

GOODHUE COUNTY, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016

**GOODHUE COUNTY
RED WING, MINNESOTA**

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RED WING, MINNESOTA**

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INTRODUCTORY

**GOODHUE COUNTY
RED WING, MINNESOTA**

**CURRENT ORGANIZATION CHART
2016**

			<u>Term Expires</u>
Elected Officers			
Commissioners			
Chair	Dan Rechtzigel	District 3	January 2017
Vice Chair	Ronald Allen	District 1	January 2017
Board Member	Ted Seifert	District 5	January 2017
Board Member	Brad Anderson	District 2	January 2019
Board Member	Jason Majerus	District 4	January 2019
Attorney	Steven N. Betcher		January 2019
County Sheriff	Scott McNurlin		January 2019
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 2018



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Goodhue County
Red Wing, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodhue County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2016, in which Goodhue County has an equity interest. The SCHA is a joint venture discussed in Note 4.C. to the financial statements. The County's investment in the SCHA, \$3,031,085, represents 1.5 and 2.1 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have applied procedures on the conversion adjustment to the financial statements of the SCHA, which conform the financial reporting of the investment in joint venture to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amount included as an investment in joint venture, prior to these conversion adjustments, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Goodhue County as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the 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 and Other Information

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

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

The other information section, consisting of the Tax Capacity, Tax Rates, Levies, and Percentage of Collections, 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 7, 2017, on our consideration of Goodhue County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodhue County's internal control over financial reporting and compliance. It does not include the South Country Health Alliance joint venture, which was audited by other auditors.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 7, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**GOODHUE COUNTY
RED WING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016
(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, 2016. We encourage readers to consider the information presented here in conjunction with the County's financial activity and performance.

HIGHLIGHTS

- On December 31, 2016, Goodhue County's total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$146,428,585, of which \$125,919,390 is the net investment in capital assets and \$5,797,671 is restricted to specific purposes. This leaves year-end unrestricted net position of \$14,711,524.
- Overall program expenses for 2016 were \$65,095,038, an increase of \$6,557,192 (11 percent) from 2015. The largest area of increase was in public safety. Revenues increased by 6.34 percent, or \$3,520,346, during 2016. The largest area of increase can be found in operating grants and contributions, with SCORE Funds being received in 2016 but not in 2015. General revenues contributed \$32,897,009 towards program expenses, an increase of \$1,260,313 from the previous year.
- County debt of \$7,760,000 was issued in 2014, the majority of it for construction of highways with additional debt of \$10,720,000 being issued in March 2015. However, there was no new debt issued in 2016 as the County focused on paying down its outstanding debt.
- The Board continues to analyze long-range needs for the County's highways and streets.
- At the end of 2016, the General Fund's unassigned fund balance was \$12,273,309, which represents approximately 43 percent of expenditures for the year (\$28,562,377). In 2015, the General Fund's unassigned fund balance was \$11,238,959, which was approximately 39 percent of expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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, 2016, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$146,428,585. The following table provides a summary of Goodhue County's governmental net position, which decreased \$6,090,293 from the previous year.

**Table 1
Net Position**

	Governmental Activities		
	2016	2015	\$ Change
Assets			
Current and other assets	\$ 49,889,765	\$ 52,255,780	\$ (2,366,015)
Capital assets (net)	147,683,291	148,146,931	(463,640)
Total Assets	\$ 197,573,056	\$ 200,402,711	\$ (2,829,655)
Deferred Outflows of resources	\$ 22,813,332	\$ 2,990,675	\$ 19,822,657
Liabilities			
Long-term debt outstanding	\$ 66,736,050	\$ 45,260,659	\$ 21,475,391
Other liabilities	3,300,282	3,302,310	(2,028)
Total Liabilities	\$ 70,036,332	\$ 48,562,969	\$ 21,473,363
Deferred Inflows of Resources	\$ 3,921,471	\$ 2,311,539	\$ 1,609,932
Net Position			
Invested in capital assets, net of debt	\$ 125,919,390	\$ 129,239,009	\$ (3,319,619)
Restricted	5,797,671	5,701,457	96,214
Unrestricted	14,711,524	17,578,412	(2,866,888)
Total Net Position	\$ 146,428,585	\$ 152,518,878	\$ (6,090,293)

The largest portion of Goodhue County's net position, 86 percent, or approximately \$126 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, as well as roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Resources needed to repay the debt must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

An additional \$14.7 million of net position, or 10 percent, represents unrestricted net position that may be used to meet ongoing obligations to citizens and creditors. In 2016, unrestricted net position decreased by \$2,866,888.

Governmental Activities

Reflected in Table 2 are the changes in revenues and expenses sorted by activity. Total 2016 revenue for County governmental activities increased by 6.34 percent; expenses increased by 11.20 percent.

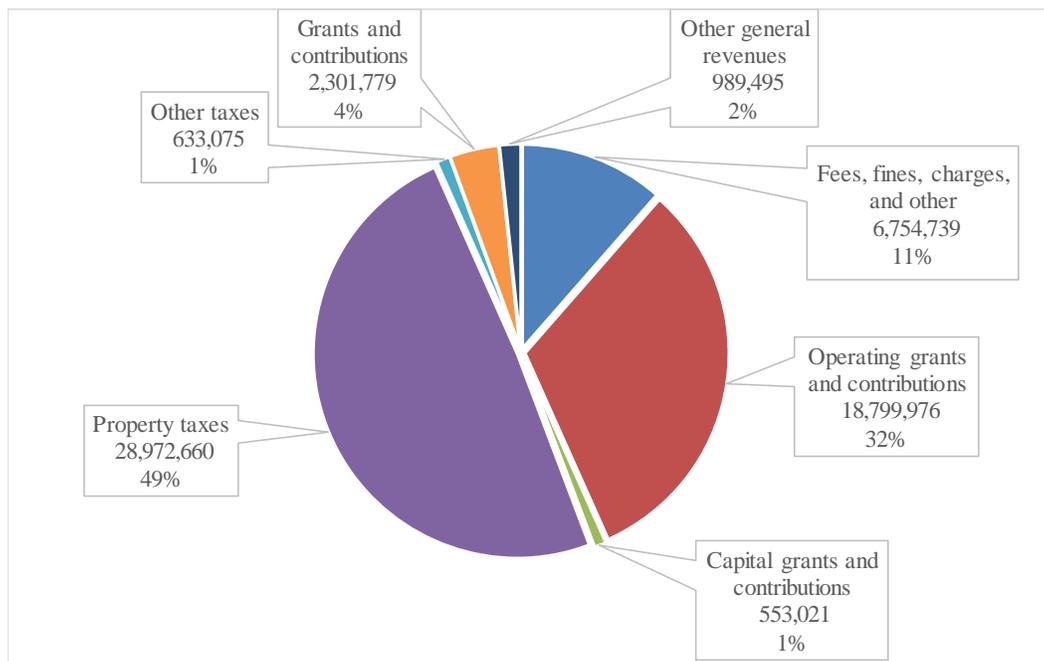
Table 2
Changes in Net Position

	Governmental Activities			
	2016	2015	\$ Change	% Change
Revenues				
Program Revenues				
Fees, fines, charges, and other	\$ 6,754,739	\$ 6,214,502	\$ 540,237	8.69%
Operating grants and contributions	18,799,976	16,904,819	1,895,157	11.21%
Capital grants and contributions	553,021	728,382	(175,361)	-24.08%
General Revenues				
Property taxes	28,972,660	27,805,768	1,166,892	4.20%
Other taxes	633,075	614,326	18,749	3.05%
Grants and contributions	2,301,779	2,200,257	101,522	4.61%
Other general revenues	989,495	1,016,345	(26,850)	-2.64%
Total Revenues	\$ 59,004,745	\$ 55,484,399	\$ 3,520,346	6.34%
Program Expenses				
General government	\$ 12,925,685	\$ 12,108,499	\$ 817,186	6.75%
Public safety	16,914,804	13,626,610	3,288,194	24.13%
Highways and streets	15,988,827	16,042,500	(53,673)	-0.33%
Sanitation	785,491	682,309	103,182	15.12%
Human services	12,521,486	10,933,174	1,588,312	14.53%
Health	4,009,596	3,053,450	956,146	31.31%
Culture and recreation	643,907	758,214	(114,307)	-15.08%
Conservation of natural resources	718,033	742,202	(24,169)	-3.26%
Economic development	27,672	58,793	(31,121)	-52.93%
Interest	559,537	532,095	27,442	5.16%
Total Program Expenses	\$ 65,095,038	\$ 58,537,846	\$ 6,557,192	11.20%
Increase (Decrease) in Net Position	\$ (6,090,293)	\$ (3,053,447)	\$ (3,036,846)	99.46%
Net Position - January 1	152,518,878	155,572,325	(3,053,447)	-1.96%
Net Position - December 31	\$ 146,428,585	\$ 152,518,878	\$ (6,090,293)	-3.99%

Overall, County governmental program revenues increased from \$23,847,703 in 2015 to \$26,107,736 in 2016, including an increase of \$1.9 million in operating grants and contributions. The County paid for the remaining “public benefit” portion of governmental activities with 2016 general revenue dollars of \$32,897,009, up \$1,260,313 from 2015. General revenues, which are made up of primarily taxes (up \$1,185,641), also include grants and miscellaneous (up \$74,672).

