

**GOODHUE COUNTY
RED WING, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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RED WING, MINNESOTA
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INTRODUCTORY

**GOODHUE COUNTY
RED WING, MINNESOTA
CURRENT ORGANIZATION CHART
2017**

			Term Expires
Elected Officers			
Commissioners			
Chair	Jason Majerus	District 4	January 2019
Vice Chair	Brad Anderson	District 2	January 2019
Board Member	Paul Drotos	District 5	January 2021
Board Member	Ronald Allen	District 1	January 2021
Board Member	Barney Nesseth	District 3	January 2021
Attorney	Steven N. Betcher		January 2019
County Sheriff	Scott McNurlin		January 2019
 Appointed Officials			
Administrator	Scott Arneson		Indefinite
Court Services	Joanne Pohl		Indefinite
Facilities Maintenance	Rick Seyffer		Indefinite
Finance Director	Carolyn Holmsten		Indefinite
Human Resources	Melissa Cushing		Indefinite
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 2022

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INDEPENDENT AUDITORS' 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 (the County), Minnesota, as of and for the year ended December 31, 2017, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 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, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the County's proportionate share of the net pension liability, the schedule of County contributions, budgetary comparison information, and the notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 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 consisting of the combining financial statements, budgetary comparison schedules, schedule of intergovernmental revenues, 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other information section, consisting of the Tax Capacity, Tax Rates, Levies, and Percentage of Collections, 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 September 24, 2018, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 24, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**GOODHUE COUNTY
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(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 (the County) for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the County's financial activity and performance.

HIGHLIGHTS

- On December 31, 2017, Goodhue County's total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$144,372,608, of which \$124,211,406 is the net investment in capital assets and \$5,598,582 is restricted to specific purposes. This leaves year-end unrestricted net position of \$14,562,620.
- Overall program expenses for 2017 were \$60,854,113, a decrease of \$4,240,925 (7%) from 2016. The largest area of decrease can be found in operating grants and contributions, related highways and streets. General revenues contributed \$34,552,889 towards program expenses, an increase of \$1,655,880 from the previous year, due primarily to an increase in property tax revenues. Revenues decreased by 0.4%, or \$206,609, during 2017.
- County debt of \$7,760,000 was issued in 2014, for construction of highways. Additional debt of \$10,720,000 for building projects was issued in March 2015. There was no new debt issued in 2017 as the County focused on paying down its outstanding debt.
- The Goodhue County Board of Commissioners (the Board) continues to analyze long-range needs for the County's highways and streets.
- At the end of 2017, the General Fund's unassigned fund balance was \$14,654,397, which represents approximately 53% of expenditures for the year (\$27,614,626). In 2016, the General Fund's unassigned fund balance was \$12,273,309, which was approximately 43% of expenditures for the year.

**GOODHUE COUNTY
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)**

OVERVIEW OF THE FINANCIAL STATEMENTS

The three main sections of this report are: introductory, financial, and supplementary. The introduction contains the County's organization structure and principal officials. The financial section includes the MD&A and is intended to serve as a roadmap of the basic financial statements. 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 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 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.

**GOODHUE COUNTY
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)**

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, 2017, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$144,372,608. The following table provides a summary of Goodhue County's governmental activities net position, which decreased \$2,055,977 from the previous year.

**Table 1
Net Position**

	Governmental Activities		
	2017	2016	\$ Change
Assets			
Current and other assets	\$ 51,398,103	\$ 49,889,765	\$ 1,508,338
Capital assets (net)	145,405,046	147,683,291	(2,278,245)
Total Assets	\$ 196,803,149	\$ 197,573,056	\$ (769,907)
Deferred Outflows of resources	\$ 12,385,998	\$ 22,813,332	\$ (10,427,334)
Liabilities			
Long-term debt outstanding	\$ 49,553,450	\$ 66,736,050	\$ (17,182,600)
Other liabilities	2,824,845	3,300,282	(475,437)
Total Liabilities	\$ 52,378,295	\$ 70,036,332	\$ (17,658,037)
Deferred Inflows of Resources	\$ 12,438,244	\$ 3,921,471	\$ 8,516,773
Net Position			
Invested in capital assets, net of debt	\$ 124,211,406	\$ 125,919,390	\$ (1,707,984)
Restricted	5,598,582	5,797,671	(199,089)
Unrestricted	14,562,620	14,711,524	(148,904)
Total Net Position	\$ 144,372,608	\$ 146,428,585	\$ (2,055,977)

**GOODHUE COUNTY
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The largest portion of Goodhue County's net position, 87%, or \$124,211,406, 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 \$14,562,620 of net position, or 10%, represents unrestricted net position that may be used to meet ongoing obligations to citizens and creditors. In 2017, unrestricted net position decreased by \$2,479,911, due primarily to Health and Human Services expenditures.

Governmental Activities

Reflected in Table 2 are the changes in revenues and expenses sorted by activity. Total 2017 revenue for County governmental activities decreased by less than 1%; expenses decreased by less than 7%.

**Table 2
Changes in Net Position**

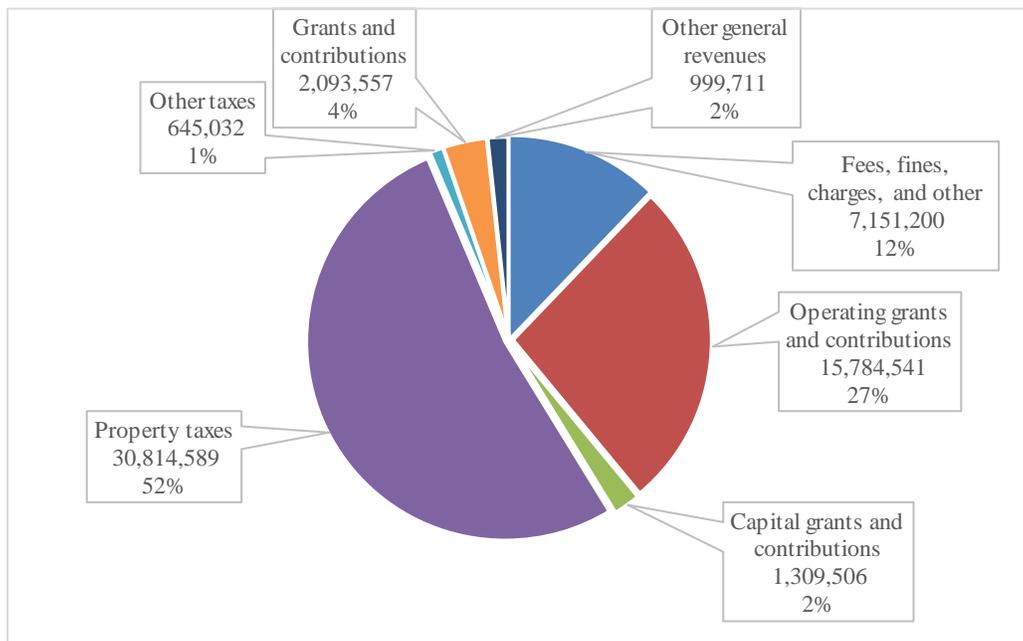
	Governmental Activities			
	2017	2016	\$ Change	% Change
Revenues				
Program Revenues				
Fees, fines, charges, and other	\$ 7,151,200	\$ 6,754,739	\$ 396,461	5.87%
Operating grants and contributions	15,784,541	18,799,976	(3,015,435)	-16.04%
Capital grants and contributions	1,309,506	553,021	756,485	136.79%
General Revenues				
Property taxes	30,814,589	28,972,660	1,841,929	6.36%
Other taxes	645,032	633,075	11,957	1.89%
Grants and contributions	2,093,557	2,301,779	(208,222)	-9.05%
Other general revenues	999,711	989,495	10,216	1.03%
Total Revenues	\$ 58,798,136	\$ 59,004,745	\$ (206,609)	-0.35%
Program Expenses				
General government	\$ 12,882,488	\$ 12,925,685	\$ (43,197)	-0.33%
Public safety	16,085,482	16,914,804	(829,322)	-4.90%
Highways and streets	12,431,568	15,988,827	(3,557,259)	-22.25%
Sanitation	682,915	785,491	(102,576)	-13.06%
Human services	13,263,433	12,521,486	741,947	5.93%
Health	3,463,802	4,009,596	(545,794)	-13.61%
Culture and recreation	744,733	643,907	100,826	15.66%
Conservation of natural resources	772,220	718,033	54,187	7.55%
Economic development	28,365	27,672	693	2.50%
Interest	499,107	559,537	(60,430)	-10.80%
Total Program Expenses	\$ 60,854,113	\$ 65,095,038	\$ (4,240,925)	-6.51%
Increase (Decrease) in Net Position	\$ (2,055,977)	\$ (6,090,293)	\$ 4,034,316	-66.24%
Net Position- January 1	146,428,585	152,518,878	(6,090,293)	-3.99%
Net Position - December 31	\$ 144,372,608	\$ 146,428,585	\$ (2,055,977)	-1.40%

**GOODHUE COUNTY
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Overall, County governmental program revenues decreased from \$26,107,736 in 2016 to \$24,245,247 in 2017, including a decrease of \$3,015,435 in operating grants and contributions. The County paid for the remaining “public benefit” portion of governmental activities with 2017 general revenue dollars of \$34,552,889, up \$1,655,880 from 2016. General revenues are primarily made up of taxes (up \$1,841,929).

Total program expenditures reflect a net decrease of 7%, with the biggest decrease in expenses seen in highway and streets (down \$3,557,259, 22%). The program area where expenses were up the most was \$741,947, 6%, in human services.

**Governmental Activities
Revenues by Source**



Per Table 2, one can see the cost of all governmental activities in 2017 was \$60,854,113, a decrease of \$4,240,925 when compared to 2016. However, as shown in the Statement of Activities not all of this is paid with County taxes. Those who directly benefited from the programs paid \$7,151,200 of the cost. For example, direct users are charged things such as building permit fees, recording fees, inmate boarding fees, etc. Another \$17,094,047 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 \$34,552,889.

**GOODHUE COUNTY
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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**

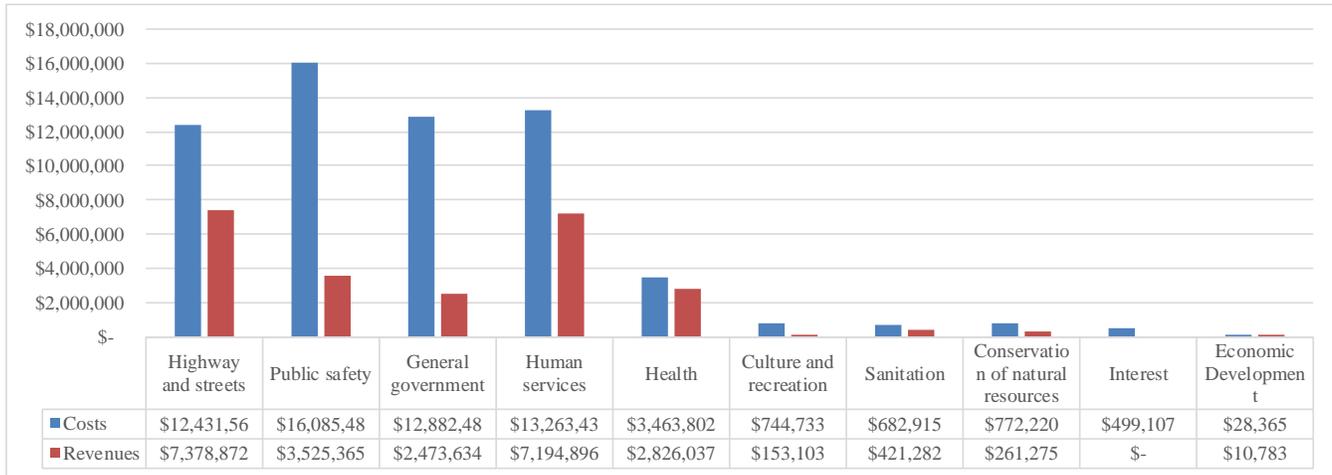
	Total Cost of Services		
	2017	2016	\$ Change
Public safety	\$ 16,085,482	\$ 16,914,804	\$ (829,322)
Highway and streets	12,431,568	15,988,827	(3,557,259)
General government	12,882,488	12,925,685	(43,197)
Human services	13,263,433	12,521,486	741,947
Health	3,463,802	4,009,596	(545,794)
All others	2,727,340	2,734,640	(7,300)
Totals	\$ 60,854,113	\$ 65,095,038	\$ (4,240,925)
	Net Cost of Services		
	2017	2016	\$ Change
Public safety	\$ 12,560,117	\$ 13,239,950	\$ (679,833)
Highway and streets	5,052,696	6,475,423	(1,422,727)
General government	10,408,854	10,751,471	(342,617)
Human services	6,068,537	6,151,479	(82,942)
Health	637,765	968,360	(330,595)
All others	1,880,897	1,400,619	480,278
Totals	\$ 36,608,866	\$ 38,987,302	\$ (2,378,436)

The net cost of services decreased \$2,378,436, or 6%, compared to the previous year. As shown in the Table 3 above, Highway and Streets decreased 28%. 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.

