete financial statements for the HRA can be obtained at 134 East Second Street, Wabasha, Minnesota 55981.

Southeast Minnesota Violent Crime Enforcement Team

The Southeast Minnesota Violent Crime Enforcement Team was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Wabasha, and Winona Counties along with the Cities of Austin, Kasson, Red Wing, and Winona. The Enforcement Team's mission is to disrupt and destroy illegal narcotic operations in Southeastern Minnesota and provide drug investigation services for member organizations.

The enforcement team is governed by a governing board with members consisting of the Chief Law Enforcement Officer from each member, or his or her designee and an attorney appointed by the governing board.

During the year, Goodhue County paid \$6,000 to the Enforcement Team.

Separate financial information can be obtained from the Southeast Minnesota Violent Crime Enforcement Team, 101 - 4th Street S.E., Rochester, Minnesota 55904.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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

D. Jointly-Governed Organizations

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

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information. During the year, Goodhue County expended \$114,531 to the MCCC.

Region One - Southeast Minnesota Homeland Security Emergency Management Organization

The Region One - Southeast Minnesota Security Emergency Management Organization was established to regionally coordinate efforts to better respond to emergencies and natural or other disasters within the region. There are 16 counties participating, with one member from each entity being represented on the Joint Powers Board. During the year, Goodhue County did not make any payments to the Organization.

Southeast Minnesota Water Resource Board

The Southeast Minnesota Water Resource Board was formed by Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties. 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, except for Mower and Wabasha Counties, who each appoint one member. Olmsted County acts as the fiscal agent. Goodhue County did not contribute to the Board in 2015.

Complete financial statements for the Water Resource Board can be obtained at P. O. Box 5838, Winona, Minnesota 55987.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeastern Minnesota Libraries Cooperative

The Southeastern Minnesota Libraries Cooperative (SELCO) provides regional library services to counties and cities in Southeastern Minnesota. During the year, Goodhue County contributed \$476,424 to SELCO.

Sentencing to Service

Goodhue County contracts with the State of Minnesota for three full-time Sentence to Service crew leaders. The Goodhue County Sentence to Serve Program utilizes non-dangerous offenders from the Goodhue County Adult Detention Center, Minnesota Correctional Facility - Red Wing, Department of Corrections, and County Probation clients and juveniles two days a month. The program is used to perform community service work, special projects, and routine work for entities within the County and, specifically, Goodhue County facilities. County tax levy, a contract with the City of Red Wing for one crew leader for 20 hours per week, and a user fee are used to fund the program within Goodhue County.

E. Debt Obligation Contingency

The Southeast Minnesota Multi-County Housing and Redevelopment Authority (HRA) issued \$3,575,000 Housing Development Revenue Refunding Bonds (Goodhue County, Minnesota General Obligation - Goodhue County Apartment Projects), Series 2007B, on May 1, 2007. The purpose of the issuance was to finance the acquisition and construction of low and moderate housing facilities in accordance with Minn. Stat. § 469.034, subd. 2, as well as refund the HRA's \$3,360,000 Housing Development Revenue Refunding Bonds (Goodhue County, Minnesota General Obligation - Goodhue County Apartment Projects), Series 1999B.

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.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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

F. 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 2015 and prior years is:

	Prior Years	During 2015
Number of loans made	52	-
Loans outstanding - January 1	\$ -	\$ 28,950
Loans made	453,179	-
Payments made on loans	(424,229)	(14,216)
Loans outstanding - December 31	\$ 28,950	\$ 14,734

G. Subsequent Events

On June 7, 2016, the County approved the issuance of revenue obligations (conduit bonds) in the amount of \$9,800,000 to finance the acquisition, construction and equipping of an expansion to Benedictine Health System's St. Bridgid's facility as well as refund any outstanding facility notes if necessary. These County notes are special, limited obligations of the County and are payable solely from the revenues pledged by the Benedictine Health System and do not constitute a debt of the County.