Total program expenditures reflect a net increase of 11 percent, with the biggest increase in expenses seen in public safety (up \$3.3 million, 24.13 percent). The program area where expenses were down the most was \$141,307, 18.64 percent, in culture and recreation.

**Governmental Activities
Revenues by Source**



Per Table 2, one can see the cost of all governmental activities in 2016 was \$65,095,038, compared to \$58,537,846 in 2015. 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 \$6,754,739 of the cost. For example, direct users are charged things such as building permit fees, recording fees, inmate boarding fees, etc. Another \$19,352,997 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 \$32,897,009.

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.

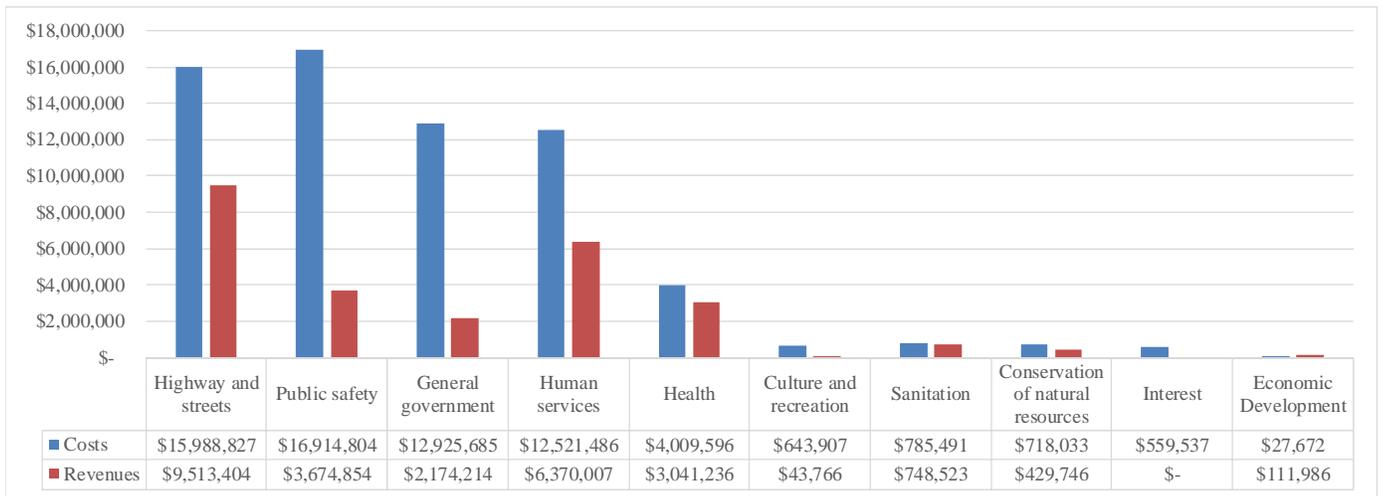
**Table 3
Governmental Activities
Costs of Services**

	Total Cost of Services		
	2016	2015	\$ Change
Public safety	\$ 16,914,804	\$ 13,626,610	\$ 3,288,194
Highway and streets	15,988,827	16,042,500	(53,673)
General government	12,925,685	12,108,499	817,186
Human services	12,521,486	10,933,174	1,588,312
Health	4,009,596	3,053,450	956,146
All others	2,734,640	2,773,613	(38,973)
Totals	\$ 65,095,038	\$ 58,537,846	\$ 6,557,192

	Net Cost of Services		
	2016	2015	\$ Change
Public safety	\$ 13,239,950	\$ 10,124,051	\$ 3,115,899
Highway and streets	6,475,423	7,914,686	(1,439,263)
General government	10,751,471	10,136,295	615,176
Human services	6,151,479	3,868,726	2,282,753
Health	968,360	631,767	336,593
All others	1,400,619	2,014,618	(613,999)
Totals	\$ 38,987,302	\$ 34,690,143	\$ 4,297,159

The net cost of services increased \$4,297,159, or 12 percent, compared to the previous year. As shown in the Table 3 above, Public Safety increased 24 percent. The following chart represents, by program, the costs incurred for these County services and the program revenues received in conjunction with those services. The difference leads to the amount of tax revenues needed to help offset operational costs.

**Governmental Activities
Costs and Program Revenues**



Fund Level Financial Analysis

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

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

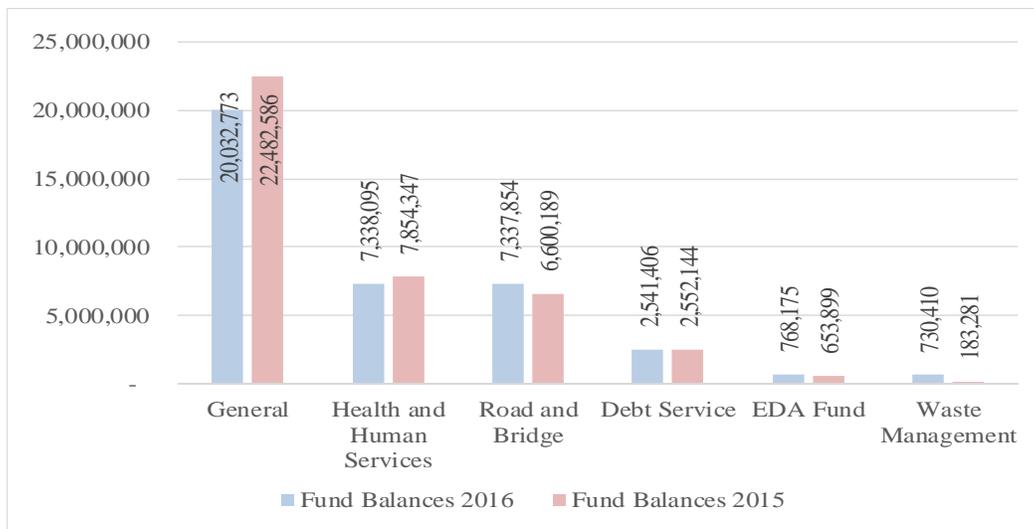
The focus of Goodhue County’s governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Therefore, the timing of cash flows is taken into account in the governmental fund financial statements, while it is disregarded in the government-wide statements. This information may be useful in evaluating governments’ near-term financing requirements as well as the available resources. Reconciliations of governmental funds to government-wide governmental activities which appear on pages 23 and 26 of the financial statements.

The County's Funds

Goodhue County utilizes five major governmental funds. These funds are: (1) General, (2) Road and Bridge Special Revenue, (3) Health and Human Services Special Revenue, (4) Economic Development Authority Special Revenue, and (5) Debt Service.

At year-end, the County's governmental funds (as presented in the balance sheet) reported a combined fund balance of \$38,748,713. This represents a decrease of \$1.6 million (3.9 percent) from December 31, 2015. A large part of this decrease 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 decreased by \$2,449,813, or 12.2 percent, in 2016. This was largely due to using up 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 \$7.3 million fund balance at the end of 2016 represents an increase of \$737,665 (11.2 percent) over 2015.

The Health and Human Services Special Revenue Fund exists to account for resources expended for public assistance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$7.3 million fund balance at the end of 2016, down \$516,252 from 2015. The fund continues to monitor spending, as approximately half of its revenue comes from other governmental sources.

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

The Debt Service Fund contains resources designated for the repayment of debt obligations - yearly principal and interest payments on existing bonds. Most of these funds are derived from tax revenues. The fund had \$2,541,406 in fund balance at the end of 2016, which is a decrease of \$10,738 compared to 2015. 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 27 of this report. Additional detail which breaks down the activity of these three funds can be found starting on page 92.

General Fund Budgetary Highlights

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

On December 31, 2016, the County's General Fund actual expenditures were \$1,624,725 less than projected budget. Capital projects, including information technology and security systems, had unfinished projects at year-end which led to its excess budget of \$277,129.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the County had \$147,683,291 invested in a broad range of capital assets, including land, buildings, equipment and infrastructure. (See Table 4 on page 15.) This represents a net decrease of \$463,640.