**GOODHUE COUNTY
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

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 on pages 22 and 25 of the financial statements.

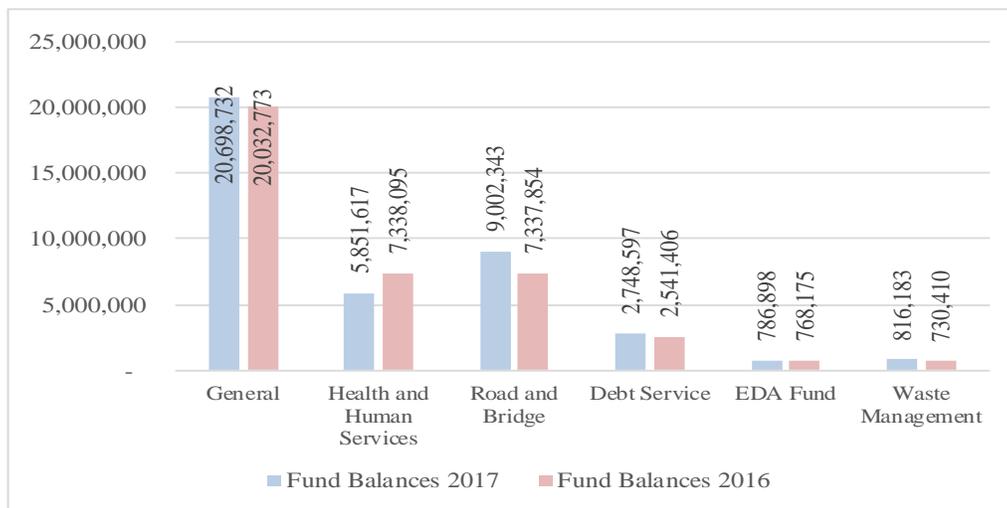
**GOODHUE COUNTY
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)**

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) reported a combined fund balance of \$39,904,370. This represents an increase of \$1,155,657 (3%) from December 31, 2016. A large part of this increase can be attributed to the General Fund where there is no longer a residual balance of bond proceeds as this was used up for financing ongoing construction projects.

**Governmental Funds
Fund Balances**



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 \$665,959, or 3%, in 2017. This was largely due to previous 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 \$9,002,343 fund balance at the end of 2017 represents an increase of \$1,664,489 (23%) over 2016, due to changes in timing of planned projects.

The Health and Human Services Special Revenue Fund exists to account for resources expended for public assistance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$5,851,617 fund balance at the end of 2017, down \$1,486,478 from 2016 due to increased expenditures for social services. The fund continues to monitor spending, as approximately half of its revenue comes from other governmental sources.

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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 \$2,748,597 in fund balance at the end of 2017, which is an increase of \$207,191 compared to 2016. 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 can be found on page 26 of this report. Additional detail that breaks down the activity of these three funds can be found starting on page 95.

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.

For the year ended December 31, 2017, the County's General Fund actual expenditures were \$1,092,797 or 3.9% less than budget. Information Technology (\$323,744) and Public Safety-Adult Detention Center (\$292,296) had the largest differences, partially offset by capital expenditures slightly over budget (\$106,251).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the County had \$145,405,046 invested in a broad range of capital assets, including land, buildings, equipment and infrastructure. (See Table 4 on page 14.) This represents a net decrease of \$2,278,245.

**GOODHUE COUNTY
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)**

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

	Governmental Activities		
	2017	2016	\$ Change
Land	\$ 9,361,058	\$ 9,280,647	\$ 80,411
Construction in progress	527,794	2,508,470	(1,980,676)
Buildings and land improvements	27,168,552	25,076,551	2,092,001
Machinery, vehicles, furniture, and equipment	10,947,340	10,837,468	109,872
Infrastructure	97,400,302	99,980,155	(2,579,853)
Totals	\$ 145,405,046	\$ 147,683,291	\$ (2,278,245)

Debt Administration

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

As of December 31, 2017, the County had \$20,531,492 in bonds and notes outstanding. During the year, \$1,305,661 was paid off. No new debt was issued in 2017. Table 5 shows the ending debt liability balance over the past five years.

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



**GOODHUE COUNTY
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)**

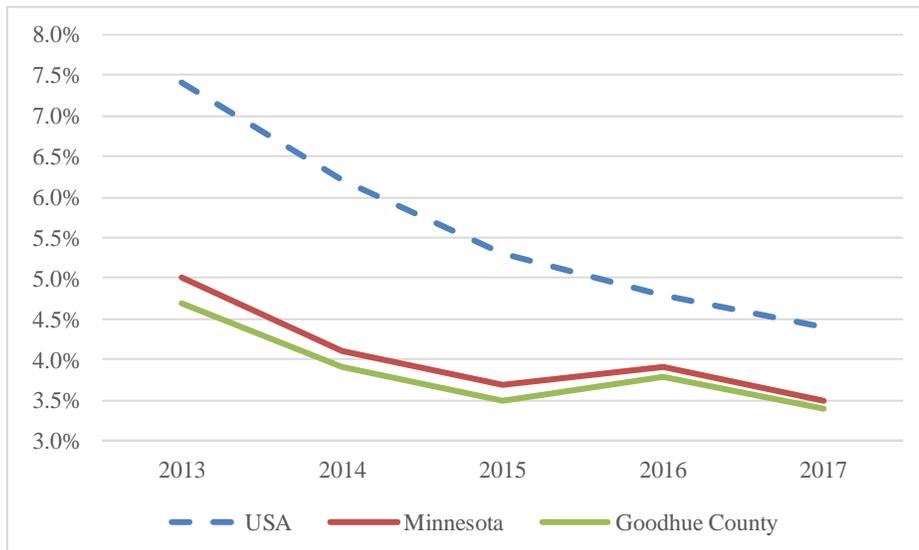
Other long-term liabilities on December 31, 2017, include: compensated absence liability (accrued vacation, sick leave, and compensatory payable) of \$4,510,781; net pension liability of \$23,289,050; and landfill closure and postclosure care liability of \$922,808. More detailed information about the 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 2017 for the U.S., Minnesota, and Goodhue County was 4.4%, 3.5%, and 3.4%, respectively. This compared to 2016 of 4.8%, 3.9%, and 3.8%. As outlined in Table 6, Goodhue County and the State of Minnesota continue to trend well below national unemployment averages. Current 2017 average unemployment rates for June 2018 were 4.0%, 3.1%, and 2.7% 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**



**GOODHUE COUNTY
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)**

Property Value Growth

Agricultural property values remained stable or declined slightly for Payable 2017.

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 2017 budget and the tax rates and fees that were charged for government services. Goodhue County relies on state-paid aids, credits, and grants for funding as well. Should the state of Minnesota significantly change the formula for state-provided payments to the County, it could potentially have an impact on the following year's budget. The County continues to monitor legislation in order to be prepared for changes that may occur. There is no indication since 2017 that significant changes have been made.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**GOODHUE COUNTY
RED WING, MINNESOTA
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Assets

Cash and pooled investments	\$ 39,182,542
Petty cash and change funds	2,350
Taxes receivable	
Delinquent	364,912
Current	21,279
Accounts receivable	323,326
Accrued interest receivable	67,251
Loans receivable	873,506
Due from other governments	5,391,656
Inventories	496,563
Prepaid items	631,542
Restricted assets	
Cash and pooled investments	219,709
Investment in joint venture	3,823,467
Capital assets	
Non-depreciable	9,888,852
Depreciable - net of accumulated depreciation	<u>135,516,194</u>
Total Assets	<u>\$ 196,803,149</u>

Deferred Outflows of Resources

Deferred pension outflows	<u>\$ 12,385,998</u>
Total Deferred Outflows of Resources	<u>\$ 12,385,998</u>

Liabilities

Accounts payable	\$ 845,417
Salaries payable	1,042,471
Contracts payable	424,319
Due to other governments	277,173
Accrued interest payable	217,305
Customer deposits	18,160
Long-term liabilities	
Due within one year	3,216,190
Due in more than one year	23,048,210
Net pension liability	<u>23,289,050</u>
Total Liabilities	<u>\$ 52,378,295</u>

**GOODHUE COUNTY
RED WING, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Deferred Inflows of Resources

Advanced allotments	
Taxes received for future periods	\$ 659,949
Deferred pension inflows	11,778,295
	<hr/>
Total Deferred Inflows of Resources	\$ 12,438,244
	<hr/>

Net Position

Net investment in capital assets	\$ 124,211,406
Restricted for	
General government	528,871
Public safety	302,675
Highways and streets	3,111,840
Sanitation	50,623
Conservation of natural resources	168,933
Economic development	604,283
Debt service	398,461
Landfill postclosure	219,708
Gravel pit postclosure	213,188
Unrestricted	14,562,620
	<hr/>
Total Net Position	\$ 144,372,608
	<hr/> <hr/>

**GOODHUE COUNTY
RED WING, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 12,882,488	\$ 2,212,528	\$ 261,106	\$ -	\$ (10,408,854)
Public safety	16,085,482	2,433,957	1,091,408	-	(12,560,117)
Highways and streets	12,431,568	109,235	5,960,131	1,309,506	(5,052,696)
Sanitation	682,915	281,796	139,486	-	(261,633)
Human services	13,263,433	1,190,806	6,004,090	-	(6,068,537)
Health	3,463,802	803,375	2,022,662	-	(637,765)
Culture and recreation	744,733	-	153,103	-	(591,630)
Conservation of natural resources	772,220	108,720	152,555	-	(510,945)
Economic development	28,365	10,783	-	-	(17,582)
Interest	499,107	-	-	-	(499,107)
Total Governmental Activities	<u>\$ 60,854,113</u>	<u>\$ 7,151,200</u>	<u>\$ 15,784,541</u>	<u>\$ 1,309,506</u>	<u>\$ (36,608,866)</u>
General Revenues					
Property taxes				\$ 30,814,589	
Gravel taxes				92,908	
Mortgage registry and deed tax				53,756	
Wheelage tax				498,368	
Payments in lieu of tax				270,541	
Grants and contributions not restricted to specific programs				2,093,557	
Unrestricted investment earnings				162,724	
Miscellaneous				559,808	
Gain on sale of capital assets				6,638	
Total general revenues				<u>\$ 34,552,889</u>	
Change in net position				<u>\$ (2,055,977)</u>	
Net Position - Beginning				<u>146,428,585</u>	
Net Position - Ending				<u>\$ 144,372,608</u>	

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**GOODHUE COUNTY
RED WING, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Road and Bridge
Assets		
Cash and pooled investments	\$ 21,091,680	\$ 8,737,898
Petty cash and change funds	1,675	50
Taxes receivable - Delinquent	222,531	46,795
Special assessments - Current	-	-
Accounts receivable	88,856	18,141
Accrued interest receivable	67,251	-
Due from other funds	16,484	3,162
Due from other governments	373,565	3,801,861
Prepaid items	429,636	38,330
Inventories	-	496,563
Loans receivable	6,682	-
Restricted assets	-	-
Cash and pooled investments	-	-
	\$ 22,298,360	\$ 13,142,800
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	\$ 205,401	\$ 63,267
Salaries payable	650,271	76,275
Contracts payable	123,625	300,694
Due to other funds	1,618	-
Due to other governments	37,684	8,684
Customer deposits	18,160	-
	\$ 1,036,759	\$ 448,920
Deferred Inflows of Resources		
Unavailable revenue	\$ 172,395	\$ 3,609,455
Taxes received for future periods	390,474	82,082
	\$ 562,869	\$ 3,691,537
Fund Balances		
Nonspendable	\$ 429,636	\$ 534,893
Restricted	1,264,290	-
Committed	2,382,839	493,029
Assigned	1,967,570	7,974,421
Unassigned	14,654,397	-
	\$ 20,698,732	\$ 9,002,343
	\$ 22,298,360	\$ 13,142,800