The Southeast Minnesota Multi-County HRA issued \$2,765,000 Housing Development Revenue Refunding Bonds (Goodhue County, Minnesota General Obligation - Goodhue County Apartment Projects), Series 2016B, on June 23, 2016. The purpose of the issuance was to refund the Authority's \$3,575,000 Housing Development Revenue Refunding Bonds (Goodhue County, Minnesota General Obligation - Goodhue County Apartment Projects), Series 2007B.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 16,839,419	\$ 16,839,419	\$ 16,718,541	\$ (120,878)
Licenses and permits	290,270	290,270	391,793	101,523
Intergovernmental	3,595,224	3,595,224	3,968,724	373,500
Charges for services	2,507,718	2,507,718	2,898,449	390,731
Fines and forfeits	16,700	16,700	15,927	(773)
Gifts and contributions	33,000	33,000	33,251	251
Investment earnings	200,350	200,350	178,358	(21,992)
Miscellaneous	1,192,668	1,192,668	1,547,336	354,668
<b>Total Revenues</b>	<b>\$ 24,675,349</b>	<b>\$ 24,675,349</b>	<b>\$ 25,752,379</b>	<b>\$ 1,077,030</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 265,015	\$ 266,015	\$ 235,407	\$ 30,608
Courts	121,500	121,500	116,810	4,690
County administration	404,206	406,406	398,377	8,029
County auditor-treasurer	702,098	702,098	692,761	9,337
County assessor	961,565	961,565	922,795	38,770
Elections	6,490	6,490	5,869	621
Information technology	959,908	1,703,068	975,375	727,693
Human resources	446,152	446,152	415,978	30,174
Attorney	1,764,384	1,764,384	1,737,838	26,546
Law library	67,550	67,550	36,466	31,084
Recorder	644,007	666,007	553,974	112,033
Surveyor	329,866	331,036	323,940	7,096
GIS	300,019	300,019	236,260	63,759
Building permits	323,534	325,534	329,154	(3,620)
Planning and zoning	435,742	435,742	410,766	24,976
Environmental health	200,409	203,209	200,609	2,600
Buildings and plant	2,052,646	11,636,498	8,195,379	3,441,119
Veterans service officer	217,827	229,827	211,131	18,696
Other general government	823,367	823,367	730,424	92,943
<b>Total general government</b>	<b>\$ 11,026,285</b>	<b>\$ 21,396,467</b>	<b>\$ 16,729,313</b>	<b>\$ 4,667,154</b>
<b>Public safety</b>				
Sheriff	\$ 5,422,719	\$ 5,424,919	\$ 5,365,629	\$ 59,290
Sheriff - seasonal	177,542	189,030	203,941	(14,911)
Emergency management	335,404	335,404	299,590	35,814
Coroner	130,700	130,700	130,700	-
E-911 system	990,753	990,753	1,120,934	(130,181)
Adult detention center	4,900,526	4,900,526	5,057,326	(156,800)
Court services	1,104,582	1,104,582	1,071,938	32,644
<b>Total public safety</b>	<b>\$ 13,062,226</b>	<b>\$ 13,075,914</b>	<b>\$ 13,250,058</b>	<b>\$ (174,144)</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Culture and recreation</b>				
Historical society	\$ 92,500	\$ 92,500	\$ 92,500	\$ -
Regional library	476,424	476,424	476,424	-
Other culture and recreation	39,307	39,307	138,345	(99,038)
<b>Total culture and recreation</b>	<b>\$ 608,231</b>	<b>\$ 608,231</b>	<b>\$ 707,269</b>	<b>\$ (99,038)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 165,428	\$ 165,428	\$ 150,144	\$ 15,284
Soil and water conservation	529,000	529,000	559,834	(30,834)
Fairs	27,000	27,000	27,000	-
<b>Total conservation of natural resources</b>	<b>\$ 721,428</b>	<b>\$ 721,428</b>	<b>\$ 736,978</b>	<b>\$ (15,550)</b>
<b>Economic development</b>				
Regional Railroad Authority	\$ 4,375	\$ 4,375	\$ -	\$ 4,375
<b>Debt service</b>				
Principal	\$ 17,568	\$ 17,568	\$ 17,568	\$ -
<b>Total Expenditures</b>	<b>\$ 25,440,113</b>	<b>\$ 35,823,983</b>	<b>\$ 31,441,186</b>	<b>\$ 4,382,797</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (764,764)</b>	<b>\$ (11,148,634)</b>	<b>\$ (5,688,807)</b>	<b>\$ 5,459,827</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 58,079	\$ 58,079	\$ 122,639	\$ 64,560
Transfers out	(351,309)	(871,309)	(789,311)	81,998
Bonds issued	865,000	10,720,000	10,720,000	-
Premium on bonds issued	-	-	176,507	176,507
Proceeds from sale of capital assets	-	-	13,940	13,940
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 571,770</b>	<b>\$ 9,906,770</b>	<b>\$ 10,243,775</b>	<b>\$ 337,005</b>
<b>Net Change in Fund Balance</b>	<b>\$ (192,994)</b>	<b>\$ (1,241,864)</b>	<b>\$ 4,554,968</b>	<b>\$ 5,796,832</b>
<b>Fund Balance - January 1</b>	<b>17,927,618</b>	<b>17,927,618</b>	<b>17,927,618</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 17,734,624</b>	<b>\$ 16,685,754</b>	<b>\$ 22,482,586</b>	<b>\$ 5,796,832</b>