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

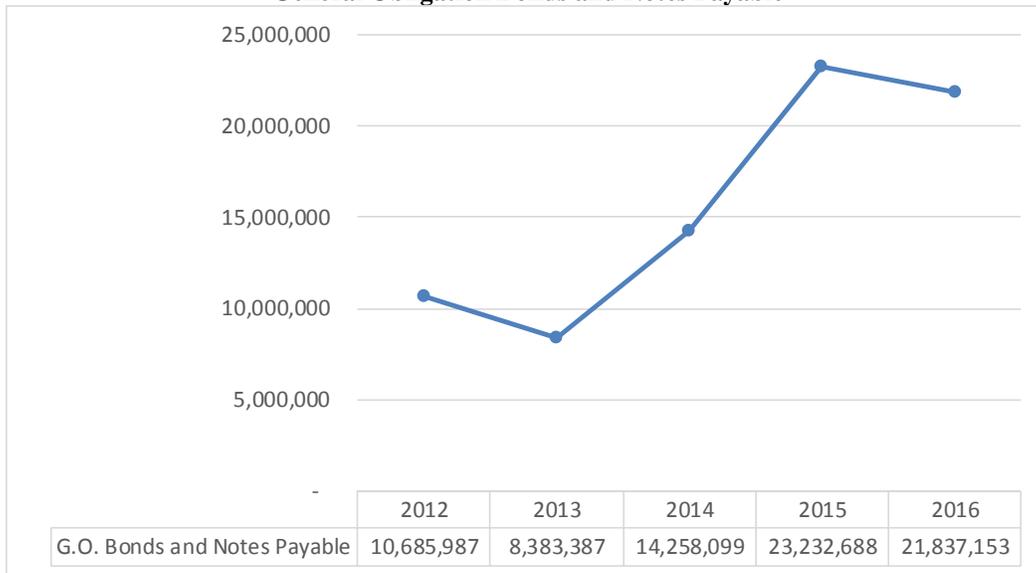
	Governmental Activities		
	2016	2015	\$ Change
Land	\$ 9,280,647	\$ 9,041,251	\$ 239,396
Construction in progress	2,508,470	13,456,959	(10,948,489)
Buildings and land improvements	25,076,551	19,688,299	5,388,252
Machineery, vehicles, furniture, and equipment	10,837,468	11,047,713	(210,245)
Infrastructure	99,980,155	94,912,709	5,067,446
Totals	\$ 147,683,291	\$ 148,146,931	\$ (463,640)

Debt Administration

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

As of December 31, 2016, the County had \$21,837,153 in bonds and notes outstanding. During the year, \$1,395,535 was paid off. No new debt was issued in 2016. Table 5 shows the annual debt activity.

Table 5
General Obligation Bonds and Notes Payable



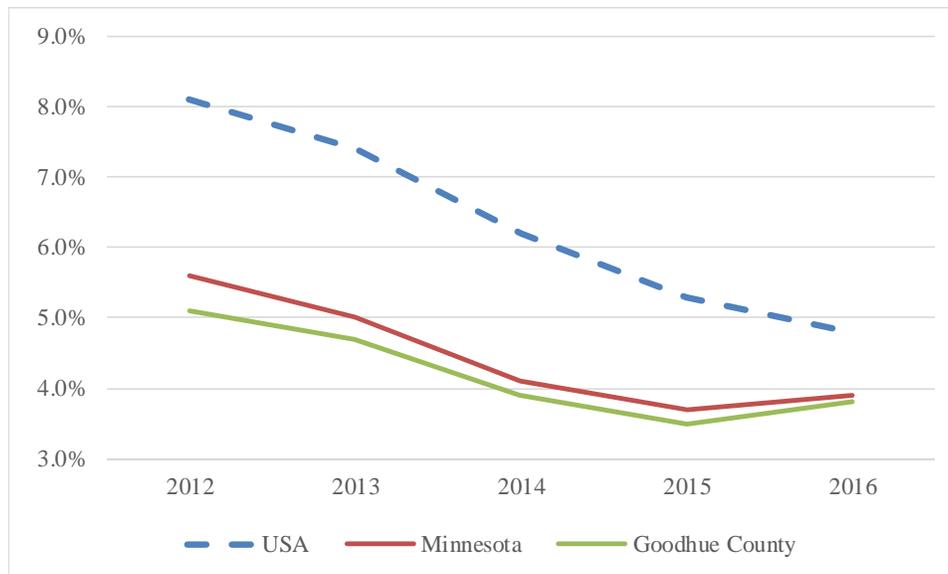
Other long-term liabilities on December 31, 2016, include: compensated absence liability (accrued vacation, sick leave and compensatory payable) of \$4,448,349; net pension liability of \$39,176,696; and landfill closure and postclosure care liability of \$945,371. More detailed information about the 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 2016 for the U.S., Minnesota, and Goodhue County was 4.8 percent, 3.9 percent, and 3.8 percent, respectively. This compared to 2015 of 5.3 percent, 3.7 percent, and 3.5 percent. As outlined in Table 6, Goodhue County and the State of Minnesota continue to trend well below national unemployment averages. Current 2016 average unemployment rates for June 2017 were 4.5 percent, 3.7 percent, and 3.5 percent for the U.S., Minnesota, and Goodhue County, respectively. Like all local units of government, we are very concerned about both the national and local economic conditions and the impacts on our County. We believe the County will continue to trend below the national average. The County is not aware of any work force reductions in the area with businesses continuing to strive for economic stability, followed by growth.

Table 6
Unemployment Rates - 5-Year Trend



Property Value Growth

Agricultural property values remained stable or declined slightly for Payable 2016.

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 2016 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 2016 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, 2016

Assets

Cash and pooled investments	\$	38,678,558
Petty cash and change funds		2,350
Taxes receivable		
Delinquent		415,473
Special assessments receivable		
Current		11,942
Accounts receivable		286,068
Accrued interest receivable		40,906
Loans receivable		887,676
Due from other governments		5,382,292
Inventories		429,675
Prepaid items		504,360
Restricted assets		
Cash and pooled investments		219,380
Investment in joint venture		3,031,085
Capital assets		
Non-depreciable		11,789,117
Depreciable - net of accumulated depreciation		135,894,174
		<u>197,573,056</u>
Total Assets	\$	<u>197,573,056</u>

Deferred Outflows of Resources

Deferred pension outflows	\$	<u>22,813,332</u>
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Liabilities

Accounts payable	\$	1,085,393
Salaries payable		893,783
Contracts payable		682,625
Due to other governments		395,949
Accrued interest payable		225,989
Customer deposits		16,543
Long-term liabilities		
Due within one year		3,173,968
Due in more than one year		24,385,386
Net pension liability		39,176,696
		<u>70,036,332</u>
Total Liabilities	\$	<u>70,036,332</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

STATEMENT OF NET POSITION (CONTINUED)
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Deferred Inflows of Resources

Deferred pension inflows	\$ <u>3,921,471</u>
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Net Position

Net investment in capital assets	\$ 125,919,390
Restricted for	
General government	344,683
Public safety	246,079
Highways and streets	3,676,969
Sanitation	64,085
Conservation of natural resources	133,586
Economic development	623,069
Debt service	298,846
Landfill postclosure	219,380
Gravel pit postclosure	190,974
Unrestricted	<u>14,711,524</u>
Total Net Position	\$ <u>146,428,585</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 12,925,685	\$ 1,925,997	\$ 248,217	\$ -	\$ (10,751,471)
Public safety	16,914,804	2,305,994	1,112,610	256,250	(13,239,950)
Highways and streets	15,988,827	276,882	8,939,751	296,771	(6,475,423)
Sanitation	785,491	232,778	515,745	-	(36,968)
Human services	12,521,486	920,149	5,449,858	-	(6,151,479)
Health	4,009,596	875,477	2,165,759	-	(968,360)
Culture and recreation	643,907	-	43,766	-	(600,141)
Conservation of natural resources	718,033	105,476	324,270	-	(288,287)
Economic development	27,672	111,986	-	-	84,314
Interest	559,537	-	-	-	(559,537)
Total Governmental Activities	\$ 65,095,038	\$ 6,754,739	\$ 18,799,976	\$ 553,021	\$ (38,987,302)
General Revenues					
Property taxes				\$ 28,972,660	
Gravel taxes				81,024	
Mortgage registry and deed tax				53,979	
Wheelage tax				498,072	
Payments in lieu of tax				224,129	
Grants and contributions not restricted to specific programs				2,301,779	
Unrestricted investment earnings				235,490	
Miscellaneous				529,876	
Total general revenues				\$ 32,897,009	
Change in net position				\$ (6,090,293)	
Net Position - Beginning				152,518,878	
Net Position - Ending				\$ 146,428,585	

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**GOODHUE COUNTY
RED WING, MINNESOTA**

BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road and Bridge
Assets		
Cash and pooled investments	\$ 20,737,808	\$ 7,300,604
Petty cash and change funds	1,675	50
Taxes receivable		
Delinquent	251,123	53,266
Special assessments		
Current	-	-
Accounts receivable	76,140	17,776
Accrued interest receivable	40,906	-
Due from other funds	2,258	1,971
Due from other governments	478,685	3,877,919
Prepaid items	349,935	36,850
Inventories	-	429,675
Loans receivable	10,069	-
Restricted assets		
Cash and pooled investments	-	-
	\$ 21,948,599	\$ 11,718,111
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	\$ 565,987	\$ 76,620
Salaries payable	548,184	69,722
Contracts payable	342,382	340,243
Due to other funds	1,971	-
Due to other governments	44,129	8,224
Customer deposits	16,543	-
	\$ 1,519,196	\$ 494,809
Deferred Inflows of Resources		
Unavailable revenue	\$ 396,630	\$ 3,885,448
Fund Balances		
Nonspendable	\$ 349,935	\$ 466,525
Restricted	979,407	-
Committed	4,765,685	495,437
Assigned	1,664,437	6,375,892
Unassigned	12,273,309	-
	\$ 20,032,773	\$ 7,337,854
Total Fund Balances	\$ 20,032,773	\$ 7,337,854
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 21,948,599	\$ 11,718,111