**GOODHUE COUNTY
RED WING, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2017**

<u>Health and Human Services</u>	<u>Economic Development Authority</u>	<u>Debt Service</u>	<u>Nonmajor Fund Waste Management</u>	<u>Total</u>
\$ 5,546,478	\$ 448,479	\$ 2,782,623	\$ 575,384	\$ 39,182,542
550	-	-	75	2,350
66,096	255	24,824	4,411	364,912
-	-	21,279	-	21,279
202,688	-	-	13,641	323,326
-	-	-	-	67,251
-	-	-	26	19,672
1,173,751	-	-	42,479	5,391,656
159,254	-	-	4,322	631,542
-	-	-	-	496,563
-	866,824	-	-	873,506
-	-	-	219,709	219,709
<u>\$ 7,148,817</u>	<u>\$ 1,315,558</u>	<u>\$ 2,828,726</u>	<u>\$ 860,047</u>	<u>\$ 47,594,308</u>
\$ 564,240	\$ 107	\$ 693	\$ 11,709	\$ 845,417
299,047	-	-	16,878	1,042,471
-	-	-	-	424,319
16,484	-	-	1,570	19,672
227,885	-	-	2,920	277,173
-	-	-	-	18,160
<u>\$ 1,107,656</u>	<u>\$ 107</u>	<u>\$ 693</u>	<u>\$ 33,077</u>	<u>\$ 2,627,212</u>
\$ 49,397	\$ 528,113	\$ 40,073	\$ 3,344	\$ 4,402,777
140,147	440	39,363	7,443	659,949
<u>\$ 189,544</u>	<u>\$ 528,553</u>	<u>\$ 79,436</u>	<u>\$ 10,787</u>	<u>\$ 5,062,726</u>
\$ 159,254	\$ -	\$ -	\$ 4,322	\$ 1,128,105
-	604,283	398,461	219,708	2,486,742
150,550	182,615	2,350,136	35,075	5,594,244
5,541,813	-	-	557,078	16,040,882
-	-	-	-	14,654,397
<u>\$ 5,851,617</u>	<u>\$ 786,898</u>	<u>\$ 2,748,597</u>	<u>\$ 816,183</u>	<u>\$ 39,904,370</u>
<u>\$ 7,148,817</u>	<u>\$ 1,315,558</u>	<u>\$ 2,828,726</u>	<u>\$ 860,047</u>	<u>\$ 47,594,308</u>

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**GOODHUE COUNTY
RED WING, MINNESOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Fund balances - total governmental funds **\$ 39,904,370**

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. 145,405,046

Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds. 3,823,467

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 4,402,777

Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds. 12,385,998

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	\$	(20,470,000)	
Revenue bonds		(4,094)	
Bond issuance discounts		21,064	
Bond issuance premiums		(320,383)	
Notes payable		(57,398)	
Net pension liability		(23,289,050)	
Compensated absences		(4,510,781)	
Accrued interest payable		(217,305)	
Landfill postclosure care liability		(922,808)	(49,770,755)

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. (11,778,295)

Net Position of Governmental Activities **\$ 144,372,608**

**GOODHUE COUNTY
RED WING, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 19,274,281	\$ 4,471,314
Special assessments	-	-
Licenses and permits	570,286	10,551
Intergovernmental	3,835,757	8,119,119
Charges for services	2,987,696	25,034
Fines and forfeits	12,177	-
Gifts and contributions	63,720	-
Investment earnings	162,923	-
Miscellaneous	1,527,730	33,408
Total Revenues	\$ 28,434,570	\$ 12,659,426
Expenditures		
Current		
General government	\$ 12,365,318	\$ -
Public safety	13,771,308	-
Highways and streets	-	10,547,023
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	689,800	51,226
Conservation of natural resources	770,632	-
Economic development	-	-
Debt service		
Principal	17,568	-
Interest	-	-
Administrative (fiscal) charges	-	-
Intergovernmental		
Highways and streets	-	464,177
Total Expenditures	\$ 27,614,626	\$ 11,062,426
Excess of Revenues Over (Under) Expenditures	\$ 819,944	\$ 1,597,000
Other Financing Sources (Uses)		
Transfers in	\$ 7,500	\$ 601
Transfers out	(187,399)	-
Proceeds from sale of capital assets	25,914	-
Total Other Financing Sources (Uses)	\$ (153,985)	\$ 601
Change in Fund Balance	\$ 665,959	\$ 1,597,601
Fund Balance - January 1	20,032,773	7,337,854
Increase (decrease) in inventories	-	66,888
Fund Balance - December 31	\$ 20,698,732	\$ 9,002,343

**GOODHUE COUNTY
RED WING, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Health and Human Services</u>	<u>Economic Development Authority</u>	<u>Debt Service</u>	<u>Nonmajor Fund Waste Management</u>	<u>Total</u>
\$ 5,532,598	\$ 25,247	\$ 1,953,835	\$ 341,155	\$ 31,598,430
-	-	7,180	-	7,180
-	-	-	4,417	585,254
8,067,566	439	71,222	145,422	20,239,525
1,247,195	-	-	65,935	4,325,860
-	-	-	-	12,177
50,000	-	-	-	113,720
-	-	-	27	162,950
584,369	11,402	-	216,830	2,373,739
\$ 15,481,728	\$ 37,088	\$ 2,032,237	\$ 773,786	\$ 59,418,835
\$ -	\$ -	\$ -	\$ -	\$ 12,365,318
-	-	-	-	13,771,308
-	-	-	-	10,547,023
-	-	-	688,106	688,106
13,858,373	-	-	-	13,858,373
3,279,038	-	-	-	3,279,038
-	-	-	-	741,026
-	-	-	-	770,632
-	28,365	-	-	28,365
-	-	1,288,093	-	1,305,661
-	-	532,012	-	532,012
-	-	4,941	-	4,941
-	-	-	-	464,177
\$ 17,137,411	\$ 28,365	\$ 1,825,046	\$ 688,106	\$ 58,355,980
\$ (1,655,683)	\$ 8,723	\$ 207,191	\$ 85,680	\$ 1,062,855
\$ 176,705	\$ 10,000	\$ -	\$ 93	\$ 194,899
(7,500)	-	-	-	(194,899)
-	-	-	-	25,914
\$ 169,205	\$ 10,000	\$ -	\$ 93	\$ 25,914
\$ (1,486,478)	\$ 18,723	\$ 207,191	\$ 85,773	\$ 1,088,769
7,338,095	768,175	2,541,406	730,410	38,748,713
-	-	-	-	66,888
\$ 5,851,617	\$ 786,898	\$ 2,748,597	\$ 816,183	\$ 39,904,370

**GOODHUE COUNTY
RED WING, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net change in fund balances - total governmental funds **\$ 1,088,769**

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	\$ 4,402,777	
Unavailable revenue - January 1	<u>(5,035,674)</u>	(632,897)

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	\$ 4,059,328	
Net book value of assets sold	(10,650)	
Current year depreciation	<u>(6,389,293)</u>	(2,340,615)

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.		792,382
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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.

Principal repayments		1,305,661
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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	\$ 29,162	
Change in net pension liability	15,887,646	
Change in accrued interest payable	(8,684)	
Change in landfill postclosure care liability	(22,563)	
Change in compensated absences	62,432	
Change in deferred outflows of resources	(10,427,334)	
Change in deferred inflows of resources	(7,856,824)	
Change in inventories	<u>66,888</u>	<u>(2,269,277)</u>

Change in Net Position of Governmental Activities		<u>\$ (2,055,977)</u>
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FIDUCIARY FUNDS

**GOODHUE COUNTY
RED WING, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017**

	<u>Agency Funds</u>
Assets	
Cash and pooled investments	\$ 2,549,810
Total Assets	<u>\$ 2,549,810</u>
Liabilities	
Due to other governments	\$ 2,549,810
Total Liabilities	<u>\$ 2,549,810</u>

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**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

Goodhue County’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2017, . 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 (the Board) 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.

Joint Ventures

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

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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, including its blended component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net 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.

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.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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 committed property tax revenues and grants used to support 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 resources for, and the payment of principal, interest, and related costs of general long-term debt that are primarily financed by property tax revenue.

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.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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 full 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.

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, 2017, 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 2017 were \$162,950.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments (Continued)

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;
- 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.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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

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.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds consist of operating supplies in the Road and Bridges fund and 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.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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

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 acquisition value.

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

Property, plant, and equipment of the 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

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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

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. 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.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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

8 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.

9. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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, which qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, changes in actuarial assumptions, pension plan changes in proportionate share, and also the 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.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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

9. Deferred Outflow/Inflows of Resources (Continued)

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, deferred pension inflows, and taxes received for future periods, which 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 an 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 third type occurs because the County collected property taxes prior to the year they were levied for and, therefore, the County will report deferred inflows for these items.

10. 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.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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

11. 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.

Committed - amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the 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 Board, 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.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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

11. Classification of Fund Balances (Continued)

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 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.

To ensure sufficient working capital and safety margin in case of emergencies, Goodhue County has established an Operating Fund Balance policy. The policy states that the County will strive to maintain unreserved, undesignated fund balance of 42% of operating budget in the general fund and 25% in other major funds.

12. 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

E. Revenues (Continued)

Imposed Nonexchange Transactions

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

Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the 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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 statement follows:

Governmental Funds	
Cash and pooled investments	\$ 39,182,542
Petty cash and change funds	2,350
Restricted cash	219,709
Total Governmental Funds	<u>39,404,601</u>
Fiduciary funds	
Agency funds	
Cash and pooled investments	<u>2,549,810</u>
Total Cash and Investments	<u><u>\$ 41,954,411</u></u>
Deposits	\$ 14,168,561
Petty cash and change funds	2,350
Investments	<u>27,783,500</u>
Total	<u><u>\$ 41,954,411</u></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 10% 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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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, 2017, 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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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. As of December 31, 2017, Goodhue County's investments were exposed to custodial credit risk of \$26,290,469 because the investments are being held by an affiliated bank of the investment broker, but in Goodhue County's name. If these investments were held by an unaffiliated third party, then custodial credit risk related to these investments would not apply. The amount exposed to custodial credit risk relates to negotiable certificates of deposit. The county intentionally purchases individual negotiable certificates of deposits, through a broker, in increments of less than \$250,000 per issuing bank, so that each of the individual investments (negotiable certificates of deposit) is insured by FDIC. Therefore, the amount reported is insured. The County utilizes this investment strategy to minimize the risk of loss.