**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,097,859	\$ 4,097,859	\$ 4,127,948	\$ 30,089
Licenses and permits	7,840	7,840	15,025	7,185
Intergovernmental	6,653,137	6,653,137	5,183,748	(1,469,389)
Charges for services	6,700	6,700	15,537	8,837
Miscellaneous	30,500	30,500	37,333	6,833
<b>Total Revenues</b>	<b>\$ 10,796,036</b>	<b>\$ 10,796,036</b>	<b>\$ 9,379,591</b>	<b>\$ (1,416,445)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 698,822	\$ 618,822	\$ 463,049	\$ 155,773
Maintenance	2,953,848	3,028,848	2,806,353	222,495
Construction	5,957,196	10,095,718	6,755,572	3,340,146
Equipment maintenance and shop	1,185,135	1,389,135	1,209,366	179,769
<b>Total highways and streets</b>	<b>\$ 10,795,001</b>	<b>\$ 15,132,523</b>	<b>\$ 11,234,340</b>	<b>\$ 3,898,183</b>
<b>Culture and recreation</b>				
Parks	42,288	52,288	47,238	5,050
<b>Intergovernmental</b>				
Highways and streets	430,000	430,000	446,646	(16,646)
<b>Total Expenditures</b>	<b>\$ 11,267,289</b>	<b>\$ 15,614,811</b>	<b>\$ 11,728,224</b>	<b>\$ 3,886,587</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (471,253)</b>	<b>\$ (4,818,775)</b>	<b>\$ (2,348,633)</b>	<b>\$ 2,470,142</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	240,000	585,000	544,585	(40,415)
<b>Net Change in Fund Balance</b>	<b>\$ (231,253)</b>	<b>\$ (4,233,775)</b>	<b>\$ (1,804,048)</b>	<b>\$ 2,429,727</b>
<b>Fund Balance - January 1</b>	<b>8,496,532</b>	<b>8,496,532</b>	<b>8,496,532</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(92,295)</b>	<b>(92,295)</b>
<b>Fund Balance - December 31</b>	<b>\$ 8,265,279</b>	<b>\$ 4,262,757</b>	<b>\$ 6,600,189</b>	<b>\$ 2,337,432</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,314,913	\$ 5,314,913	\$ 5,285,028	\$ (29,885)
Intergovernmental	6,766,784	6,766,784	7,820,247	1,053,463
Charges for services	1,218,496	1,218,496	1,358,271	139,775
Miscellaneous	358,800	358,800	413,419	54,619
<b>Total Revenues</b>	<b>\$ 13,658,993</b>	<b>\$ 13,658,993</b>	<b>\$ 14,876,965</b>	<b>\$ 1,217,972</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 4,142,335	\$ 4,314,585	\$ 4,343,428	\$ (28,843)
Social services	6,735,508	6,821,258	6,685,188	136,070
<b>Total human services</b>	<b>\$ 10,877,843</b>	<b>\$ 11,135,843</b>	<b>\$ 11,028,616</b>	<b>\$ 107,227</b>
<b>Health</b>				
Quality assurance - health services	\$ 932,128	\$ 932,128	\$ 1,280,567	\$ (348,439)
Healthy communities/behaviors	1,312,312	1,312,312	1,334,224	(21,912)
Disaster preparedness	69,635	69,635	27,361	42,274
Infectious disease	121,786	121,786	99,243	22,543
Health services - administration	355,419	355,419	320,468	34,951
<b>Total health</b>	<b>\$ 2,791,280</b>	<b>\$ 2,791,280</b>	<b>\$ 3,061,863</b>	<b>\$ (270,583)</b>
<b>Total Expenditures</b>	<b>\$ 13,669,123</b>	<b>\$ 13,927,123</b>	<b>\$ 14,090,479</b>	<b>\$ (163,356)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (10,130)</b>	<b>\$ (268,130)</b>	<b>\$ 786,486</b>	<b>\$ 1,054,616</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 17,630	\$ 192,630	\$ 180,609	\$ (12,021)
Transfers out	(7,500)	(7,500)	(116,129)	(108,629)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 10,130</b>	<b>\$ 185,130</b>	<b>\$ 64,480</b>	<b>\$ (120,650)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (83,000)</b>	<b>\$ 850,966</b>	<b>\$ 933,966</b>
<b>Fund Balance - January 1</b>	<b>7,003,381</b>	<b>7,003,381</b>	<b>7,003,381</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 7,003,381</b>	<b>\$ 6,920,381</b>	<b>\$ 7,854,347</b>	<b>\$ 933,966</b>