<u>Health and Human Services</u>	<u>Economic Development Authority</u>	<u>Debt Service</u>	<u>Nonmajor Fund Waste Management</u>	<u>Total</u>
\$ 7,161,814	\$ 418,438	\$ 2,541,947	\$ 517,947	\$ 38,678,558
550	-	-	75	2,350
75,285	240	29,590	5,969	415,473
-	-	11,942	-	11,942
171,650	-	-	20,502	286,068
-	-	-	-	40,906
-	-	-	-	4,229
1,025,248	-	-	440	5,382,292
113,053	-	456	4,066	504,360
-	-	-	-	429,675
-	877,607	-	-	887,676
-	-	-	219,380	219,380
<u>\$ 8,547,600</u>	<u>\$ 1,296,285</u>	<u>\$ 2,583,935</u>	<u>\$ 768,379</u>	<u>\$ 46,862,909</u>
\$ 422,756	\$ -	\$ 4,825	\$ 15,205	\$ 1,085,393
262,074	-	-	13,803	893,783
-	-	-	-	682,625
2,258	-	-	-	4,229
339,048	-	2,551	1,997	395,949
-	-	-	-	16,543
<u>\$ 1,026,136</u>	<u>\$ -</u>	<u>\$ 7,376</u>	<u>\$ 31,005</u>	<u>\$ 3,078,522</u>
<u>\$ 183,369</u>	<u>\$ 528,110</u>	<u>\$ 35,153</u>	<u>\$ 6,964</u>	<u>\$ 5,035,674</u>
\$ 113,053	\$ -	\$ 456	\$ 4,066	\$ 934,035
-	604,283	298,846	219,380	2,101,916
150,550	163,892	2,242,104	35,075	7,852,743
7,074,492	-	-	471,889	15,586,710
-	-	-	-	12,273,309
<u>\$ 7,338,095</u>	<u>\$ 768,175</u>	<u>\$ 2,541,406</u>	<u>\$ 730,410</u>	<u>\$ 38,748,713</u>
<u>\$ 8,547,600</u>	<u>\$ 1,296,285</u>	<u>\$ 2,583,935</u>	<u>\$ 768,379</u>	<u>\$ 46,862,909</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, 2016

Fund balances - total governmental funds		\$ 38,748,713
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.		147,683,291
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		3,031,085
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		5,035,674
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		22,813,332
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	\$ (21,750,000)	
Revenue bonds	(12,187)	
Bond issuance discounts	24,071	
Bond issuance premiums	(352,552)	
Notes payable	(74,966)	
Net pension liability	(39,176,696)	
Compensated absences	(4,448,349)	
Accrued interest payable	(225,989)	
Landfill postclosure care liability	<u>(945,371)</u>	(66,962,039)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(3,921,471)</u>
Net Position of Governmental Activities		<u><u>\$ 146,428,585</u></u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Road and Bridge
Revenues		
Taxes	\$ 17,930,826	\$ 4,321,278
Special assessments	-	-
Licenses and permits	455,600	16,120
Intergovernmental	4,099,399	9,124,342
Charges for services	2,794,250	19,190
Fines and forfeits	12,512	-
Gifts and contributions	58,894	-
Investment earnings	235,802	-
Miscellaneous	1,477,054	49,075
Total Revenues	\$ 27,064,337	\$ 13,530,005
Expenditures		
Current		
General government	\$ 13,625,210	\$ -
Public safety	13,620,842	-
Highways and streets	-	12,615,176
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	586,953	53,247
Conservation of natural resources	711,804	-
Economic development	-	-
Debt service		
Principal	17,568	-
Interest	-	-
Administrative (fiscal) charges	-	-
Intergovernmental		
Highways and streets	-	462,724
Total Expenditures	\$ 28,562,377	\$ 13,131,147
Excess of Revenues Over (Under) Expenditures	\$ (1,498,040)	\$ 398,858
Other Financing Sources (Uses)		
Transfers in	\$ 7,500	\$ 352,315
Transfers out	(978,662)	-
Proceeds from sale of capital assets	19,389	-
Total Other Financing Sources (Uses)	\$ (951,773)	\$ 352,315
Change in Fund Balance	\$ (2,449,813)	\$ 751,173
Fund Balance - January 1	22,482,586	6,600,189
Increase (decrease) in inventories	-	(13,508)
Fund Balance - December 31	\$ 20,032,773	\$ 7,337,854

<u>Health and Human Services</u>	<u>Economic Development Authority</u>	<u>Debt Service</u>	<u>Nonmajor Fund Waste Management</u>	<u>Total</u>
\$ 5,143,475	\$ 19,025	\$ 1,947,795	\$ 464,239	\$ 29,826,638
-	-	19,038	-	19,038
-	-	-	5,369	477,089
7,964,274	357	73,616	524,127	21,786,115
1,109,978	93,200	-	60,212	4,076,830
-	-	-	-	12,512
31,030	-	-	-	89,924
-	-	-	329	236,131
456,238	19,366	-	166,305	2,168,038
\$ 14,704,995	\$ 131,948	\$ 2,040,449	\$ 1,220,581	\$ 58,692,315
\$ -	\$ -	\$ -	\$ -	\$ 13,625,210
-	-	-	-	13,620,842
-	-	-	-	12,615,176
-	-	-	735,911	735,911
12,445,627	-	-	-	12,445,627
3,322,008	-	-	-	3,322,008
-	-	-	-	640,200
-	-	-	-	711,804
-	27,672	-	-	27,672
-	-	1,377,967	-	1,395,535
-	-	659,013	-	659,013
-	-	14,207	-	14,207
-	-	-	-	462,724
\$ 15,767,635	\$ 27,672	\$ 2,051,187	\$ 735,911	\$ 60,275,929
\$ (1,062,640)	\$ 104,276	\$ (10,738)	\$ 484,670	\$ (1,583,614)
\$ 553,888	\$ 10,000	\$ -	\$ 62,459	\$ 986,162
(7,500)	-	-	-	(986,162)
-	-	-	-	19,389
\$ 546,388	\$ 10,000	\$ -	\$ 62,459	\$ 19,389
\$ (516,252)	\$ 114,276	\$ (10,738)	\$ 547,129	\$ (1,564,225)
7,854,347	653,899	2,552,144	183,281	40,326,446
-	-	-	-	(13,508)
\$ 7,338,095	\$ 768,175	\$ 2,541,406	\$ 730,410	\$ 38,748,713

**GOODHUE COUNTY
RED WING, MINNESOTA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net change in fund balances - total governmental funds **\$ (1,564,225)**

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	\$ 5,035,674	
Unavailable revenue - January 1	<u>(4,803,333)</u>	232,341

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	\$ 5,784,293	
Net book value of assets sold	(137,193)	
Current year depreciation	<u>(6,110,740)</u>	(463,640)

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. (1,098,689)

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		
Expenditures for principal retirement		1,395,535

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	\$ 16,554	
Change in net pension liability	(22,883,321)	
Change in accrued interest payable	97,129	
Change in landfill postclosure care liability	(12,229)	
Change in compensated absences	8,070	
Change in deferred outflows of resources	19,822,657	
Change in deferred inflows of resources	(1,626,967)	
Change in inventories	<u>(13,508)</u>	<u>(4,591,615)</u>

Change in Net Position of Governmental Activities **\$ (6,090,293)**

FIDUCIARY FUNDS

**GOODHUE COUNTY
RED WING, MINNESOTA**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	<u>Agency Funds</u>
Assets	
Cash and pooled investments	\$ 1,826,103
Accounts receivable	34,084
Due from other governments	<u>39,899</u>
Total Assets	<u>\$ 1,900,086</u>
Liabilities	
Due to other governments	<u>\$ 1,900,086</u>
Total Liabilities	<u>\$ 1,900,086</u>

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**GOODHUE COUNTY
RED WING, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies

Goodhue County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Blended Component Unit

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the 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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Director for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2016, 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 2016 were \$236,161.

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**

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 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**

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**

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. Unearned Revenue

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

8. Long-Term Obligations

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

9. Pension Plan

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

10. 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**

1. Summary of Significant Accounting Policies (Continued)

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

10. 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 two types of items, unavailable revenue and deferred pension inflows, 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.

11. Classification of Net Position

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

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

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law though 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**

1. Summary of Significant Accounting Policies (Continued)

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

12. Classification of Fund Balances

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

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

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

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

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

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

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

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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**

1. Summary of Significant Accounting Policies (Continued)

E. Revenues (Continued)

Imposed Nonexchange Transactions

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

Intergovernmental

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

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

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

Exchange Transactions

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. 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	\$ 38,678,558
Petty cash and change funds	2,350
Restricted cash	219,380
Fiduciary funds	
Agency funds	
Cash and pooled investments	<u>1,826,103</u>
Total Cash and Investments	<u>\$ 40,726,391</u>
Deposits	\$ 16,693,388
Petty cash and change funds	2,350
Investments	<u>24,030,653</u>
Total	<u>\$ 40,726,391</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

a. Deposits

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

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, 2016, 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**

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, 2016, Goodhue County's investments were exposed to custodial credit risk of \$18,539,940 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**

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, 2016, and information relating to potential custodial and concentration credit risks:

Investment - Issuer	Credit Risk		Concentration Risk (%)	Carrying (Fair) Value
	Credit Rating	Rating Agency		
Mutual Funds				
MAGIC - cash management funds	N/A	N/A	N/A	\$ 5,032
Wells Fargo Brokerage - money market mutual funds	Aaa	Moody's	N/A	<u>5,366,395</u>
Total mutual funds				\$ 5,371,427
Bonds				
Small Business Administration			N/A	90,726
Wells fargo Brokerage			N/A	
EE U.S. Savings Bonds	N/A	N/A	N/A	30,675
Negotiable certificates of deposit	N/A	N/A	**	<u>18,537,825</u>
Total Investments				<u>\$ 24,030,653</u>