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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Concentration of Credit Risk (Continued)

The following table presents the County's investment balances at December 31, 2017, and information relating to potential custodial and concentration credit risks:

Investment - Issuer	Credit Risk		Carrying (Fair) Value
	Credit Rating	Rating Agency	
Mutual Funds			
MAGIC - cash management funds	N/A	N/A	\$ 5,079
Morgan Stanley - money market mutual funds	N/A	N/A	117,042
Wells Fargo Brokerage - money market mutual funds	N/A	N/A	<u>313,557</u>
Total mutual funds			\$ 435,678
Agency Securities			
Morgan Stanley	Aaa	Moody's	\$ 494,750
Wells Fargo Brokerage	Aaa	Moody's	<u>499,900</u>
Total agency securities			\$ 994,650
Bonds			
Small Business Administration			47,678
Wells fargo Brokerage	N/A	N/A	47,678
EE U.S. Savings Bonds	N/A	N/A	15,025
Negotiable certificates of deposit **	N/A	N/A	<u>26,290,469</u>
Total Investments			<u>\$ 27,783,500</u>

N/A - Not Applicable

** - There are several issuers and each individual issuer is less than 5%

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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
Agency Securities				
Morgan Stanley	\$ 494,750	\$ -	\$ -	\$ 494,750
Wells Fargo Brokerage	499,900	-	-	499,900
Total agency securities	\$ 994,650	\$ -	\$ -	\$ 994,650
Bonds				
Small Business Administration	\$ 47,678	\$ -	\$ -	\$ 47,678
EE U.S. Savings Bonds	15,025	4,025	3,050	7,950
Total bonds	\$ 62,703	\$ 4,025	\$ 3,050	\$ 55,628
Negotiable certificates of deposit	\$ 26,290,469	\$ 10,763,881	\$ 6,707,816	\$ 8,818,772
Total Investments Subject to Interest Rate Risk	\$ 27,347,822	\$ 10,767,906	\$ 6,710,866	\$ 9,869,050
Investments not subject to interest rate risk	\$ 435,678			
Total Investments	\$ 27,783,500			

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Fair Value Measure

The County uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The County follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded, the County has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial asset and liabilities are valued using inputs that are adjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs that are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measure (Continued)

Assets measured at fair value on a recurring basis:

<u>Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt Securities (Fair Value Level)				
Negotiable Certificates of Deposit	\$ -	\$ 23,840,469	\$ -	\$ 23,840,469
U.S. Government Securities	-	62,703	-	62,703
U.S. Government Agencies	-	994,650	-	994,650
Total Investments at Fair Value	<u>\$ -</u>	<u>\$ 24,897,822</u>	<u>\$ -</u>	<u>\$ 24,897,822</u>
Investments Measured at Net Asset Value (NAV)				
Wells Fargo Mutual Fund				313,557
Morgan Stanley Mutual Fund				117,042
MAGIC Fund				5,079
Investments Measured at Net Asset Value (NAV)				<u>435,678</u>
Investments at Amortized Cost				
Negotiable Certificates of Deposit (<1 Year)				<u>2,450,000</u>
Total Investments				\$ 27,783,500
Deposits				14,168,561
Petty Cash				<u>2,350</u>
Total Deposits and Investments				<u>\$ 41,954,411</u>

All level 2 securities are valued using fair value based on the securities relationship to benchmark quoted prices. The County invests in Wells Fargo and Morgan Stanley Mutual Funds, which are published at net asset value per share. The County invests in these mutual funds to diversify investments to increase investment earnings while maintaining a high level of liquidity. There are no redemption limits. The County also invests in the MAGIC Fund external local government investment pool, which is quoted at net asset value. The County invests in this pool for the purpose of the joint investment of the County's money with those other counties to enhance the investment earnings accruing to each member. Shares of MAGIC Term Series are valued at a net asset value (NAV). Shares are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely they must provide notice at least seven days prior to the premature redemption date. The value of premature redemption is equal to the original price for such share, plus dividends thereon at the projected yield less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2017, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 364,912	\$ -
Special Assessments	21,279	-
Accounts	323,326	-
Interest	67,251	-
Loans	873,506	809,585
Due from other governments	5,391,656	-
Total Governmental Activities	\$ 7,041,930	\$ 809,585

Of the loans receivable, \$873,506 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 \$809,585 in MIF flood loans that are not scheduled for collection in the subsequent year.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 9,280,647	\$ 80,411	\$ -	\$ 9,361,058
Construction in progress	2,508,470	2,565,707	4,546,383	527,794
Total capital assets not depreciated	<u>\$ 11,789,117</u>	<u>\$ 2,646,118</u>	<u>\$ 4,546,383</u>	<u>\$ 9,888,852</u>
Capital assets depreciated				
Land improvements	\$ 252,269	\$ -	\$ -	\$ 252,269
Buildings	42,207,862	3,166,842	-	45,374,704
Machinery, furniture, and equipment	20,718,089	1,567,686	626,406	21,659,369
Infrastructure	177,723,905	1,287,435	24,629	178,986,711
Total capital assets depreciated	<u>\$ 240,902,125</u>	<u>\$ 6,021,963</u>	<u>\$ 651,035</u>	<u>\$ 246,273,053</u>
Less: accumulated depreciation				
Land improvements	\$ 120,304	\$ 9,658	\$ -	\$ 129,962
Buildings	17,263,276	1,065,183	-	18,328,459
Machinery, furniture, and equipment	9,880,621	1,450,120	618,712	10,712,029
Infrastructure	77,743,750	3,864,332	21,673	81,586,409
Total accumulated depreciation	<u>\$ 105,007,951</u>	<u>\$ 6,389,293</u>	<u>\$ 640,385</u>	<u>\$ 110,756,859</u>
Total capital assets depreciated, net	<u>135,894,174</u>	<u>(367,330)</u>	<u>10,650</u>	<u>135,516,194</u>
Capital Assets, Net	<u><u>\$ 147,683,291</u></u>	<u><u>\$ 2,278,788</u></u>	<u><u>\$ 4,557,033</u></u>	<u><u>\$ 145,405,046</u></u>

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

3. Capital Assets (Continued)

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

Governmental Activities		
General Government	\$	1,089,291
Public Safety		626,964
Highways and streets, including depreciation of infrastructure assets		4,397,444
Health and human services		202,887
Sanitation		69,000
Culture and recreation		3,707
		<u>3,707</u>
Total Depreciation Expense - Governmental Activities	\$	<u>6,389,293</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, 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	\$ 16,484
Road and Bridge	General	1,592
Road and Bridge	Waste Management	1,570
Waste Management	General	26
		<u>26</u>
Total Due to/From Other Funds		<u>\$ 19,672</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.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

Transfers to General Fund from Health and Human Services Fund	\$ 7,500	Public health nuisances
Transfers to Road and Bridge Fund from General Fund	601	OEM training drills
Transfers to Health and Human services Fund from General Fund	8,974	Capital expenditures
	6,705	Software license/maintenance
	142,767	Termination payments
	1,259	OEM training drills
	17,000	Windows Service Conversion
Transfers to Economic Development Authority Fund from General Fund	10,000	1916 tax incentives
Transfers to Nonmajor Fund from General Fund	<u>93</u>	Capital Expenditures
Total Interfund Transfers	<u>\$ 194,899</u>	

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

C. Long-Term Liabilities

1. Bonds and Notes Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2017
General obligation bonds					
1997B G.O. Revenue Bonds: Welch Village	2018	\$3,036 - \$4,094	1.58%	\$ 143,750	\$ 4,094
1998, 2001, and 2003 G.O. Revenue Notes	2023	\$1,274 - \$8,784	0%	175,670	57,398
2012A CIP Highway Project Bonds	2023	\$405,000 - \$1,720,000	0.5% - 1.85%	5,065,000	2,535,000
2014A G.O. CIP Highway Project Bonds	2025	\$695,000 - \$965,000	2.0% - 2.5%	7,760,000	6,100,000
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%	<u>10,720,000</u>	<u>10,540,000</u>
Total General Obligation Bonds and Notes				<u>\$ 25,159,420</u>	<u>\$ 20,531,492</u>

Debt service requirements at December 31, 2017, were as follows:

Year Ending December 31	General Obligation CIP Bonds		General Obligation Revenue Bonds		General Obligation Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,300,000	\$ 510,530	\$ 4,094	\$ 32	\$ 17,568	\$ -
2019	1,325,000	488,094	-	-	11,568	-
2020	1,345,000	464,628	-	-	11,568	-
2021	1,370,000	439,060	-	-	11,568	-
2022	1,395,000	411,193	-	-	5,126	-
2023-2027	8,755,000	1,493,268	-	-	-	-
2028-2030	4,980,000	227,100	-	-	-	-
Total	<u>\$ 20,470,000</u>	<u>\$ 4,033,873</u>	<u>\$ 4,094</u>	<u>\$ 32</u>	<u>\$ 57,398</u>	<u>\$ -</u>

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

C. Long-Term Liabilities (Continued)

1. Bonds and Notes Payable (Continued)

Goodhue County's 2012B General Obligation Capital Improvement Bonds are structured with annual sinking-fund payments of \$99,615. These sinking-fund payments begin 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.

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Long-Term Liabilities					
Bonds and notes payable					
G.O. CIP bonds	\$ 21,750,000	\$ -	\$ 1,280,000	\$ 20,470,000	\$ 1,300,000
G.O. revenue bonds	12,187	-	8,093	4,094	4,094
G.O. notes	74,966	-	17,568	57,398	17,568
Issuance premiums	352,552	-	32,169	320,383	-
Issuance discounts	(24,071)	-	(3,007)	(21,064)	-
Total bonds and notes payable	\$ 22,165,634	\$ -	\$ 1,334,823	\$ 20,830,811	\$ 1,321,662
Closure and postclosure care	945,371	-	22,563	922,808	-
Compensated absences	4,448,349	2,363,588	2,301,156	4,510,781	1,894,528
Governmental Activity					
Long-Term Liabilities	\$ 27,559,354	\$ 2,363,588	\$ 3,658,542	\$ 26,264,400	\$ 3,216,190

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

C. Long-Term Liabilities (Continued)

2. Changes in Long-Term Liabilities (Continued)

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

3. 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 \$922,808 landfill closure and postclosure care liability at December 31, 2017, is based on what it would cost to perform all closure and postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Not included in the above liability are \$859,057 of estimated contingency action costs, which may be incurred.

The County is required by state and federal laws and regulations to make annual contributions to a trust for finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2017, investments of \$219,709 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.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

C. Long-Term Liabilities (Continued)

4. Deferred Inflows of Resources

As of December 31, 2017, the various components of unavailable revenue were as follows:

	Unavailable Revenue	Deferred Revenue for Future Period	Total
Charges for services	\$ 10,536	\$ -	\$ 10,536
Deferred Inflow due to Prepaid Taxes	-	659,949	659,949
Delinquent property taxes	272,479	-	272,479
Intergovernmental	3,558,003	-	3,558,003
Licenses and permits	50	-	50
Loans receivable	534,612	-	534,612
Other	5,818	-	5,818
Special assessments	21,279	-	21,279
 Total Governmental Funds	 \$ 4,402,777	 \$ 659,949	 \$ 5,062,726

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017.

<u>Nonspendable</u>	General	Road and Bridge	Health and Human Services	Economic Development Authority	Waste Management Fund	Debt Service
Prepaid items	\$ 429,636	\$ 38,330	\$ 159,254	\$ -	\$ 4,322	\$ -
Inventories	-	496,563	-	-	-	-
Total Nonspendable Fund Balance	<u>\$ 429,636</u>	<u>\$ 534,893</u>	<u>\$ 159,254</u>	<u>\$ -</u>	<u>\$ 4,322</u>	<u>\$ -</u>
<u>Restricted</u>						
Unclaimed funds	\$ 768	\$ -	\$ -	\$ -	\$ -	\$ -
Gravel pit postclosure	213,188	-	-	-	-	-
Law library	96,057	-	-	-	-	-
Attorney's forfeiture activities	9,100	-	-	-	-	-
Attorney's victim assistance	6,517	-	-	-	-	-
Recorder's technology equipment	123,941	-	-	-	-	-
Recorder's compliance fund	150,983	-	-	-	-	-
Veteran's operational grant	8,315	-	-	-	-	-
Veteran's transportation	3,434	-	-	-	-	-
Buffer Initiative	129,756	-	-	-	-	-
Aquatic invasive species prevention	166,080	-	-	-	-	-
Sheriff's counteract	9,799	-	-	-	-	-
Sheriff's K-9 donations	10,930	-	-	-	-	-
Gun permit activities	28,285	-	-	-	-	-
Sheriff's contingency	501	-	-	-	-	-
E-911	165,331	-	-	-	-	-
Correction service fee	13,162	-	-	-	-	-
Local correctional fees	74,667	-	-	-	-	-
County ditch #1	2,853	-	-	-	-	-
Individual sewage treatment systems	50,623	-	-	-	-	-
Landfill closure/postclosure	-	-	-	-	219,708	-
Debt (QECC lump sum due 2/1/2027)	-	-	-	-	-	398,461
EDA loan program (1998 IHP)	-	-	-	57,320	-	-
EDA loan program (2010MIF)	-	-	-	546,963	-	-
Total Restricted Fund Balance	<u>\$ 1,264,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 604,283</u>	<u>\$ 219,708</u>	<u>\$ 398,461</u>

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Detailed Notes on All Funds (Continued)