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,866	\$ 2,866	\$ 2,644	\$ (222)
Intergovernmental	28	28	9,921	9,893
Charges for services	-	-	1,000	1,000
Miscellaneous	59,800	59,800	35,177	(24,623)
<b>Total Revenues</b>	<b>\$ 62,694</b>	<b>\$ 62,694</b>	<b>\$ 48,742</b>	<b>\$ (13,952)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Community development	13,894	17,194	58,793	(41,599)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 48,800</b>	<b>\$ 45,500</b>	<b>\$ (10,051)</b>	<b>\$ (55,551)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Transfers out	-	-	(6,510)	(6,510)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 3,490</b>	<b>\$ (6,510)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 58,800</b>	<b>\$ 55,500</b>	<b>\$ (6,561)</b>	<b>\$ (62,061)</b>
<b>Fund Balance - January 1</b>	<b>660,460</b>	<b>660,460</b>	<b>660,460</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 719,260</b>	<b>\$ 715,960</b>	<b>\$ 653,899</b>	<b>\$ (62,061)</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-5*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2015**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.2420%	\$ 12,541,699	\$ 14,279,337	87.83%	78.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-6*

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2015**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b-a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2015	\$ 1,095,772	\$ 1,095,772	-	\$ 14,618,861	7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-7*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND  
DECEMBER 31, 2015**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.3110%	\$ 3,533,689	\$ 2,853,718	123.83%	86.60%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-8*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND  
DECEMBER 31, 2015**

<u>Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u>	<u>Contribution (Deficiency) Excess (b-a)</u>	<u>Covered Payroll (c)</u>	<u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u>
2015	\$ 482,624	\$ 482,624	\$ -	\$ 2,979,606	16.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-9*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND  
DECEMBER 31, 2015**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	1.410%	\$ 217,987	\$ 2,542,717	8.57%	96.90%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT A-10*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND  
DECEMBER 31, 2015**

<u>Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u>	<u>Contribution (Deficiency) Excess (b-a)</u>	<u>Covered Payroll (c)</u>	<u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u>
2015	\$ 230,698	\$ 230,698	\$ -	\$ 2,637,239	8.75%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2015

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. In June 2015, the Board approved a significant budgetary adjustment to the General Fund to reflect 2015 bond activities which were finalized earlier in the year.

2. Excess of Expenditures Over Budget

The following is a summary of the individual funds which had expenditures in excess of final budget for the year ended December 31, 2015.

	Budget	Expenditures	Excess
Special Revenue Funds			
Health and Human Services	\$ 13,927,123	\$ 14,090,479	\$ (163,356)
Economic Development Authority Fund	17,194	58,793	(41,599)

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**SUPPLEMENTARY INFORMATION**

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**MAJOR FUND**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT B-1*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,980,348	\$ 1,980,348	\$ 1,969,038	\$ (11,310)
Special assessments	6,285	6,285	18,134	11,849
Intergovernmental	59,447	59,447	76,089	16,642
<b>Total Revenues</b>	<b>\$ 2,046,080</b>	<b>\$ 2,046,080</b>	<b>\$ 2,063,261</b>	<b>\$ 17,181</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 1,827,458	\$ 1,827,458	\$ 1,727,843	\$ 99,615
Interest	240,759	240,759	240,758	1
Administrative - fiscal charges	2,500	2,500	4,948	(2,448)
<b>Total Expenditures</b>	<b>\$ 2,070,717</b>	<b>\$ 2,070,717</b>	<b>\$ 1,973,549</b>	<b>\$ 97,168</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (24,637)</b>	<b>\$ (24,637)</b>	<b>\$ 89,712</b>	<b>\$ 114,349</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	19,714	19,714
<b>Net Change in Fund Balance</b>	<b>\$ (24,637)</b>	<b>\$ (24,637)</b>	<b>\$ 109,426</b>	<b>\$ 134,063</b>
<b>Fund Balance - January 1</b>	<b>2,442,718</b>	<b>2,442,718</b>	<b>2,442,718</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,418,081</b>	<b>\$ 2,418,081</b>	<b>\$ 2,552,144</b>	<b>\$ 134,063</b>

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

NONMAJOR GOVERNMENTAL FUND

SPECIAL REVENUE FUND

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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT C-1*