N/A - Not Applicable

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

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
Bonds				
Small Business Administration	\$ 90,726	\$ -	\$ -	\$ 90,726
EE U.S. Savings Bonds	30,675	-	-	30,675
Total bonds	<u>\$ 121,401</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,401</u>
Negotiable certificates of deposit	<u>\$ 18,537,825</u>	<u>\$ 18,039,495</u>	<u>\$ 498,330</u>	<u>\$ -</u>
Total Investments Subject to Interest Rate Risk	<u>\$ 18,659,226</u>	<u>\$ 18,039,495</u>	<u>\$ 498,330</u>	<u>\$ 121,401</u>
Investments not subject to interest rate risk	<u>5,371,427</u>			
Total Investments	<u><u>\$ 24,030,653</u></u>			

**GOODHUE COUNTY
RED WING, MINNESOTA**

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 which 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**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (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	\$ -	\$ 18,537,825	\$ -	\$ 18,537,825
U.S. Government Securities	-	121,401	-	121,401
Total Investments at Fair Value	<u>\$ -</u>	<u>\$ 18,659,226</u>	<u>\$ -</u>	<u>\$ 18,659,226</u>
Investments Measured at Net Asset Value (NAV)				
Wells Fargo Mutual Fund				5,366,395
MAGIC Fund				5,032
Total Investments				<u>\$ 24,030,653</u>
Deposits				16,693,388
Petty Cash				2,350
Total Deposits and Investments				<u>\$ 40,726,391</u>

All level 2 securities are valued using fair value based on the securities relationship to benchmark quoted prices. The County invests in the Wells Fargo Mutual Fund which is published at net asset value per share. The County invests in this mutual fund 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. The MAGIC portfolio is valued using amortized cost. Shares of the MAGIC portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a portfolio's securities or determination of its net asset value not reasonably practical.

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2016, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 415,473	\$ -
Special Assessments	11,942	-
Accounts	286,068	-
Interest	40,906	-
Loans	887,676	830,436
Due from other governments	5,382,292	-
Total Governmental Activities	\$ 7,024,357	\$ 830,436

Of the loans receivable, \$877,607 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 \$820,367 in MIF flood loans that are not scheduled for collection in the subsequent year.

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 9,041,251	\$ 239,396	\$ -	\$ 9,280,647
Construction in progress	<u>13,456,959</u>	<u>3,515,172</u>	<u>14,463,661</u>	<u>2,508,470</u>
Total capital assets not depreciated	<u>\$ 22,498,210</u>	<u>\$ 3,754,568</u>	<u>\$ 14,463,661</u>	<u>\$ 11,789,117</u>
Capital assets depreciated				
Land improvements	\$ 252,269	\$ -	\$ -	\$ 252,269
Buildings	35,964,862	6,317,556	74,556	42,207,862
Machinery, furniture, and equipment	21,133,370	1,260,320	1,675,601	20,718,089
Infrastructure	<u>169,446,355</u>	<u>8,915,510</u>	<u>637,960</u>	<u>177,723,905</u>
Total capital assets depreciated	<u>\$ 226,796,856</u>	<u>\$ 16,493,386</u>	<u>\$ 2,388,117</u>	<u>\$ 240,902,125</u>
Less: accumulated depreciation				
Land improvements	\$ 110,646	\$ 9,658	\$ -	\$ 120,304
Buildings	16,418,186	904,938	59,848	17,263,276
Machinery, furniture, and equipment	10,085,657	1,359,073	1,564,109	9,880,621
Infrastructure	<u>74,533,646</u>	<u>3,837,071</u>	<u>626,967</u>	<u>77,743,750</u>
Total accumulated depreciation	<u>\$ 101,148,135</u>	<u>\$ 6,110,740</u>	<u>\$ 2,250,924</u>	<u>\$ 105,007,951</u>
Total capital assets depreciated, net	<u>125,648,721</u>	<u>10,382,646</u>	<u>137,193</u>	<u>135,894,174</u>
Capital Assets, Net	<u>\$ 148,146,931</u>	<u>\$ 14,137,214</u>	<u>\$ 14,600,854</u>	<u>\$ 147,683,291</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

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	\$	1,013,361
Public Safety		594,298
Highways and streets, including depreciation of infrastructure assets		4,347,775
Health and human services		80,839
Sanitation		70,760
Culture and recreation		3,707
		<u>3,707</u>
Total Depreciation Expense - Governmental Activities	\$	<u>6,110,740</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2016, 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	\$ 2,258
Road and Bridge	General	1,971
		<u>1,971</u>
Total Due to/From Other Funds		<u>\$ 4,229</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**

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, 2016, 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	1,708	OEM training drills
	350,607	Capital expenditures
Transfers to Health and Human services Fund from General Fund	10,060	Capital expenditures
	149,403	Commitment for out-of-home placements
	6,705	Software license/maintenance
	95,197	Termination payments
	5,396	OEM training drills
	268,308	Citizen's building furniture, fixtures, and equipment
	18,819	Websense Security
Transfers to Economic Development Authority Fund from General Fund	10,000	1916 tax incentives
Transfers to Waste Management Fund from General Fund	457	OEM training drills
	<u>62,002</u>	Capital Expenditures
Total Interfund Transfers	<u>\$ 986,162</u>	

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2016, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 1,085,393
Salaries	893,783
Contracts	682,625
Due to other governments	<u>395,949</u>
Total Payables	<u>\$ 3,057,750</u>

2. Capital Leases

The County has not entered into any capital lease agreements as of December 31, 2016.

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2016</u>
General obligation bonds					
1997B G.O. Revenue Bonds: Welch Village	2018	\$3,036 - \$4,094	1.58%	\$ 143,750	\$ 12,187
1998, 2001, and 2003 G.O. Revenue Notes	2023	\$1,274 - \$8,784	0%	175,670	74,966
2012A CIP Highway Project Bonds	2023	\$405,000 - \$1,720,000	0.5% - 1.85%	5,065,000	2,940,000
2014A G.O. CIP Highway Project Bonds	2025	\$695,000 - \$965,000	2.0% - 2.5%	7,760,000	6,795,000
2012B Taxable QECB Bonds	2027	\$1,295,000	3.45%	1,295,000	1,295,000
2015A G.O. CIP Citizen's Remodel & Other Bonds	2030	\$180,000 - \$1,710,000	2.0% - 3.0%	10,720,000	10,720,000
Total General Obligation Bonds and Notes				<u>\$ 25,159,420</u>	<u>\$ 21,837,153</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	General Obligation CIP Bonds	
	Principal	Interest
2017	\$ 1,280,000	\$ 531,850
2018	1,300,000	510,530
2019	1,325,000	488,094
2020	1,345,000	464,628
2021	1,370,000	439,060
2022-2026	7,290,000	1,709,245
2027-2030	7,840,000	422,314
Total	<u>\$ 21,750,000</u>	<u>\$ 4,565,721</u>

Year Ending December 31	General Obligation Revenue Bonds		General Obligation Revenue Notes	
	Principal	Interest	Principal	Interest
2017	\$ 8,093	\$ 161	\$ 17,568	\$ -
2018	4,094	32	17,568	-
2019	-	-	11,568	-
2020	-	-	11,568	-
2021	-	-	11,568	-
2022-2023	-	-	5,126	-
Total	<u>\$ 12,187</u>	<u>\$ 193</u>	<u>\$ 74,966</u>	<u>\$ -</u>

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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows and Resources (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activity					
Long-Term Liabilities					
Bonds and notes payable					
G.O. bonds	\$ 23,120,000	\$ -	\$ 1,370,000	\$ 21,750,000	\$ 1,280,000
G.O. revenue bonds	20,154	-	7,967	12,187	8,093
G.O. notes	92,534	-	17,568	74,966	17,568
Deferred amounts					
For issuance premiums	372,113	-	19,561	352,552	-
For issuance discounts	(27,078)	-	(3,007)	(24,071)	-
Total bonds and notes payable	\$ 23,577,723	\$ -	\$ 1,412,089	\$ 22,165,634	\$ 1,305,661
Closure and postclosure care	933,142	12,229	-	945,371	-
Compensated absences	4,456,419	1,619,648	1,627,718	4,448,349	1,868,307
Governmental Activity					
Long-Term Liabilities	<u>\$ 28,967,284</u>	<u>\$ 1,631,877</u>	<u>\$ 3,039,807</u>	<u>\$ 27,559,354</u>	<u>\$ 3,173,968</u>

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows and Resources (Continued)

6. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County officially closed the landfill on December 20, 1996. The \$945,371 landfill closure and postclosure care liability at December 31, 2016, is based on what it would cost to perform all closure and postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Not included in the above liability are \$845,728 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, 2016, investments of \$219,380 are held for these purposes. These are reported as restricted assets on the balance sheet.