D. Fund Balance (Continued)

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

Committed	General	Road and Bridge	Health and Human Services	Economic Development Authority	Waste Management Fund	Debt Service
Petty cash and change funds	\$ 1,675	\$ 50	\$ 550	\$ -	\$ 75	\$ -
Debt service	-	-	-	-	-	2,350,136
Economic development	-	-	-	182,615	-	-
Landfill transfer station	-	-	-	-	35,000	-
Land use/environmental ordinance	164,063	-	-	-	-	-
Railroad Authority	14,055	-	-	-	-	-
Compensated absences	562,291	-	-	-	-	-
27th payroll - future years	371,741	-	-	-	-	-
Tax court settlements	226,500	-	-	-	-	-
Natural, technological, human-caused hazards	1,000,000	-	-	-	-	-
Tax-forfeited property funding	4,334	-	-	-	-	-
Byllesby Dam	38,180	-	-	-	-	-
Byllesby Park and Trail	-	310,570	-	-	-	-
out-of-home placement budget deficits	-	-	150,000	-	-	-
TH 52 development and construction	-	182,409	-	-	-	-
Total Committed Fund Balance	<u>\$ 2,382,839</u>	<u>\$ 493,029</u>	<u>\$ 150,550</u>	<u>\$ 182,615</u>	<u>\$ 35,075</u>	<u>\$ 2,350,136</u>
<u>Assigned</u>						
Highways & streets	\$ -	\$ 7,214,896	\$ -	\$ -	\$ -	\$ -
Health & human services	-	-	4,941,813	-	-	-
Sanitation (waste management)	-	-	-	-	557,078	-
Motor pool	57,992	-	-	-	-	-
Inmate improvement	39,712	-	-	-	-	-
Employee training & development	27,241	-	-	-	-	-
County program aid contingency	1,518,111	-	-	-	-	-
Building contingencies	324,514	-	-	-	-	-
Township turnback	-	9,525	-	-	-	-
Right-of-way (2016)	-	750,000	-	-	-	-
Potential state/federal funding cuts	-	-	250,000	-	-	-
State hospital expenditures	-	-	200,000	-	-	-
Foster care budget deficits	-	-	150,000	-	-	-
Total Assigned Fund Balance	<u>\$ 1,967,570</u>	<u>\$ 7,974,421</u>	<u>\$ 5,541,813</u>	<u>\$ -</u>	<u>\$ 557,078</u>	<u>\$ -</u>

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans

A. Defined Benefit 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 Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), 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 Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to 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 Plan (accounted for in the 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% after 5 years and increasing 10% 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% after 10 years and increasing 5% 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 Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50% after 5 years and increasing 10% for each year of service until fully vested after 10 years.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit 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. Benefits 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% post-retirement benefit increase. If the funding ratio reaches 90% for two consecutive years, the benefit increase will revert to 2.5%. If, after reverting to a 2.5% benefit increase, the funding ratio declines to less than 80% for one year or less than 85% for two consecutive years, the benefit increase will decrease to 1.0%.

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 Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989 receive 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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0% of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9% of average salary for each year of service.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

2. Benefits Provided (Continued)

For General Employees Retirement Plan 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 Plan and Public Employees Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. 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 Plan Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80% of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83% of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78 %
Coordinated Plan members	7.5
Public Employees Police and Fire Plan	16.2
Public Employees Correctional Plan	8.75

The employee and employer contribution rates did not change from the previous year.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

2. Contributions (Continued)

The County's contributions for the year ended December 31, 2017, to the pension plans were:

	<u>2017</u>
General Employees Retirement Plan	\$ 1,176,684
Public Employees Police and Fire Plan	524,360
Public Employees Correctional Plan	238,278

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

3. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of \$15,308,674 for its proportionate share of the General Employees Retirement Plan's net pension liability. The County's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled \$192,456. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was .2398%, which is a decrease of 0.0135 from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$1,932,691 for its proportionate share of the General Employees Retirement Plan's pension expense. In addition, the County recognized an additional \$5,558 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the General Employees Fund.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

4. Pension Costs (Continued)

General Employees Retirement Plan (Continued)

County's proportionate share of the net pension liability	\$ 15,308,674
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>192,456</u>
Total	<u><u>\$ 15,501,130</u></u>

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 504,528	\$ 984,845
Changes in Actuarial Assumptions	2,541,571	1,534,696
Net Difference Between Projected and Actual Investment Earnings	98,873	-
Changes in Proportion	279,856	887,784
Contributions Paid to PERA Subsequent to the Measurement Date	<u>591,718</u>	<u>-</u>
Total	<u><u>\$ 4,016,546</u></u>	<u><u>\$ 3,407,325</u></u>

\$591,718 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

4. Pension Costs (Continued)

General Employees Retirement Plan (Continued)

Year Ending December 31,	Pension Expense Amount
2018	\$ 311,546
2019	836,308
2020	(480,528)
2021	(649,823)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of \$4,104,362 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was .3040%. It was .3290% measured as of June 30, 2016. The County recognized pension expense of \$969,998 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$27,360 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 Plan. Legislation requires the state of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90% funded.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

4. Pension Costs (Continued)

Public Employees Police and Fire Plan (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 94,473	\$ 1,097,256
Changes in Actuarial Assumptions	5,371,376	5,827,176
Net Difference Between Projected and Actual Investment		
Earnings	56,370	-
Changes in Proportion	134,703	376,672
Contributions Paid to PERA Subsequent to the Measurement Date	275,008	-
Total	<u>\$ 5,931,930</u>	<u>\$ 7,301,104</u>

\$275,008 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2018	\$ 25,477
2019	25,477
2020	(124,980)
2021	(354,760)
2022	(1,215,396)

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of \$3,876,014 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 1.36%. It was 1.48% measured as of June 30, 2016. The County recognized pension expense of \$1,462,534 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 12,087	\$ 65,064
Changes in Actuarial Assumptions	2,296,457	674,699
Net Difference Between Projected and Actual Investment Earnings	2,827	-
Changes in Proportion	2,972	330,103
Contributions Paid to PERA Subsequent to the Measurement Date	123,179	-
Total	<u>\$ 2,437,522</u>	<u>\$ 1,069,866</u>

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

\$123,179 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2018	\$ 830,048
2019	860,568
2020	(338,242)
2021	(107,897)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017 was \$4,365,223.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50% per Year
Salary Increases	3.25% per Year
Investment Rate of Return	7.50%

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan, Police and Fire Plan and Public Employees Correctional Plan were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan, Police and Fire Plan and Public Employees Correctional Plan, cost of living benefit increases for retirees are assumed to be 2.5%.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was completed in 2015. The experience study for the Public Employees Police and Fire Plan was completed in 2016. The experience study for the Public Employees Correctional Plan was completed in 2012.

The long-term expected rate of return on pension plan investments is 7.5%. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	39 %	5.10 %
International Stocks	19	5.30
Bonds/Fixed Income	20	0.75
Alternative Assets	20	5.90
Unallocated Cash	2	0.00
Totals	<u>100 %</u>	

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit Plans

6. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statute. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. 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.

In the Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal years ended June 30, 2062, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96% for the Correctional Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 3.56% after.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

7. Changes in Actuarial Assumptions (Continued)

Public Employees Police and Fire Plan

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

7. Changes in Actuarial Assumptions (Continued)

Public Employees Correctional Plan

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016, and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 35% for vested members and 1% for nonvested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

8. 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:

	Proportionate Share of the					
	General Employees Retirement Plan		Police and Fire Retirement Plan		Correctional Retirement Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 23,744,890	6.50%	\$ 7,729,711	4.96%	\$ 6,387,186
Current	7.50%	15,308,674	7.50%	4,104,362	5.96%	3,876,014
1% Increase	8.50%	8,402,098	8.50%	1,111,436	6.96%	1,916,009

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

9. Pension Plan Fiduciary 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; 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 board members of the 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% 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% of employer contributions and 0.25% 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, 2017, were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 4,814	\$ 4,814	5%	5%	5%

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 \$500,000 per claim in 2017. 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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 Office of the Minnesota State Auditor for 2010.

South Country Health Alliance

South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. 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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

C. Joint Ventures (Continued)

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, 2017 was \$3,522,713. 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 Radio Board

The Southeast Minnesota Road 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 Radio 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.

During the year, Goodhue County paid \$3,000 to the Emergency Communications Board.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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 an attorney appointed by the governing board.

During the year, Goodhue County paid \$7,000 to the Task Force.

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

D. Jointly-Governed Organizations

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

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

D. Jointly-Governed Organizations (Continued)

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information. During the year, Goodhue County expended \$116,533 to the Cooperative.

Region One - Southeast Minnesota Homeland Security Emergency Management Organization

The Region One - Southeast Minnesota Security Emergency Management Organization (SERHSEM) was established to regionally coordinate efforts to better respond to emergencies and natural or other disasters within the SERHSEM 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 payments to the Organization.

Southeast Minnesota Water Resources 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 2017.

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

Southeastern Minnesota Libraries Cooperative (SELCO)

The Southeastern Minnesota Libraries Cooperative provides library services within the County. During the year, the County contributed \$483,951 to SELCO, noting this amount will increase in 2018.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

D. Jointly-Governed Organizations (Continued)

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 nondangerous 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.

Court Services - Criminal Justice Data Communications Network

This agreement is between the state of Minnesota, acting through its Department of Public Safety, Bureau of Criminal Apprehension (BCA) and the county of Goodhue on behalf of Court Services (Agency). Under Minn. Stat. 299C.46, the BCA must provide a criminal justice data communications network to benefit authorized agencies in Minnesota. The Agency is authorized by law to utilize the criminal justice data communications network pursuant to the terms set out in this agreement. In addition, BCA either maintains repositories of data or has access to repositories of data that benefit authorized agencies in performing their duties. Agency wants to access these data in support of its official duties. This agreement is new in 2017, and expires five years from the date it is effective. The County contributed \$540 in 2017.

Port Authority of the City of Saint Paul – Property Assessed Clean Energy Program (MinnPACE)

This agreement was effective November 7, 2017. The Port Authority has been engaged in governmental programs for providing financing throughout the state of Minnesota (the State) by making loans evidenced by various financing leases and loan agreements, and in the process of operating these programs, the Port Authority has developed a high degree of financial expertise and strength. Minnesota Statutes, Sections 216C.435 and 216C.436 and Chapter 429 and 471.59 (collectively the Act) authorize the County to provide for the financing of the acquisition and construction or installation of energy efficiency and conservation improvements (the Cost Effective Energy Improvements as defined in the Act or Improvements) on “Qualifying Real Properties” as defined in the Act (the Properties or Property) located within the boundaries of the County through the use of special assessments. The County contributed nothing in 2017.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

D. Jointly-Governed Organizations (Continued)

National Incident-Based Reporting System (NIBRS)

This agreement is between the state of Minnesota, acting through its Commissioner of Public Safety on behalf of the Bureau of Criminal Apprehension [BCA] (State) and county of Goodhue on behalf of its Sheriff's Office (Governmental Unit). Under Minnesota Statutes 471.59, subdivision 10, the State is empowered to engage such assistance as deemed necessary. The State is the agency that collects incident data and through which Minnesota crime statistics are reported to the Federal Bureau of Investigation (FBI). The FBI has established January 1, 2021, as the deadline by which all states must submit crime statistics in the National Incident-Based Reporting System (NIBRS) format. The State is in need of assistance from the Governmental Unit to implement and certify the integration of incident reporting and the submission of crime statistics in the NIBRS format as well as crime statistics unique to Minnesota (MN-NIBRS). This agreement expires on December 31, 2017, or when all obligations have been satisfactorily fulfilled, whichever occurs first.

The County paid CIS \$17,940, and the State reimbursed the County \$17,940 on August 18, 2017, and \$2,000 on February 12, 2018.

Regional Railroad

The Minnesota High Speed Rail Corridor (Corridor) is defined as a Canadian Pacific Railway corridor from La Crescent to the Union Depot in St. Paul, Minnesota traveling along the Mississippi River.

This was renewed in 2017. The County has not paid any membership fee since 2014, but anticipates doing so again in 2018.

Criminal Justice Data Network

The Goodhue County Sheriff Office has an ongoing subscriber agreement with the state of Minnesota in order to access the Criminal Justice Data Network, which is due for renewal. The CJDN computer network allows the Goodhue County Sheriff's office to access the state and federal computer network database for the exclusive purposes of law enforcement as it relates to vehicle files, person files and article files. The annual cost for this data access remains the same for 2017 as it did in previous years - \$4,440 billed in quarterly amounts of \$1,110. The Sheriff's Office has planned for and budgeted the expense in its 2017 operating budget. Also due for renewal at the same time as the CJDN Joint Powers Agreement is the Court Amendment document which allows certain access and submission of Court Records for Goodhue County.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

D. Jointly-Governed Organizations (Continued)

Minnesota Department of Corrections-Prosecutorial Services

The State, pursuant to Minn. Stat. 241.271 is empowered to reimburse counties for expenses of a county attorney resulting from activities involving inmates of the state correctional institution located in Goodhue County. Goodhue County has one correctional facility and thereby requests reimbursement for some of the costs associated with the prosecution of inmates who are involved in criminal activities at the correctional facility. Goodhue County received \$225 during 2017.