**BUDGETARY COMPARISON SCHEDULE  
WASTE MANAGEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 310,313	\$ 310,313	\$ 308,387	\$ (1,926)
Licenses and permits	7,600	7,600	7,392	(208)
Intergovernmental	123,129	123,129	6,133	(116,996)
Charges for services	49,850	49,850	63,755	13,905
Interest on investments	330	330	328	(2)
Miscellaneous	204,700	204,700	116,888	(87,812)
<b>Total Revenues</b>	<b>\$ 695,922</b>	<b>\$ 695,922</b>	<b>\$ 502,883</b>	<b>\$ (193,039)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 58,510	\$ 58,510	\$ 79,005	\$ (20,495)
Recycling	433,285	437,285	391,214	46,071
Hazardous waste	84,414	84,414	61,093	23,321
Landfill	152,813	152,813	158,591	(5,778)
<b>Total Expenditures</b>	<b>\$ 729,022</b>	<b>\$ 733,022</b>	<b>\$ 689,903</b>	<b>\$ 43,119</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (33,100)</b>	<b>\$ (37,100)</b>	<b>\$ (187,020)</b>	<b>\$ (149,920)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	33,100	33,100	34,403	1,303
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (4,000)</b>	<b>\$ (152,617)</b>	<b>\$ (148,617)</b>
<b>Fund Balance - January 1</b>	<b>335,898</b>	<b>335,898</b>	<b>335,898</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 335,898</b>	<b>\$ 331,898</b>	<b>\$ 183,281</b>	<b>\$ (148,617)</b>

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**AGENCY FUNDS**

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

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

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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT D-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>FAMILY COLLABORATIVE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 382,567	\$ 226,197	\$ 219,496	\$ 389,268
Due from other governments	28,531	110,687	110,409	28,809
<b>Total Assets</b>	<b>\$ 411,098</b>	<b>\$ 336,884</b>	<b>\$ 329,905</b>	<b>\$ 418,077</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 411,098</b>	<b>\$ 336,884</b>	<b>\$ 329,905</b>	<b>\$ 418,077</b>
 <b><u>TAXES AND PENALTIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 836,114</b>	<b>\$ 57,829,217</b>	<b>\$ 57,866,681</b>	<b>\$ 798,650</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 836,114</b>	<b>\$ 57,829,217</b>	<b>\$ 57,866,681</b>	<b>\$ 798,650</b>
 <b><u>OTHER AGENCY FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 145,587	\$ 1,683,310	\$ 1,686,462	\$ 142,435
Accounts receivable	17,447	160,974	152,998	25,423
<b>Total Assets</b>	<b>\$ 163,034</b>	<b>\$ 1,844,284</b>	<b>\$ 1,839,460</b>	<b>\$ 167,858</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 163,034</b>	<b>\$ 1,844,284</b>	<b>\$ 1,839,460</b>	<b>\$ 167,858</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT D-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,364,268	\$ 59,738,724	\$ 59,772,639	\$ 1,330,353
Accounts receivable	17,447	160,974	152,998	25,423
Due from other governments	28,531	110,687	110,409	28,809
<b>Total Assets</b>	<b><u>\$ 1,410,246</u></b>	<b><u>\$ 60,010,385</u></b>	<b><u>\$ 60,036,046</u></b>	<b><u>\$ 1,384,585</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 1,410,246</u></b>	<b><u>\$ 60,010,385</u></b>	<b><u>\$ 60,036,046</u></b>	<b><u>\$ 1,384,585</u></b>

## **OTHER SCHEDULES**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT E-1*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Shared Revenue**

**State**

Highway users tax	\$	4,526,526
PERA rate reimbursement		61,078
Disparity reduction aid		29,144
Police aid		310,384
County program aid		1,531,407
Market value credit		467,479
Aquatic invasive species aid		68,447
Indian casino aid		99,883
Enhanced 911		127,808
		127,808

**Total shared revenue** **\$ 7,222,156**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	1,776,150
		1,776,150

**Payments**

**Local**

Local contributions	\$	177,506
Payments in lieu of taxes		223,607
		223,607

**Total payments** **\$ 401,113**

**Grants**

**State**

Minnesota Department/Board of		
Corrections	\$	268,890
Employment and Economic Development		3,356
Health		606,179
Human Services		1,545,988
Natural Resources		159,988
Public Safety		352,634
Transportation		199,113
Veterans Affairs		12,500
Water and Soil Resources		124,593
Peace Officer Standards and Training Board		14,993
		14,993

**Total state** **\$ 3,288,234**

**GOODHUE COUNTY  
RED WING, MINNESOTA**

***EXHIBIT E-1  
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 553,279
Commerce	621
Interior	9,369
Justice	13,446
Transportation	521,670
Health and Human Services	3,152,688
Homeland Security	89,171