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

7. Unearned Revenue/Deferred Inflows of Resources

As of December 31, 2016, the various components of unearned and unavailable revenue were as follows:

	Unavailable Revenue
Delinquent property taxes	\$ 322,208
Special assessments	11,942
Loans receivable	537,998
Intergovernmental	4,120,353
Charges for services	36,106
Licenses and permits	140
Other	6,927
Total Governmental Funds	\$ 5,035,674

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

D. Fund Balance

Nonspendable, Restricted, Committed, and Assigned Fund Balances

Fund balances of the governmental funds were designated as follows at December 31, 2016.

<u>Nonspendable</u>	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>	<u>Waste Management Fund</u>	<u>Economic Development Authority</u>	<u>Debt Service</u>
Prepaid items	\$ 349,935	\$ 36,850	\$ 113,053	\$ 4,066	\$ -	\$ 456
Inventories	-	429,675	-	-	-	-
Total Nonspendable Fund Balance	<u>\$ 349,935</u>	<u>\$ 466,525</u>	<u>\$ 113,053</u>	<u>\$ 4,066</u>	<u>\$ -</u>	<u>\$ 456</u>
<u>Restricted</u>						
Unclaimed funds	\$ 782	\$ -	\$ -	\$ -	\$ -	\$ -
Gravel pit postclosure	190,974	-	-	-	-	-
Law library	64,749	-	-	-	-	-
Attorney's forfeiture activities	4,896	-	-	-	-	-
Attorney's victim assistance	6,155	-	-	-	-	-
Recorder's technology equipment	150,229	-	-	-	-	-
Recorder's compliance fund	101,520	-	-	-	-	-
Veteran's operational grant	8,459	-	-	-	-	-
Veteran's transportation	7,892	-	-	-	-	-
Aquatic invasive species prevention	130,733	-	-	-	-	-
Sheriff's counteract	8,146	-	-	-	-	-
Sheriff's K-9 donations	13,405	-	-	-	-	-
Gun permit activities	14,216	-	-	-	-	-
Sheriff's contingency	464	-	-	-	-	-
E-911	132,062	-	-	-	-	-
Correction service fee	15,198	-	-	-	-	-
Local correctional fees	62,589	-	-	-	-	-
County ditch #1	2,853	-	-	-	-	-
Individual sewage treatment systems	64,085	-	-	-	-	-
Landfill closure/postclosure	-	-	-	219,380	-	-
Debt (QECB lump sum due 2/1/2027)	-	-	-	-	-	298,846
EDA loan program (1998 IHP)	-	-	-	-	57,320	-
EDA loan program (2010MIF)	-	-	-	-	546,963	-
Total Restricted Fund Balance	<u>\$ 979,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,380</u>	<u>\$ 604,283</u>	<u>\$ 298,846</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

D. Fund Balance (Continued)

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

<u>Committed</u>	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>	<u>Economic Development Authority</u>	<u>Waste Management Fund</u>	<u>Debt Service</u>
Petty cash and change funds	\$ 1,675	\$ 50	\$ 550	\$ -	\$ 75	\$ -
Debt service	-	-	-	-	-	2,242,104
Economic development	-	-	-	163,892	-	-
Landfill transfer station	-	-	-	-	35,000	-
Land use/environmental ordinance	205,332	-	-	-	-	-
Railroad Authority	9,680	-	-	-	-	-
Compensated absenses	790,935	-	-	-	-	-
27th payroll - future years	296,741	-	-	-	-	-
Tax court settlements	226,500	-	-	-	-	-
Natural, technological, human-caused hazards	1,000,000	-	-	-	-	-
Tax-forfieted property funding	8,468	-	-	-	-	-
Capital purchases	2,187,813	-	-	-	-	-
Byllesby Dam	38,541	-	-	-	-	-
Byllesby Park and Trail	-	313,134	-	-	-	-
out-of-home placement budget deficits	-	-	150,000	-	-	-
TH 52 development and construction	-	182,253	-	-	-	-
Total Committed Fund Balance	<u>\$ 4,765,685</u>	<u>\$ 495,437</u>	<u>\$ 150,550</u>	<u>\$ 163,892</u>	<u>\$ 35,075</u>	<u>\$ 2,242,104</u>
<u>Assigned</u>						
Highways & streets	\$ -	\$ 6,366,367	\$ -	\$ -	\$ -	\$ -
Health & human services	-	-	6,169,492	-	-	-
Sanitation (waste management)	-	-	-	-	471,889	-
Motor pool	33,392	-	-	-	-	-
Employee training & development	38,420	-	-	-	-	-
County program aid contingency	1,518,111	-	-	-	-	-
Building contingencies	74,514	-	-	-	-	-
Township turnback	-	9,525	-	-	-	-
E-document compass/onbase case mgmt	-	-	305,000	-	-	-
Potential state/federal funding cuts	-	-	250,000	-	-	-
Technology improvements	-	-	-	-	-	-
State hospital expenditures	-	-	200,000	-	-	-
Foster care budget deficits	-	-	150,000	-	-	-
Total Assigned Fund Balance	<u>\$ 1,664,437</u>	<u>\$ 6,375,892</u>	<u>\$ 7,074,492</u>	<u>\$ -</u>	<u>\$ 471,889</u>	<u>\$ -</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

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 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement 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 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. 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 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**GOODHUE COUNTY
RED WING, MINNESOTA**

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 percent and 6.50 percent, respectively, of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2016.

In 2016, 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**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

3. Contributions (Continued)

The County's contributions for the year ending December 31, 2016, to the pension plans were:

	<u>2016</u>
General Employees Retirement Plan	\$ 1,156,029
Public Employees Police and Fire Plan	494,991
Public Employees Correctional Plan	234,946

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of \$20,566,707 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was .2533 percent. It was .2420 percent measured as of June 30, 2015. The County recognized pension expense of \$2,764,700 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$80,090 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

4. Pension Costs (Continued)

General Employees Retirement Plan (Continued)

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

County's proportionate share of the net pension liability	\$	20,566,707
State of Minnesota's proportionate share of the net pension liability associated with the County		268,600
Total	\$	20,835,307

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	\$ -	\$ 1,670,740
Changes in Actuarial Assumptions	4,026,980	-
Net Difference Between Projected and Actual Investment Earnings	3,903,649	-
Changes in Proportion	419,784	631,814
Contributions Paid to PERA Subsequent to the Measurement Date	573,444	-
Total	\$ 8,923,857	\$ 2,302,554

\$573,444 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, 2017. 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**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

4. Pension Costs (Continued)

General Employees Retirement Plan (Continued)

Year Ended December 31	Pension Expense Amount
2017	\$ 1,589,478
2018	1,589,478
2019	2,125,998
2020	742,905

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of \$13,203,342 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, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was .3290 percent. It was .3110 percent measured as of June 30, 2015. The County recognized pension expense of \$2,309,550 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$29,610 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 percent funded.

**GOODHUE COUNTY
RED WING, MINNESOTA**

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	\$ -	\$ 1,514,674
Changes in Actuarial Assumptions	7,266,376	-
Net Difference Between Projected and Actual		
Investment Earnings	2,014,921	-
Changes in Proportion	168,379	43,202
Contributions Paid to PERA Subsequent to the Measurement Date	256,600	-
Total	<u>\$ 9,706,276</u>	<u>\$ 1,557,876</u>

\$256,600 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 1,693,405
2018	1,693,405
2019	1,693,405
2020	1,530,575
2021	1,281,010

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2016, the County reported a liability of \$5,406,647 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 1.48 percent. It was 1.41 percent measured as of June 30, 2015. The County recognized pension expense of \$1,527,205 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:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual		
Economic Experience	\$ 4,240	\$ 58,401
Changes in Actuarial Assumptions	3,444,685	-
Net Difference Between Projected and Actual		
Investment Earnings	607,460	-
Changes in Proportion	4,458	2,640
Contributions Paid to PERA Subsequent to the Measurement Date	122,356	-
Total	<u>\$ 4,183,199</u>	<u>\$ 61,041</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

\$122,356 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 1,284,393
2018	1,284,393
2019	1,314,914
2020	116,102

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016 was \$6,601,455.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, 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**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

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 were based on RP-2014 tables, while mortality rates for Public Employees Police and Fire Plan and Public Employees Correctional Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009. The experience study for the Public Employees Correctional Plan was for the period 2006 through 2011.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

5. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	45 %	5.50 %
International Stocks	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Totals	<u>100 %</u>	

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Public Employees Police and Fire Plan and the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056, and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057, for the Police and Fire Plan and June 30, 2059, for the Public Employees Correctional Plan, when projected benefit payments exceed the Plans' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent 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 5.60 percent for the Public Employees Police and Fire Plan and 5.31 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Pension Plans (Continued)

A. Defined Benefit Plans (Continued)

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%	\$ 29,210,814	4.60%	\$ 18,482,927	4.31%	\$ 8,140,740
Current	7.50%	20,566,704	5.60%	13,203,342	5.31%	5,406,647
1% Increase	8.50%	13,446,309	6.60%	8,889,521	6.31%	3,272,162

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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Pension Plans

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 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2016, were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 4,829	\$ 4,829	5%	5%	5%

**GOODHUE COUNTY
RED WING, MINNESOTA**

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 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Contingent Liabilities

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

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**

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, 2016 was \$3,031,085. 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 Emergency Communications Board

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

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

During the year, Goodhue County paid \$1,000 to the Emergency Communications Board.