E. Debt Obligation Contingency

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. The aggregate outstanding amount of conduit debt on December 31, 2017 is \$10,540,000.

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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 2017 and prior years is:

	<u>Prior Years</u>	<u>During 2017</u>
Number of loans made	52	-
Loans outstanding - January 1	\$ -	\$ 10,069
Loans made	453,179	-
Payments made on loans	<u>(443,110)</u>	<u>(3,387)</u>
Loans outstanding - December 31	<u>\$ 10,069</u>	<u>\$ 6,682</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**GOODHUE COUNTY
RED WING, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 19,441,807	\$ 19,441,807	\$ 19,274,281	\$ (167,526)
Licenses and permits	444,469	444,469	570,286	125,817
Intergovernmental	3,218,106	3,218,106	3,835,757	617,651
Charges for services	3,113,096	3,113,096	2,987,696	(125,400)
Fines and forfeits	14,100	14,100	12,177	(1,923)
Gifts and contributions	13,000	13,000	63,720	50,720
Investment earnings	170,325	170,325	162,923	(7,402)
Miscellaneous	1,469,437	1,469,437	1,527,730	58,293
Total Revenues	\$ 27,884,340	\$ 27,884,340	\$ 28,434,570	\$ 550,230
Expenditures				
Current				
General government				
Commissioners	\$ 252,156	\$ 252,156	\$ 211,737	\$ 40,419
Courts	114,000	114,000	140,661	(26,661)
County administration	425,735	425,735	419,062	6,673
County auditor-treasurer	772,611	772,611	728,304	44,307
County assessor	1,063,942	1,063,942	1,037,788	26,154
Elections	54,415	54,415	7,008	47,407
Information technology	1,417,222	1,417,222	1,093,478	323,744
Human resources	541,299	541,299	559,791	(18,492)
Attorney	1,904,327	1,904,327	1,812,881	91,446
Law library	80,000	80,000	46,921	33,079
Recorder	537,774	537,774	586,738	(48,964)
Surveyor	367,165	367,165	421,862	(54,697)
GIS	290,570	290,570	299,734	(9,164)
Building permits	473,156	473,156	391,015	82,141
Planning and zoning	339,550	339,550	324,763	14,787
Environmental health	246,245	246,245	188,189	58,056
Buildings and plant	2,535,367	2,535,367	2,483,360	52,007
Veterans service officer	217,956	217,956	228,037	(10,081)
Other general government	1,457,618	1,457,618	1,383,989	73,629
Total general government	\$ 13,091,108	\$ 13,091,108	\$ 12,365,318	\$ 725,790
Public safety				
Sheriff	\$ 5,693,796	\$ 5,693,796	\$ 5,643,803	\$ 49,993
Sheriff - seasonal	255,104	255,104	249,916	5,188
Emergency management	295,364	295,364	271,191	24,173
Coroner	133,314	133,314	133,469	(155)
E-911 system	1,041,513	1,041,513	1,032,743	8,770
Adult detention center	5,637,226	5,637,226	5,340,930	296,296
Court services	1,150,648	1,150,648	1,099,256	51,392
Total public safety	\$ 14,206,965	\$ 14,206,965	\$ 13,771,308	\$ 435,657

**GOODHUE COUNTY
RED WING, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (Continued)				
Culture and recreation				
Historical society	\$ 97,500	\$ 97,500	\$ 97,500	\$ -
Regional library	483,951	483,951	483,951	-
Byllesby Dam	1,350	1,350	723	627
Other culture and recreation	70,741	70,741	107,626	(36,885)
Total culture and recreation	\$ 653,542	\$ 653,542	\$ 689,800	\$ (36,258)
Conservation of natural resources				
County extension	\$ 172,612	\$ 172,612	\$ 158,463	\$ 14,149
Soil and water conservation	549,000	549,000	612,169	(63,169)
Total conservation of natural resources	\$ 721,612	\$ 721,612	\$ 770,632	\$ (49,020)
Economic development				
Regional Railroad Authority	\$ 4,375	\$ 4,375	\$ -	\$ 4,375
Debt service				
Principal	\$ 17,568	\$ 17,568	\$ 17,568	\$ -
Total Expenditures	\$ 28,695,170	\$ 28,695,170	\$ 27,614,626	\$ 1,080,544
Excess of Revenues Over (Under) Expenditures	\$ (810,830)	\$ (810,830)	\$ 819,944	\$ 1,630,774
Other Financing Sources (Uses)				
Transfers in	\$ 5,500	\$ 5,500	\$ 15,387	\$ 9,887
Transfers out	(46,100)	(46,100)	(195,286)	(149,186)
Proceeds from sale of capital assets	-	-	25,914	25,914
Total Other Financing Sources (Uses)	\$ (40,600)	\$ (40,600)	\$ (153,985)	\$ (113,385)
Net Change in Fund Balance	\$ (851,430)	\$ (851,430)	\$ 665,959	\$ 1,517,389
Fund Balance - January 1	22,482,586	22,482,586	20,032,773	(2,449,813)
Fund Balance - December 31	\$ 21,631,156	\$ 21,631,156	\$ 20,698,732	\$ (932,424)

**GOODHUE COUNTY
RED WING, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,438,479	\$ 4,438,479	\$ 4,471,314	\$ 32,835
Licenses and permits	14,200	14,200	10,551	(3,649)
Intergovernmental	9,430,677	9,430,677	8,119,119	(1,311,558)
Charges for services	4,200	4,200	25,034	20,834
Miscellaneous	26,425	26,425	33,408	6,983
Total Revenues	\$ 13,913,981	\$ 13,913,981	\$ 12,659,426	\$ (1,254,555)
Expenditures				
Current				
Highways and streets				
Administration	\$ 538,543	\$ 538,543	\$ 516,124	\$ 22,419
Maintenance	3,773,947	3,773,947	3,388,873	385,074
Construction	8,697,978	8,697,978	6,379,394	2,318,584
Equipment maintenance and shop	567,696	567,696	262,632	305,064
Total highways and streets	\$ 13,578,164	\$ 13,578,164	\$ 10,547,023	\$ 3,031,141
Culture and recreation				
Parks	48,493	48,493	51,226	(2,733)
Intergovernmental				
Highways and streets	462,724	462,724	464,177	(1,453)
Total Expenditures	\$ 14,089,381	\$ 14,089,381	\$ 11,062,426	\$ 3,026,955
Excess of Revenues Over (Under) Expenditures	\$ (175,400)	\$ (175,400)	\$ 1,597,000	\$ 1,772,400
Other Financing Sources (Uses)				
Transfers in	400	400	601	201
Net Change in Fund Balance	\$ (175,000)	\$ (175,000)	\$ 1,597,601	\$ 1,772,601
Fund Balance - January 1	6,600,189	6,600,189	7,337,854	737,665
Increase (decrease) in inventories	-	-	66,888	66,888
Fund Balance - December 31	\$ 6,425,189	\$ 6,425,189	\$ 9,002,343	\$ 2,577,154

**GOODHUE COUNTY
RED WING, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,515,035	\$ 5,515,035	\$ 5,532,598	\$ 17,563
Intergovernmental	7,771,031	7,771,031	8,067,566	296,535
Charges for services	1,008,200	1,008,200	1,247,195	238,995
Gifts and contributions	-	-	50,000	50,000
Miscellaneous	479,373	479,373	584,369	104,996
Total Revenues	\$ 14,773,639	\$ 14,773,639	\$ 15,481,728	\$ 708,089
Expenditures				
Current				
Human services				
Income maintenance	\$ 4,563,287	\$ 4,563,287	\$ 4,356,998	\$ 206,289
Social services	7,306,124	7,306,124	9,501,375	(2,195,251)
Total human services	\$ 11,869,411	\$ 11,869,411	\$ 13,858,373	\$ (1,988,962)
Health				
Quality assurance - health services	\$ 1,540,049	\$ 1,540,049	\$ 1,730,349	\$ (190,300)
Healthy communities/behaviors	1,178,816	1,178,816	1,091,241	87,575
Disaster preparedness	42,119	42,119	26,007	16,112
Infectious disease	122,334	122,334	100,575	21,759
Health services - administration	346,297	346,297	330,866	15,431
Total health	\$ 3,229,615	\$ 3,229,615	\$ 3,279,038	\$ (49,423)
Total Expenditures	\$ 15,099,026	\$ 15,099,026	\$ 17,137,411	\$ (2,038,385)
Excess of Revenues Over (Under) Expenditures	\$ (325,387)	\$ (325,387)	\$ (1,655,683)	\$ (1,330,296)
Other Financing Sources (Uses)				
Transfers in	\$ 37,600	\$ 37,600	\$ 176,705	\$ 139,105
Transfers out	(7,500)	(7,500)	(7,500)	-
Total Other Financing Sources (Uses)	\$ 30,100	\$ 30,100	\$ 169,205	\$ 139,105
Net Change in Fund Balance	\$ (295,287)	\$ (295,287)	\$ (1,486,478)	\$ (1,191,191)
Fund Balance - January 1	7,854,347	7,854,347	7,338,095	(516,252)
Fund Balance - December 31	\$ 7,559,060	\$ 7,559,060	\$ 5,851,617	\$ (1,707,443)

**GOODHUE COUNTY
RED WING, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 24,924	\$ 24,924	\$ 25,247	\$ 323
Intergovernmental	370	370	439	69
Miscellaneous	59,380	59,380	11,402	(47,978)
Total Revenues	\$ 84,674	\$ 84,674	\$ 37,088	\$ (47,586)
Expenditures				
Current				
Economic development				
Community development	35,874	35,874	28,365	7,509
Excess of Revenues Over (Under) Expenditures	\$ 48,800	\$ 48,800	\$ 8,723	\$ (40,077)
Other Financing Sources (Uses)				
Transfers in	10,000	10,000	10,000	-
Net Change in Fund Balance	\$ 58,800	\$ 58,800	\$ 18,723	\$ (40,077)
Fund Balance - January 1	653,899	653,899	768,175	114,276
Fund Balance - December 31	\$ 712,699	\$ 712,699	\$ 786,898	\$ 74,199

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017**

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with Goodhue County	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.240%	\$ 15,308,674	\$ 192,456	\$ 15,501,130	\$ 15,689,120	97.58%	75.90%
2016	0.253%	20,566,707	268,600	20,835,307	15,760,263	130.50%	68.91%
2015	0.242%	12,541,699	N/A	12,541,699	14,279,337	87.83%	78.19%

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 December 31.

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017**

Year Ending	Statutorily Required Contributions	Actual Contributions in Relation to Statutorily Required Contributions	Contribution (Deficiency) Excess	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2017	\$ 1,176,684	\$ 1,176,684	\$ -	\$ 15,689,120	7.50%
2016	1,156,029	1,156,029	-	15,413,720	7.50%
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 measurement date for each year is December 31.

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017**

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.304%	\$ 4,104,362	\$ 3,236,790	126.80%	85.40%
2016	0.329%	13,203,342	3,171,299	416.34%	63.90%
2015	0.311%	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 County's year-end is December 31.

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017**

Year Ending	Statutorily Required Contributions	Actual Contributions in Relation to Statutorily Required Contributions	Contribution (Deficiency) Excess	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2017	\$ 524,360	\$ 524,360	\$ -	\$ 3,236,790	16.20%
2016	494,991	494,991	-	3,055,500	16.20%
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
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017**

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	1.360%	\$ 3,876,014	\$ 2,723,177	142.33%	67.90%
2016	1.480%	5,406,647	2,786,403	194.04%	58.20%
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 County's year-end is December 31.

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017**

Year Ending	Statutorily Required Contributions	Actual Contributions in Relation to Statutorily Required Contributions	Contribution (Deficiency) Excess	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2017	\$ 238,278	\$ 238,278	\$ -	\$ 2,723,177	8.75%
2016	234,946	234,946	-	2,685,097	8.75%
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 DECEMBER 31, 2017**

1. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Public Employees Police and Fire Plan

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR DECEMBER 31, 2017**

1. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

Public Employees Correctional Plan

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016, and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 35% for vested members and 1% for nonvested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

2. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America 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 30, the proposed budget is presented to the 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. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR DECEMBER 31, 2017**

3. Excess of Expenditures Over Budget

The following is a summary of the individual funds that had expenditures in excess of final budget for the year ended December 31, 2017.