**Total federal** **\$ 4,340,244**

**Total state and federal grants** **\$ 7,628,478**

**Qualified Energy Conservation Bonds Interest Subsidy** **\$ 36,965**

**Total Intergovernmental Revenue** **\$ 17,064,862**

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT E-2*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN004W1003	\$ 194,560
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15152MN10152514	<u>353,275</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 547,835</u></b>
<b>U.S. Department of Commerce</b>			
Passed Through Southeast Minnesota Regional Emergency Communications Board State and Local Implementation Grant Program	11.549	A-SLIGP-2013- SERRB-00006	<u>\$ 621</u>
<b>U.S. Department of the Interior</b>			
Direct Payments in Lieu of Taxes	15.226		<u>\$ 9,369</u>
<b>U.S. Department of Justice</b>			
Direct State Criminal Alien Assistance Program	16.606		\$ 6,231
Bulletproof Vest Partnership Program	16.607		<u>7,727</u>
<b>Total U.S. Department of Justice</b>			<b><u>\$ 13,958</u></b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	957271604	\$ 339,569
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	0018-14-3C	41,201
Recreational Trails Program (Total Recreational Trails Program 20.219 \$97,301)	20.219	0006-15-3C	56,100
(Total expenditures for Highway Planning and Construction Cluster \$436,870)			

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**EXHIBIT E-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Transportation (Continued)</b>			
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC15-2015- GOODHUSD-00019	26,178
National Priority Safety Programs	20.616	A-ENFRC15-2015- GOODHUSD-00019	3,250
(Total expenditures for Highway Safety Cluster \$29,428)			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC15-2015- GOODHUSD-00019	<u>10,746</u>
<b>Total U.S. Department of Transportation</b>			<b>\$ 477,044</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through National Association of County and City Health Officials			
Medical Reserve Corps Small Grant Program	93.008	MRC15-1540	\$ 3,500
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	90TP000529	26,709
Universal Newborn Hearing Screening	93.251	H61MC00035	75
Immunization Cooperative Agreements	93.268	H23IP000737	2,400
Temporary Assistance for Needy Families	93.558	1502MNTANF	61,147
(Total Temporary Assistance for Needy Families 93.558 \$309,879)			
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	44,234
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	1501MNRCA	6,620
Temporary Assistance for Needy Families	93.558	1502MNTANF	248,732
(Total Temporary Assistance for Needy Families 93.558 \$309,879)			
Child Support Enforcement	93.563	1504MN4005	1,000,940
Refugee and Entrant Assistance - State-Administered Programs	93.566	Not provided	536
Child Care and Development Block Grant	93.575	G1501MNCCDF	19,512
Community-Based Child Abuse Prevention Grants	93.590	1502MNFPRG	13,508
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1501MNCWSS	1,927
Foster Care - Title IV-E	93.658	1501MNFOST	300,518
Social Services Block Grant	93.667	G-1501MNSOSR	195,933
Chafee Foster Care Independence Program	93.674	G-1501MNCILP	5,853
Children's Health Insurance Program	93.767	05-1405MNS021	479
Medical Assistance Program	93.778	1505MNSADM	<u>1,260,325</u>
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 3,192,948</b>

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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**EXHIBIT E-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	3315FAS150127	\$ 24,786
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4069	20,571
Emergency Management Performance Grants	97.042	A-EMPG-2015- GOODHUCO-00026	30,756
Passed Through Southeast Minnesota Regional Emergency Communications Board Homeland Security Grant Program	97.067	A-DECN-SHSP-2013- SERRB-0009	<u>932</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>\$ 77,045</u></b>
<b>Total Federal Awards</b>			<b><u>\$ 4,318,820</u></b>

The County did not pass through any federal awards to subrecipients during the year ended December 31, 2015.

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Goodhue County under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Goodhue County, it is not intended to and does not present the financial position or changes in net position of Goodhue County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Goodhue County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue (Exhibit E-1)	\$ 4,340,244
Grants deferred in 2014 and recognized in 2015	
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)	(5,444)
Highway Planning and Construction (CFDA #20.205)	(44,626)
Child Care and Development Block Grant (CFDA #93.575)	(1,358)
Emergency Management Performance Grants (CFDA #97.042)	(32,697)
Grants deferred in 2015	
Bulletproof Vest Partnership Program (CFDA #16.607)	512
Child Support Enforcement (CFDA #93.563)	30,000
Medical Assistance Program (CFDA #93.778)	11,618
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	<u>20,571</u>
Expenditures per Schedule of Expenditures of Federal Awards (Exhibit E-2)	<u>\$ 4,318,820</u>