**GOODHUE COUNTY
RED WING, MINNESOTA**

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 \$6,000 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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

D. Jointly-Governed Organizations

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

Minnesota Counties Computer Cooperative (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 \$129,194 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 any 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 2016.

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

D. Jointly-Governed Organizations (Continued)

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.

Sentencing to Service

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

E. Debt Obligation Contingency

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

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

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

Loan activity for 2016 and prior years is:

	<u>Prior Years</u>	<u>During 2016</u>
Number of loans made	52	-
Loans outstanding - January 1	\$ -	\$ 14,734
Loans made	453,179	-
Payments made on loans	<u>(438,445)</u>	<u>(4,665)</u>
Loans outstanding - December 31	<u>\$ 14,734</u>	<u>\$ 10,069</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**GOODHUE COUNTY
RED WING, MINNESOTA**

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 17,876,592	\$ 17,876,592	\$ 17,930,826	\$ 54,234
Licenses and permits	307,010	307,010	455,600	148,590
Intergovernmental	3,567,091	3,567,091	4,099,399	532,308
Charges for services	2,828,661	2,828,661	2,794,250	(34,411)
Fines and forfeits	13,700	13,700	12,512	(1,188)
Gifts and contributions	33,000	33,000	58,894	25,894
Investment earnings	170,360	170,360	235,802	65,442
Miscellaneous	1,267,293	1,267,293	1,477,054	209,761
Total Revenues	\$ 26,063,707	\$ 26,063,707	\$ 27,064,337	\$ 1,000,630
Expenditures				
Current				
General government				
Commissioners	\$ 238,584	\$ 240,084	\$ 235,180	\$ 4,904
Courts	114,000	114,000	122,961	(8,961)
County administration	414,115	414,115	408,477	5,638
County auditor-treasurer	731,086	743,086	718,587	24,499
County assessor	989,657	994,657	940,620	54,037
Elections	78,550	78,550	74,663	3,887
Information technology	931,767	1,557,916	1,280,787	277,129
Human resources	464,285	494,081	524,054	(29,973)
Attorney	1,837,238	1,837,238	1,724,253	112,985
Law library	67,550	67,550	43,741	23,809
Recorder	533,217	539,342	451,068	88,274
Surveyor	333,265	336,335	355,351	(19,016)
GIS	295,900	295,900	287,259	8,641
Building permits	356,234	356,234	414,854	(58,620)
Planning and zoning	445,567	445,567	312,241	133,326
Environmental health	204,256	204,256	181,817	22,439
Buildings and plant	1,325,534	5,307,098	4,712,666	594,432
Veterans service officer	232,422	244,922	218,021	26,901
Other general government	988,905	988,905	618,610	370,295
Total general government	\$ 10,582,132	\$ 15,259,836	\$ 13,625,210	\$ 1,634,626
Public safety				
Sheriff	\$ 5,659,334	\$ 5,662,334	\$ 5,728,659	\$ (66,325)
Sheriff - seasonal	237,817	241,117	231,504	9,613
Emergency management	387,390	387,390	303,243	84,147
Coroner	134,621	134,621	130,700	3,921
E-911 system	973,854	973,854	970,067	3,787
Adult detention center	5,044,866	5,044,866	5,177,415	(132,549)
Court services	1,137,267	1,107,471	1,079,254	28,217
Total public safety	\$ 13,575,149	\$ 13,551,653	\$ 13,620,842	\$ (69,189)

**GOODHUE COUNTY
RED WING, MINNESOTA**

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Culture and recreation				
Historical society	\$ 92,500	\$ 92,500	\$ 92,500	\$ -
Regional library	483,951	483,951	483,951	-
Byllesby Dam	-	-	1,635	(1,635)
Other culture and recreation	67,017	67,017	8,867	58,150
Total culture and recreation	\$ 643,468	\$ 643,468	\$ 586,953	\$ 56,515
Conservation of natural resources				
County extension	\$ 171,202	\$ 171,202	\$ 164,059	\$ 7,143
Soil and water conservation	539,000	539,000	547,745	(8,745)
Total conservation of natural resources	\$ 710,202	\$ 710,202	\$ 711,804	\$ (1,602)
Economic development				
Regional Railroad Authority	\$ 4,375	\$ 4,375	\$ -	\$ 4,375
Debt service				
Principal	\$ 17,568	\$ 17,568	\$ 17,568	\$ -
Total Expenditures	\$ 25,532,894	\$ 30,187,102	\$ 28,562,377	\$ 1,624,725
Excess of Revenues Over (Under)				
Expenditures	\$ 530,813	\$ (4,123,395)	\$ (1,498,040)	\$ 2,625,355
Other Financing Sources (Uses)				
Transfers in	\$ 16,500	\$ 16,500	\$ 7,500	\$ (9,000)
Transfers out	(523,949)	(1,069,922)	(978,662)	91,260
Proceeds from sale of capital assets	-	-	19,389	19,389
Total Other Financing Sources (Uses)	\$ (507,449)	\$ (1,053,422)	\$ (951,773)	\$ 101,649
Net Change in Fund Balance	\$ 23,364	\$ (5,176,817)	\$ (2,449,813)	\$ 2,727,004
Fund Balance - January 1	22,482,586	22,482,586	22,482,586	22,482,586
Fund Balance - December 31	\$ 22,505,950	\$ 17,305,769	\$ 20,032,773	\$ 25,209,590

**GOODHUE COUNTY
RED WING, MINNESOTA**

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,129,702	\$ 4,129,702	\$ 4,321,278	\$ 191,576
Licenses and permits	12,640	12,640	16,120	3,480
Intergovernmental	10,161,297	10,161,297	9,124,342	(1,036,955)
Charges for services	5,900	5,900	19,190	13,290
Miscellaneous	17,500	17,500	49,075	31,575
Total Revenues	\$ 14,327,039	\$ 14,327,039	\$ 13,530,005	\$ (797,034)
Expenditures				
Current				
Highways and streets				
Administration	\$ 644,487	\$ 644,487	\$ 448,778	\$ 195,709
Maintenance	3,490,853	3,597,553	3,429,471	168,082
Construction	9,423,373	9,582,295	7,496,077	2,086,218
Equipment maintenance and shop	1,131,491	1,119,891	1,240,850	(120,959)
Total highways and streets	\$ 14,690,204	\$ 14,944,226	\$ 12,615,176	\$ 2,329,050
Culture and recreation				
Parks	125,288	125,288	53,247	72,041
Intergovernmental				
Highways and streets	470,000	470,000	462,724	7,276
Total Expenditures	\$ 15,285,492	\$ 15,539,514	\$ 13,131,147	\$ 2,408,367
Excess of Revenues Over (Under) Expenditures	\$ (958,453)	\$ (1,212,475)	\$ 398,858	\$ 1,611,333
Other Financing Sources (Uses)				
Transfers in	377,200	402,200	352,315	(49,885)
Net Change in Fund Balance	\$ (581,253)	\$ (810,275)	\$ 751,173	\$ 1,561,448
Fund Balance - January 1	6,600,189	6,600,189	6,600,189	-
Increase (decrease) in inventories	-	-	(13,508)	(13,508)
Fund Balance - December 31	\$ 6,018,936	\$ 5,789,914	\$ 7,337,854	\$ 1,547,940

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,134,007	\$ 5,134,007	\$ 5,143,475	\$ 9,468
Intergovernmental	7,492,582	7,492,582	7,964,274	471,692
Charges for services	965,100	965,100	1,109,978	144,878
Gifts and contributions	0	0	31,030	31,030
Miscellaneous	378,573	378,573	456,238	77,665
Total Revenues	\$ 13,970,262	\$ 13,970,262	\$ 14,704,995	\$ 734,733
Expenditures				
Current				
Human services				
Income maintenance	\$ 4,270,943	\$ 4,516,591	\$ 4,547,548	\$ (30,957)
Social services	6,978,630	7,230,538	7,898,079	(667,541)
Total human services	\$ 11,249,573	\$ 11,747,129	\$ 12,445,627	\$ (698,498)
Health				
Quality assurance - health services	\$ 1,128,527	\$ 1,128,527	\$ 1,620,881	\$ (492,354)
Healthy communities/behaviors	1,345,971	1,349,264	1,123,214	226,050
Disaster preparedness	70,610	70,610	44,059	26,551
Infectious disease	122,312	122,312	108,516	13,796
Health services - administration	396,450	466,267	425,338	40,929
Total health	\$ 3,063,870	\$ 3,136,980	\$ 3,322,008	\$ (185,028)
Total Expenditures	\$ 14,313,443	\$ 14,884,109	\$ 15,767,635	\$ (883,526)
Excess of Revenues Over (Under) Expenditures	\$ (343,181)	\$ (913,847)	\$ (1,062,640)	\$ (148,793)
Other Financing Sources (Uses)				
Transfers in	\$ 63,149	\$ 584,122	\$ 553,888	\$ (30,234)
Transfers out	(7,500)	(7,500)	(7,500)	-
Total Other Financing Sources (Uses)	\$ 55,649	\$ 576,622	\$ 546,388	\$ (30,234)
Net Change in Fund Balance	\$ (287,532)	\$ (337,225)	\$ (516,252)	\$ (179,027)
Fund Balance - January 1	7,854,347	7,854,347	7,854,347	-
Fund Balance - December 31	\$ 7,566,815	\$ 7,517,122	\$ 7,338,095	\$ (179,027)

**GOODHUE COUNTY
RED WING, MINNESOTA**

BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 18,986	\$ 18,986	\$ 19,025	\$ 39
Intergovernmental	312	312	357	45
Charges for services	-	-	93,200	93,200
Miscellaneous	59,620	59,620	19,366	(40,254)
Total Revenues	\$ 78,918	\$ 78,918	\$ 131,948	\$ 53,030
Expenditures				
Current				
Economic development				
Community development	30,118	30,118	27,672	2,446
Excess of Revenues Over (Under)				
Expenditures	\$ 48,800	\$ 48,800	\$ 104,276	\$ 55,476
Other Financing Sources (Uses)				
Transfers in	10,000	10,000	10,000	-
Net Change in Fund Balance	\$ 58,800	\$ 58,800	\$ 114,276	\$ 55,476
Fund Balance - January 1	653,899	653,899	653,899	-
Fund Balance - December 31	\$ 712,699	\$ 712,699	\$ 768,175	\$ 55,476

**GOODHUE COUNTY
RED WING, MINNESOTA**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

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
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 June 30.