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Health and Human Services Special Revenue Fund	\$ 15,099,026	\$ 17,137,411	\$ (2,038,385)

SUPPLEMENTARY INFORMATION

MAJOR FUND

**GOODHUE COUNTY
RED WING, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,946,446	\$ 1,946,446	\$ 1,953,835	\$ 7,389
Special assessments	6,285	6,285	7,180	895
Intergovernmental	18,662	18,662	71,222	52,560
Total Revenues	<u>\$ 1,971,393</u>	<u>\$ 1,971,393</u>	<u>\$ 2,032,237</u>	<u>\$ 60,844</u>
Expenditures				
Debt service				
Principal	\$ 1,387,458	\$ 1,387,458	\$ 1,288,093	\$ 99,365
Interest	532,261	532,261	532,012	249
Administrative - fiscal charges	2,500	2,500	4,941	(2,441)
Total Expenditures	<u>\$ 1,922,219</u>	<u>\$ 1,922,219</u>	<u>\$ 1,825,046</u>	<u>\$ 97,173</u>
Net Change in Fund Balance	\$ 49,174	\$ 49,174	\$ 207,191	\$ 158,017
Fund Balance - January 1	<u>2,541,406</u>	<u>2,541,406</u>	<u>2,541,406</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 2,590,580</u>	<u>\$ 2,590,580</u>	<u>\$ 2,748,597</u>	<u>\$ 158,017</u>

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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
BUDGETARY COMPARISON SCHEDULE
WASTE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 339,503	\$ 339,503	\$ 341,155	\$ 1,652
Licenses and permits	7,600	7,600	4,417	(3,183)
Intergovernmental	136,244	136,244	145,422	9,178
Charges for services	49,850	49,850	65,935	16,085
Interest on investments	330	330	27	(303)
Miscellaneous	127,000	127,000	216,830	89,830
Total Revenues	\$ 660,527	\$ 660,527	\$ 773,786	\$ 113,259
Expenditures				
Current				
Sanitation				
Solid waste	\$ 67,143	\$ 67,143	\$ 72,295	\$ (5,152)
Recycling	356,104	356,104	356,636	(532)
Hazardous waste	81,375	81,375	89,195	(7,820)
Landfill	156,005	156,005	169,980	(13,975)
Total Expenditures	\$ 660,627	\$ 660,627	\$ 688,106	\$ (27,479)
Excess of Revenues Over (Under) Expenditures	\$ (100)	\$ (100)	\$ 85,680	\$ 85,780
Other Financing Sources (Uses)				
Transfers in	100	100	93	(7)
Net Change in Fund Balance	\$ -	\$ -	\$ 85,773	\$ 85,773
Fund Balance - January 1	730,410	730,410	730,410	-
Fund Balance - December 31	\$ 730,410	\$ 730,410	\$ 816,183	\$ 85,773

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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.

**GOODHUE COUNTY
RED WING, MINNESOTA
COMBING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
FAMILY COLLABORATIVE FUND				
Assets				
Cash and pooled investments	\$ 346,265	\$ 144,593	\$ 129,348	\$ 361,510
Due from other governments	39,899	-	39,899	-
Total Assets	<u>\$ 386,164</u>	<u>\$ 144,593</u>	<u>\$ 169,247</u>	<u>\$ 361,510</u>
Liabilities				
Due to other governments	<u>\$ 386,164</u>	<u>\$ 144,593</u>	<u>\$ 169,247</u>	<u>\$ 361,510</u>
TAXES AND PENALTIES FUND				
Assets				
Cash and pooled investments	<u>\$ 1,242,241</u>	<u>\$ 100,138,896</u>	<u>\$ 99,359,125</u>	<u>\$ 2,022,012</u>
Liabilities				
Due to other governments	<u>\$ 1,242,241</u>	<u>\$ 100,138,896</u>	<u>\$ 99,359,125</u>	<u>\$ 2,022,012</u>
OTHER AGENCY FUND				
Assets				
Cash and pooled investments	\$ 237,597	\$ 1,647,489	\$ 1,718,798	\$ 166,288
Accounts receivable	34,084	-	34,084	-
Total Assets	<u>\$ 271,681</u>	<u>\$ 1,647,489</u>	<u>\$ 1,752,882</u>	<u>\$ 166,288</u>
Liabilities				
Due to other governments	<u>\$ 271,681</u>	<u>\$ 1,647,489</u>	<u>\$ 1,752,882</u>	<u>\$ 166,288</u>

**GOODHUE COUNTY
RED WING, MINNESOTA
COMBING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	\$ 1,826,103	\$ 101,930,978	\$ 101,207,271	\$ 2,549,810
Accounts receivable	34,084	-	34,084	-
Due from other governments	39,899	-	39,899	-
Total Assets	\$ 1,900,086	\$ 101,930,978	\$ 101,281,254	\$ 2,549,810
Liabilities				
Due to other governments	\$ 1,900,086	\$ 101,930,978	\$ 101,281,254	\$ 2,549,810

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OTHER SCHEDULES

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Governmental Funds
Shared Revenue and Appropriations	
State	
Highway users tax	\$ 8,042,024
PERA rate reimbursement	61,078
Disparity reduction aid	29,145
Police aid	335,892
County program aid	1,428,035
Market value credit	452,228
Aquatic invasive species aid	64,570
Indian casino aid	31,728
Riparian Protection Aid	129,756
Enhanced 911	127,808
SCORE	139,459
	\$ 10,841,723
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 2,301,465
Payments	
Local	
Local contributions	\$ 82,770
Payments in lieu of taxes	270,541
	\$ 353,311
Grants	
State	
Minnesota Department/Board of	
Corrections	\$ 267,719
Health	350,402
Human Services	1,384,463
Natural Resources	153,960
Public Safety	238,254
Veterans Affairs	12,500
Water and Soil Resources	152,555
Peace Officer Standards and Training Board	15,260
	\$ 2,575,113

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE (CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Funds</u>
Grants (Continued)	
Federal	
Department of	
Agriculture	\$ 561,148
Education	2,416
Interior	9,753
Justice	5,219
Transportation	105,167
Health and Human Services	3,396,977
Homeland Security	50,184
	<hr/>
Total Federal	\$ 4,130,864
	<hr/>
Total State and Federal Grants	\$ 6,705,977
	<hr/>
Qualified Energy Conservation Bonds Interest Subsidy	\$ 37,049
	<hr/>
Total Intergovernmental Revenue	\$ 20,239,525
	<hr/> <hr/>

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**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN004W1003	\$ 184,729
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	<u>376,271</u>
Total U.S. Department of Agriculture			<u>\$ 561,000</u>
U.S. Department of the Interior			
Direct Payments in Lieu of Taxes	15.226	N/A, Direct	<u>\$ 9,753</u>
U.S. Department of Justice			
Direct Bulletproof Vest Partnership Program	16.607	N/A, Direct	<u>\$ 5,219</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	957271604	\$ 1,702
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	0018-14-3C	70,088

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Transportation (Continued)			
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	A-ENFRC16-2016- GOODHUSD-00031	\$ 19,716
National Priority Safety Programs	20.616	A-ENFRC16-2016- GOODHUSD-00031	6,522
(Total expenditures for Highway Safety Cluster \$23,851)			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC16-2016- GOODHUSD-00031	7,200
Total U.S. Department of Transportation			\$ 105,228
U.S. Department of Education			
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	H181A110029	\$ 1,450
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	U90TP000418	\$ 32,162
Immunization Cooperative Agreements	93.268	H23IP000781	2,800
Temporary Assistance for Needy Families	93.558	1601MNTANF	36,324
(Total Temporary Assistance for Needy Families 93.558 \$340,695)			
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	30,788
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	1601MNFPS	9,936
Temporary Assistance for Needy Families (TANF) Cluster Temporary Assistance for Needy Families	93.558	1601MNTANF	304,371
(Total Temporary Assistance for Needy Families 93.558 \$340,695)			
Child Support Enforcement	93.563	1604MNCEST	49,563
Child Support Enforcement	93.563	1604MNCSES	906,302
(Total Child Support Enforcement 93.563 \$955,865)			
Refugee and Entrant Assistance - State-Administered Programs	93.566	1701MNRNMA	962
Child Care and Development Block Grant	93.575	G1601MNCCDF	18,349
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	23,964
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	9,078
Foster Care - Title IV-E	93.658	1601MNFOST	414,300
Social Services Block Grant	93.667	G-1601MNSOSR	199,833
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	7,434
Children's Health Insurance Program	93.767	05-1505MN5021	519
Medical Assistance Program	93.778	05-1605MN5ADM	1,507,214
Total U.S. Department of Health and Human Services			\$ 3,553,899

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	3315FAS150127	\$ 5,875
Hazard Mitigation Grant	97.039	GOODHUECO-0003	45
Emergency Management Performance Grants	97.042	A-EMPG-2016- GOODHUCO-027	32,349
Passed Through Southeast Minnesota Regional Emergency Communications Board Homeland Security Grant Program	97.067	A-DECN-SHSP-2013 SERRB-0009	221
Total U.S. Department of Homeland Security			\$ 38,490
Total Federal Awards			\$ 4,275,039

The County did not pass through any federal awards to subrecipients during the year ended December 31, 2017.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017. 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% de minimis indirect cost rate allowed under the Uniform Guidance.

**GOODHUE COUNTY
RED WING, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

4. Reconciliation to Schedule of Intergovernmental Revenue

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 4,130,864
Grants deferred in 2016 and recognized in 2017	
Special Education - Grants for Infants and Families (CFDA #84.181)	(483)
Promoting Safe and Stable Families (CFDA #93.556)	(2,702)
Temporary Assistance for Needy Families (CFDA #93.558)	(34,871)
Child Care and Development Block Grant (CFDA #93.575)	(1,782)
Stephanie Tubbs Jones Child Welfare Services Program (CFDA #93.645)	(1,781)
Chafee Foster Care Independence Program (CFDA #93.674)	(2,622)
Emergency Management Performance Grants (CFDA #97.042)	(5,818)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	(5,876)
Grants deferred in 2017	
Promoting Safe and Stable Families (CFDA #93.556)	1,867
Temporary Assistance for Needy Families (CFDA #93.558)	67,439
Child Support Enforcement (CFDA #93.563)	123,136
Community-Based Child Abuse Prevention Grants (CFDA #93.590)	3,713
Stephanie Tubbs Jones Child Welfare Services Program (CFDA #93.645)	1,665
Chafee Foster Care Independence Program (CFDA #93.674)	2,290
	<hr/>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 4,275,039</u>

**GOODHUE COUNTY
RED WING, MINNESOTA
TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS**

	2016		2017		2018	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 68,562,515		\$ 71,424,481		\$ 74,806,046	
Personal property	1,109,849		2,011,198		2,284,411	
Tax increment	(363,705)		(325,969)		(286,312)	
Powerline	(8,768)		(80,583)		(99,201)	
Net Tax Capacity	\$ 69,299,891		\$ 73,029,127		\$ 76,704,944	
Taxes Levied for County Purposes						
General	\$ 17,624,167	26.406	\$ 19,100,484	27.038	\$ 19,454,339	26.222
Road and Bridge	3,638,442	5.266	3,925,955	5.376	4,126,069	5.379
Health & Human Services	5,218,251	7.552	5,596,974	7.664	7,044,686	9.184
Economic Development Authority	19,298	0.028	25,294	0.035	21,994	0.029
Debt Service	1,976,142	2.851	1,975,365	2.705	1,978,620	2.580
Waste Management	472,105	0.683	344,547	0.472	374,292	0.488
Total Taxes Levied for County Purposes	\$ 28,948,405	42.786	\$ 30,968,619	43.290	\$ 33,000,000	43.882
Tax Capacity - Light and Power						
Transmission	\$ 57,674		\$ 61,182		\$ 66,820	
Distribution	7,952		8,430		9,196	
Total Tax Capacity - Light and Power	\$ 65,626		\$ 69,612		\$ 76,016	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. 273.40, as amended)						
Transmission	\$ 62,394		\$ 67,887		\$ 74,975	
Distribution	8,603		9,354		10,318	
Total Light and Power Tax Levies	\$ 70,997	108.184	\$ 77,241	110.959	\$ 85,293	112.204

**GOODHUE COUNTY
RED WING, MINNESOTA
TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS
(CONTINUED)**

	2016		2017		2018	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Market Value - Light and Power						
Transmission	\$ 2,921,200		\$ 3,096,600		\$ 3,378,500	
Distribution	397,600		421,500		459,800	
Total Market Value - Light and Power	\$ 3,318,800		\$ 3,518,100		\$ 3,838,300	
Light and Power Market Value Levies						
Transmission	\$ 5,269		\$ 5,526		\$ 6,263	
Distribution	717		752		852	
Total Light and Power Tax Market Value Levies	\$ 5,986	0.18036	\$ 6,278	0.17845	\$ 7,115	0.18537
Market Value - State General Tax						
Transmission	\$ 57,674		\$ 61,182		\$ 66,820	
Distribution	7,952		8,430		9,196	
Total Market Value - State General Tax	\$ 65,626		\$ 69,612		\$ 76,016	
State General Tax Market Value Levies						
Transmission	\$ 28,053		\$ 28,023		\$ 29,311	
Distribution	3,868		3,861		4,034	
Total State General Tax Market Value Levies	\$ 31,921	48.641	\$ 31,884	45.802	\$ 33,345	43.866
Percentage of Tax Collections for All Purposes	99.48%		99.62%			

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**REPORTS RELATED TO GOVERNMENT
AUDITING STANDARDS AND SINGLE AUDIT**



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

Board of County Commissioners
Goodhue County
Red Wing, Minnesota

We have audited, in accordance with the 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 (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Goodhue County's basic financial statements, and have issued our report thereon dated September 24, 2018.