**Other Information  
Section**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT F-1*

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

	2014		2015		2016	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real property	\$ 62,384,071		\$ 65,829,224		\$ 68,562,515	
Personal property	916,571		981,850		1,109,849	
Tax increment	(469,659)		(405,072)		(363,705)	
Powerline	-		-		(8,768)	
<b>Net Tax Capacity</b>	<b>\$ 62,830,983</b>		<b>\$ 66,406,002</b>		<b>\$ 69,299,891</b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 16,510,028	27.133	\$ 16,723,742	26.102	\$ 17,624,167	26.406
Road and Bridge	3,200,234	5.110	3,607,808	5.449	3,638,442	5.266
Health and Human Services	5,367,654	8.571	5,367,654	8.107	5,218,251	7.552
Economic Development						
Authority	12,650	0.020	2,894	0.004	19,298	0.028
Debt Service	1,968,597	3.134	2,000,000	3.011	1,976,142	2.851
Waste Management	339,850	0.543	313,392	0.473	472,105	0.683
<b>Total Taxes Levied for County Purposes</b>	<b>\$ 27,399,013</b>	<b>44.511</b>	<b>\$ 28,015,490</b>	<b>43.146</b>	<b>\$ 28,948,405</b>	<b>42.786</b>
<b>Tax Capacity - Light and Power</b>						
Transmission	\$ 54,596		\$ 56,694		\$ 57,674	
Distribution	7,534		7,818		7,952	
<b>Total Tax Capacity - Light and Power</b>	<b>\$ 62,130</b>		<b>\$ 64,512</b>		<b>\$ 65,626</b>	
<b>Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.40, as amended)</b>						
Transmission	\$ 56,631		\$ 60,125		\$ 62,394	
Distribution	7,815		8,291		8,603	
<b>Total Light and Power Tax Levies</b>	<b>\$ 64,446</b>	<b>103.727</b>	<b>\$ 68,416</b>	<b>106.051</b>	<b>\$ 70,997</b>	<b>108.184</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT F-1  
(Continued)*

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

	2014		2015		2016	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Market Value - Light and Power</b>						
Transmission	\$ 2,767,300		\$ 2,872,200		\$ 2,921,200	
Distribution	376,700		390,900		397,600	
<b>Total Market Value - Light and Power</b>	<b>\$ 3,144,000</b>		<b>\$ 3,263,100</b>		<b>\$ 3,318,800</b>	
<b>Light and Power Tax Market Value Levies</b>						
Transmission	\$ 5,235		\$ 5,034		\$ 5,269	
Distribution	713		685		717	
<b>Total Light and Power Tax Market Value Levies</b>	<b>\$ 5,948</b>	<b>0.189</b>	<b>\$ 5,719</b>	<b>0.175</b>	<b>\$ 5,986</b>	<b>0.180</b>
<b>Market Value - State General Tax</b>						
Transmission	\$ 54,596		\$ 56,694		\$ 57,674	
Distribution	7,534		7,818		7,952	
<b>Total Market Value - State General Tax</b>	<b>\$ 62,130</b>		<b>\$ 64,512</b>		<b>\$ 65,626</b>	
<b>State General Tax Market Value Levies</b>						
Transmission	\$ 28,477		\$ 28,823		\$ 28,053	
Distribution	3,930		3,975		3,868	
<b>Total State General Tax Market Value Levies</b>	<b>\$ 32,407</b>	<b>52.160</b>	<b>\$ 32,798</b>	<b>50.840</b>	<b>\$ 31,921</b>	<b>48.641</b>
<b>Percentage of Tax Collections for All Purposes</b>						
	<b>99.46%</b>		<b>99.41%</b>			



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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

**Federal Awards**

Internal control over major program:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major federal program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal program is:

Medical Assistance Program

CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was \$750,000.

Goodhue County qualified as a low-risk auditee? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2008-003

Segregation of Duties - County Departments

**Criteria:** Internal controls should be designed to provide for an adequate segregation of duties so no one individual handles a transaction from inception to completion.

**Condition:** Several of the County's departments that collect fees lack proper segregation of duties. Specifically, we noted this issue in our review of receipting procedures in the Recorder's Office and Land Use Office.

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

**Effect:** Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

**Cause:** The County indicated it is not cost-effective to hire additional qualified accounting staff in each small fee office in order to segregate duties.

**Recommendation:** We recommend the County's elected officials and management be aware of the lack of segregation of duties of the accounting function and, where possible, implement oversight procedures to ensure the internal control policies and procedures are being implemented by staff to the extent possible.

Client's Response:

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



Finding 2013-001

Segregation of Duties - Payroll Maintenance

**Criteria:** Controls in place over operations should be designed to monitor maintenance changes entered into the payroll system.

**Condition:** Personnel responsible for entering maintenance changes into the ADP payroll accounting system are also responsible for processing payroll payments to employees. Procedures were established to have personnel independent of the payroll payment process review the Personnel Change Report of all maintenance changes to the payroll accounting system after each payroll is processed. Documentation of the review did not include who conducted the review or the date of the review.

**Context:** When personnel have access to make maintenance changes to the payroll accounting system and process payroll payments, unauthorized changes or payments could be made to the payroll accounting system. Inspection of the User Roles on the ADP payroll system indicated that the Human Resources Director had the ability of making changes in the system and was responsible for processing payments to employees for some of the pay periods during the year. The County indicated the review was being completed each pay period by the Human Resources Director.

**Effect:** When established internal control procedures are not followed, there is an increased risk that errors or irregularities will not be detected in a timely manner.

**Cause:** A review was completed for each pay period by the Human Resources Director, but this review was not being documented to show she was completing this review and when the review was done.

**Recommendation:** We recommend an individual independent of the payroll payment process review all maintenance changes to the payroll accounting system after each payroll on a timely basis. We also recommend documentation be maintained on reviews made to payroll changes.

Client's Response:

*The County has trained additional staff on this review, and this individual will be performing the review regularly and will be documenting appropriately.*

Finding 2014-001

Segregation of Duties - Payroll Entry

**Criteria:** Controls in place over operations should be designed to provide reasonable assurance material errors will be prevented or detected in a timely manner. Payroll hours entered into the payroll system should be reviewed to the approved timesheets. These procedures should be performed by an employee independent of the payroll input process in a timely manner.

**Condition:** Procedures were established to have personnel independent of the payroll input process review hours entered into the payroll system to ensure the accuracy of the data input prior to payroll being processed. A complete review was not done on the eight payroll periods tested. In five of the eight payrolls tested, a review was completed for part of the hours entered into the payroll system. Two individuals enter hours into the system, and entries for one of the two individuals were being reviewed to ensure accuracy and completeness. Also, from the 25 timesheets tested, we found one timesheet was not reviewed and approved by the employee's supervisor.

**Context:** County procedures indicate timesheets are to be approved by supervisors. Approved timesheets are sent to the Human Resources Department where the information is input into the payroll system.

**Effect:** There is an increased risk errors or irregularities will not be detected in a timely manner when established internal controls are not followed.

**Cause:** The County indicated the Human Resources Department had switched to ADP to process payroll payments and, with this change, all timesheet information entered needed to be completed on Mondays instead of Tuesdays. Due to the loss of this day, staff did not always have time to get the reviews of each other's entries completed. The approval of timesheets is a requirement and was overlooked and should have been completed.

**Recommendation:** We recommend an individual independent of the payroll input process review hours input into the payroll accounting system on a timely basis.

Client's Response:

*The County continues to implement an electronic timesheet program in 2016 which will change the way timesheets are reviewed by supervisors and department heads.*

Finding 2014-002

Audit Reclassification

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in the financial statements on a timely basis.

**Condition:** During the audit, reclassification journal entries were necessary which resulted in significant changes to the County's financial statements. These reclassifications were reviewed and approved by the appropriate staff and are reflected in the financial statements.

**Context:** The inability to detect significant misstatements in the financial statements increases the likelihood the financial statements would not be fairly presented.

**Effect:** Audit entries were necessary to reclassify net position in the government-wide conversion trial balance.

**Cause:** The client indicated there was a reclassification entry in 2014, a change to the way bonded construction should have been recorded, and that was overlooked during 2015 financial statement preparations. Therefore, staff recorded the entry incorrectly in 2015 as they did in 2014.

**Recommendation:** We recommend the County review internal control procedures over trial balance and financial statement preparation to ensure account balances are properly classified in the County's financial statements.

Client's Response:

*The County continues to look for ways to improve this process. We are incorporating more staff into the preparation process to allow for more review time over the financial statements.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Segregation of Duties - IFS-General Ledger System Security Controls  
(2012-001)**

The IFS-General Ledger System was programmed to allow individuals with inquiry-only access to the user maintenance security function the ability to make user maintenance changes. During our review of general ledger security access, we noted the individual assigned inquiry access to the user maintenance security function was also involved in the accounting function.

**Resolution**

The software vendor corrected this programming issue, and the County appropriately segregates duties in regards to user maintenance security.

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

None.



REBECCA OTTO  
STATE AUDITOR

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

### Independent Auditor's Report

Board of County Commissioners  
Goodhue County  
Red Wing, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodhue County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 29, 2016. Our report includes a reference to other auditors who audited the financial statements of the South Country Health Alliance joint venture as described in our report on Goodhue County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Goodhue County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2008-003, 2013-001, 2014-001, and 2014-002, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Goodhue County's financial statements are free from 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**

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Goodhue County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Goodhue County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

### **Goodhue County's Response to Findings**

Goodhue County's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 29, 2016

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REBECCA OTTO  
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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

### Independent Auditor's Report

Board of County Commissioners  
Goodhue County  
Red Wing, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Goodhue County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2015. Goodhue County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Goodhue County's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

***Opinion on the Major Federal Program***

In our opinion, Goodhue County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

**Report on Internal Control Over Compliance**

Management of Goodhue County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 29, 2016