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 (internal control) 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 Goodhue County's internal control. Accordingly, we do not express an opinion on the effectiveness of Goodhue County's internal control.

A *deficiency in internal control* 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003 that we consider to be material weaknesses.

Compliance and Other Matters

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

Goodhue County’s Responses to Findings

Goodhue County’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Goodhue County’s responses were not subjected to auditing procedures applied in the audits 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 and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodhue County’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 24, 2018

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE**

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 *OMB Compliance Supplement* that could have a direct and material effect on each of Goodhue County's major federal programs for the year ended December 31, 2017. Goodhue County's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Goodhue County's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of Goodhue County's compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-005. Our opinion on each major federal program is not modified with respect to this matter.

County's Response to Finding

Goodhue County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Goodhue County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Goodhue County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Goodhue 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 a 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. 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. *A significant deficiency in internal control over compliance* is a deficiency, or a 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 attention by 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-004 through 2017-007 that we consider to be significant deficiencies.

County's Responses to Findings

Goodhue County's response to the internal control over noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Goodhue County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 24, 2018

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes no

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance
93.658	Title IV-E Foster Care

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Material Weaknesses-Financial Reporting

Audit Adjustments (2017-001)

Criteria: County management is responsible for establishing and maintaining internal controls for the proper recording of all the County's financial transactions.

Condition and Context: As part of the audit, we proposed account reclassification entries relating to the coding of receipts and disbursements, accruals, capital asset adjustments, and other reclassifications. These entries indicate a lack of controls over the year-end financial reporting process. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the County's internal control structure.

Cause: The County has a limited number of personnel.

Possible Effect: The design of the internal controls over recording receipts and disbursements, including reclassifications, could affect the County's ability to detect or prevent a misappropriation of assets or fraudulent activity.

Repeat Finding: Not applicable.

Recommendation: We recommend County management be consistently aware of all procedures and processes involved in recording receipts, disbursements, and reclassifications, and develop internal control policies to ensure proper recording of these items.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Kelly Bolin, Finance Controller

Corrective Action Planned: A corrective action plan is in place.

Anticipated Completion Date: December 31, 2018

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Financial Reporting Process (2017-002)

Criteria: County management is responsible for establishing and maintaining internal controls, including the monitoring and fair presentation of the financial statements in accordance with applicable accounting and reporting standards.

Condition and Context: As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements.

Cause: The County has a limited number of personnel.

Possible Effect: The design of the controls over the financial reporting process would affect the ability of the County to report their financial data consistently with the assertions of management in the financial statements.

Repeat Finding: Not applicable.

Recommendation: We recommend County management be aware of the responsibilities regarding financial reporting and continue to evaluate the cost/benefit of outsourcing this function. If management chooses to undertake these financial reporting responsibilities, a number of policies, procedures, and reviews will need to be developed and implemented.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Kelly Bolin, Finance Controller

Corrective Action Planned: A corrective action plan is in place.

Anticipated Completion Date: December 31, 2018

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Segregation of Duties - County Departments (2017-003)

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 and Context: 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.

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.

Possible 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.

Repeat Finding: Finding was a repeat finding from the prior year identified as Finding 2008-003.

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

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Kelly Bolin, Finance Controller

Corrective Action Planned: A corrective action plan is in place.

Anticipated Completion Date: December 31, 2018

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Formal Contracts (2017-004)

Federal Agency: U.S. Department of Health Services

Federal Program Title: Foster Care Title IV-E

CFDA Number: 93.658

Pass-Through Agency: Minnesota Department of Human Services

Pass-Through Grant Numbers: 1701MNFOST

Compliance Requirement Affected: Procurement

Award Period: January 1, 2017 to December 31, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: Formal contracts should be in place for all vendors used by the County, especially for material transactions.

Condition and Context: During our audit, we noted the Health and Human Services Department was not entering into formal contracts for all procurement vendors.

Cause: The County did not deem it necessary due to prior requirements.

Effect: The lack of formal contracts with vendors could result in noncompliance with reporting requirements.

Questioned Costs: Not applicable.

Repeat Finding: Not applicable.

Recommendation: We recommend the county establish, and implement, formal contracts with Health and Human Services vendors to provide reasonable assurance that information reported to pass through agencies is subject to formally initiated and maintained contracts.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Michael Zorn, Deputy Director.

Corrective Action Planned: A corrective action is in place.

Anticipated Completion Date: December 31, 2018

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Reporting (2017-005)

Federal Agency: US Department of Homeland Security

Federal Program Title: Port Security Grant

CFDA Number: 97.056

Pass Through Agency: N/A - Direct

Pass Through Numbers: A-DECN-SHSP-2013-SERRB-0009

Compliance Requirement Affected: Reporting

Award Period: January 1, 2017 to December 31, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. In addition, the Department of Homeland Security, *Notice of Funding Opportunity*, Fiscal Year 2017 Port Security Grant Program states Federal Financial Reports must submit quarterly reports no later than 30 days following the end of each quarter throughout the period of performance. Performance Progress Reports must be submitted on a biannual basis no later than 30 days following June 30 and December 31.

Condition: The County submitted three of the four quarterly Federal Financial Reports and both biannual Performance Progress Reports after the required deadline dates without review or approval of the quarterly Security Federal Financial Report by someone other than the preparer.

Context: Reporting deadlines were specified in the Department of Homeland Security, *Notice of Funding Opportunity*, Fiscal Year 2017 Port Security Grant Program.

Cause: County staff indicated they were not aware the reports should be reviewed/approved and were not aware reports needed to be submitted when there was no financial activity during the quarter.

Possible Effect: The lack of review and approval of the reports increases the potential risk that errors or omissions may occur and not be detected prior to submission of the reports to the Department of Homeland Security. Also, the County is not complying with reporting requirement deadlines.

Questioned Costs: Not applicable.

Repeat Finding: Yes – identified in prior year as Finding 2016-004

Recommendation: We recommend the County implement procedures to ensure reports are reviewed by someone other than the preparer prior to submission, documentation is maintained, and reports are submitted timely.

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Michael Zorn, Deputy Director.
Corrective Action Planned: A corrective action is in place.
Anticipated Completion Date: December 31, 2018

Formal Contracts (2017-006)

Federal Agency: U.S. Department of Health Services
Federal Program Title: Foster Care Title IV-E
CFDA Number: 93.658
Pass-Through Agency: Minnesota Department of Human Services
Pass-Through Grant Numbers: 1701MNFOST
Compliance Requirement Affected: Eligibility
Award Period: January 1, 2017 to December 31, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: Reports submitted to pass through agencies should be reviewed by someone other than the report preparer and this review should be formally documented.

Condition and Context: During our audit, we noted the quarterly LCTS reports and the annual LCTS spending reports were not reviewed by someone other than the person who prepared the report.

Cause: Past practice.

Effect: The lack of a formal review process increases the risk that reports filed may not be accurate.

Questioned Costs: Not applicable.

Repeat Finding: Not applicable.

Recommendation: We recommend the county implement procedures to ensure that all reports submitted to pass through agencies be reviewed by someone other than the report preparer and such review be formally documented.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Michael Zorn, Deputy Director.
Corrective Action Planned: A corrective action is in place.
Anticipated Completion Date: December 31, 2018

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Case File Reviews (2017-007)

Federal Agency: U.S. Department of Health Services

Federal Program Title: Medical Assistance (Medicaid Cluster)

CFDA Number: 93.778

Pass-Through Agency: Minnesota Department of Human Services

Pass-Through Grant Numbers: 05-1705MN5ADM, 05-1705MN5MAP

Compliance Requirement Affected: Eligibility

Award Period: January 1, 2017 to December 31, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: Standard internal control procedures recommend internal reviews over case file eligibility determinations to ascertain case workers are complying with state and federal requirements.

Condition and Context: The County does not have documented procedures in place to perform internal reviews of case files for proper eligibility determinations.

Cause: Past practice.

Effect: Errors made in determining eligibility may not be discovered and benefits may be issued to clients who are not eligible.

Questioned Costs: Not applicable.

Repeat Finding: Not applicable.

Recommendation: We recommend the county implement procedures to perform regular internal reviews on case files to determine that proper policies and procedures are being followed in determining eligibility.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Michael Zorn, Deputy Director.

Corrective Action Planned: A corrective action is in place.

Anticipated Completion Date: December 31, 2018

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

**ANNUAL DELEGATION OF AUTHORITY TO MAKE ELECTRONIC FUND TRANSFERS
(2017-008)**

Criteria: Minnesota Statutes 471.38 subd. 3 requires counties to annually delegate the authority to make electronic fund transfers to the Chief Financial Officer and send the certified delegations to the disbursing bank.

Condition and Context: The County does not annually delegate the authority to make electronic fund transfers to the Chief Financial Officer or the officer's designee and has not sent the certified delegations to the disbursing bank.

Possible Effect: The County is not in compliance with Minnesota Statutes.

Cause: Unknown.

Repeat Finding: Not applicable.

Recommendation: We recommend the County plan to delegate this authority annually and send a certified copy of that delegation of authority to the disbursing banks.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Brian Anderson, Chief Financial Officer.

Corrective Action Planned: A corrective action is in place.

Anticipated Completion Date: December 31, 2018

**GOODHUE COUNTY
RED WING, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

EFT TRANSACTIONS SUBMITTED TO THE BOARD (2017-009)

Criteria: Minnesota Statutes 471.38, subds. 3 and 3a requires a list of EFT transactions to be submitted to the Board at the next regular meeting after the transaction.

Condition and Context: A list of transactions is not submitted to the Board at the next regular meeting after the transaction, as this is part of the County's investment policy.

Cause: Unknown.

Possible Effect: The County is not in compliance with Minnesota State Statute.

Repeat Finding: Not applicable.

Recommendation: We recommend the County submits a list of transactions to be submitted to the Board at the next regular meeting after the EFT transaction takes place.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Brian Anderson, Interim Chief Financial Officer.

Corrective Action Planned: A corrective action is in place.

Anticipated Completion Date: December 31, 2018

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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, 2017, and the related notes to the financial statements, which collectively comprise the County's financial statements as listed in the table of contents and have issued our report thereon dated September 24, 2018.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minnesota Statutes §6.65 contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories except that we did not test for compliance with tax increment financing as the County has 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*, except as described in the schedule of findings and questioned costs as item 2017-008 and 2017-009. 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 Goodhue County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Goodhue County's written responses to the legal compliance findings identified in our audit are described in the schedule of findings and questioned costs. Goodhue County's responses are not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Board of County Commissioners
Goodhue County

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 24, 2018



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.