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

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
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, 2016

<u>Measurement Date</u>	<u>Employer's Portion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
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 June 30.

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016

<u>Year Ending</u>	<u>Statutorily Required Contributions</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions</u>	<u>Contribution (Deficiency) Excess</u>	<u>Covered Payroll</u>	<u>Actual Contributions as a Percentage of Covered Payroll</u>
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, 2016

<u>Measurement Date</u>	<u>Employer's Portion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
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 June 30.

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016

<u>Year Ending</u>	<u>Statutorily Required Contributions</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions</u>	<u>Contribution (Deficiency) Excess</u>	<u>Covered Payroll</u>	<u>Actual Contributions as a Percentage of Covered Payroll</u>
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 ENDED DECEMBER 31, 2016

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, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

2. Budgetary Information

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

On or before mid-July of each year, all departments and agencies submit requests for appropriations to the County Administrator so that a budget can be prepared. On or before September 30, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 28.

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

3. Excess of Expenditures Over Budget

The following is a summary of the individual funds which had expenditures in excess of final budget for the year ended December 31, 2016.

	Budget	Expenditures	Excess
Health and Human Services			
Special Revenue Fund	\$ 14,884,109	\$ 15,767,635	\$ (883,526)

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SUPPLEMENTARY INFORMATION

MAJOR FUND

**GOODHUE COUNTY
RED WING, MINNESOTA**

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,944,239	\$ 1,944,239	\$ 1,947,795	\$ 3,556
Special assessments	6,285	6,285	19,038	12,753
Intergovernmental	71,698	71,698	73,616	1,918
Total Revenues	\$ 2,022,222	\$ 2,022,222	\$ 2,040,449	\$ 18,227
Expenditures				
Debt service				
Principal	\$ 1,477,458	\$ 1,477,458	\$ 1,377,967	\$ 99,491
Interest	659,137	659,137	659,013	124
Administrative - fiscal charges	2,500	2,500	14,207	(11,707)
Total Expenditures	\$ 2,139,095	\$ 2,139,095	\$ 2,051,187	\$ 87,908
Net Change in Fund Balance	\$ (116,873)	\$ (116,873)	\$ (10,738)	\$ 106,135
Fund Balance - January 1	2,552,144	2,552,144	2,552,144	-
Fund Balance - December 31	\$ 2,435,271	\$ 2,435,271	\$ 2,541,406	\$ 106,135

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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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 464,483	\$ 464,483	\$ 464,239	\$ (244)
Licenses and permits	7,600	7,600	5,369	(2,231)
Intergovernmental	14,028	14,028	524,127	510,099
Charges for services	49,850	49,850	60,212	10,362
Interest on investments	330	330	329	(1)
Miscellaneous	139,000	139,000	166,305	27,305
Total Revenues	\$ 675,291	\$ 675,291	\$ 1,220,581	\$ 545,290
Expenditures				
Current				
Sanitation				
Solid waste	\$ 57,794	\$ 57,794	\$ 67,106	\$ (9,312)
Recycling	444,667	444,667	413,830	30,837
Hazardous waste	82,167	82,167	79,433	2,734
Landfill	155,263	155,263	175,542	(20,279)
Total Expenditures	\$ 739,891	\$ 739,891	\$ 735,911	\$ 3,980
Excess of Revenues Over (Under)				
Expenditures	\$ (64,600)	\$ (64,600)	\$ 484,670	\$ 549,270
Other Financing Sources (Uses)				
Transfers in	64,600	64,600	62,459	(2,141)
Net Change in Fund Balance	\$ -	\$ -	\$ 547,129	\$ 547,129
Fund Balance - January 1	183,281	183,281	183,281	-
Fund Balance - December 31	\$ 183,281	\$ 183,281	\$ 730,410	\$ 547,129

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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**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
FAMILY COLLABORATIVE FUND				
Assets				
Cash and pooled investments	\$ 389,268	\$ 114,909	\$ 157,912	\$ 346,265
Due from other governments	28,809	121,387	110,297	39,899
Total Assets	\$ 418,077	\$ 236,296	\$ 268,209	\$ 386,164
Liabilities				
Due to other governments	\$ 418,077	\$ 236,296	\$ 268,209	\$ 386,164
 TAXES AND PENALTIES FUND				
Assets				
Cash and pooled investments	\$ 798,650	\$ 62,854,991	\$ 62,411,400	\$ 1,242,241
Liabilities				
Due to other governments	\$ 798,650	\$ 62,854,991	\$ 62,411,400	\$ 1,242,241
 OTHER AGENCY FUND				
Assets				
Cash and pooled investments	\$ 142,435	\$ 1,933,532	\$ 1,838,370	\$ 237,597
Accounts receivable	25,423	145,735	137,074	34,084
Total Assets	\$ 167,858	\$ 2,079,267	\$ 1,975,444	\$ 271,681
Liabilities				
Due to other governments	\$ 167,858	\$ 2,079,267	\$ 1,975,444	\$ 271,681

**GOODHUE COUNTY
RED WING, MINNESOTA**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	\$ 1,330,353	\$ 64,903,432	\$ 64,407,682	\$ 1,826,103
Accounts receivable	25,423	145,735	137,074	34,084
Due from other governments	28,809	121,387	110,297	39,899
Total Assets	<u>\$ 1,384,585</u>	<u>\$ 65,170,554</u>	<u>\$ 64,655,053</u>	<u>\$ 1,900,086</u>
Liabilities				
Due to other governments	<u>\$ 1,384,585</u>	<u>\$ 65,170,554</u>	<u>\$ 64,655,053</u>	<u>\$ 1,900,086</u>

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OTHER SCHEDULES

**GOODHUE COUNTY
RED WING, MINNESOTA**

SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Governmental Funds</u>
Shared Revenue and Appropriations	
State	
Highway users tax	\$ 8,956,168
PERA rate reimbursement	90,688
Disparity reduction aid	29,144
Police aid	309,391
County program aid	1,532,685
Market value credit	453,379
Aquatic invasive species aid	68,164
Indian casino aid	30,010
Enhanced 911	127,808
SCORE	515,416
	<u>12,112,853</u>
Total Shared Revenue and Appropriations	\$ 12,112,853
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 1,971,005
	<u>1,971,005</u>
Payments	
Local	
Local contributions	\$ 228,046
Payments in lieu of taxes	305,268
	<u>533,314</u>
Total Payments	\$ 533,314
Grants	
State	
Minnesota Department/Board of	
Corrections	\$ 258,633
Health	427,548
Human Services	1,513,788
Natural Resources	79,753
Public Safety	275,648
Veterans Affairs	12,500
Water and Soil Resources	162,356
Peace Officer Standards and Training Board	14,382
Pollution Control Agency	73,750
	<u>2,818,358</u>
Total State	\$ 2,818,358

**GOODHUE COUNTY
RED WING, MINNESOTA**

SCHEDULE OF INTERGOVERNMENTAL REVENUE (CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Governmental Funds</u>
Grants (Continued)	
Federal	
Department of	
Agriculture	\$ 558,831
Education	1,933
Interior	9,540
Justice	8,431
Transportation	101,821
Health and Human Services	3,302,821
Homeland Security	330,046
	<hr/>
Total Federal	<u>\$ 4,313,423</u>
Total State and Federal Grants	<u>\$ 7,131,781</u>
Qualified Energy Conservation Bonds Interest Subsidy	<u>\$ 37,162</u>
Total Intergovernmental Revenue	<u><u>\$ 21,786,115</u></u>

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**GOODHUE COUNTY
RED WING, MINNESOTA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

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	\$ 181,174
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	<u>377,657</u>
Total U.S. Department of Agriculture			<u>\$ 558,831</u>
U.S. Department of the Interior			
Direct			
Payments in Lieu of Taxes	15.226	N/A, Direct	<u>\$ 9,540</u>
U.S. Department of Justice			
Direct			
State Criminal Alien Assistance Program	16.606	N/A, Direct	\$ 4,560
Bulletproof Vest Partnership Program	16.607	N/A, Direct	<u>3,359</u>
Total U.S. Department of Justice			<u>\$ 7,919</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	957271604	\$ 73,609

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

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	\$ 20,437
National Priority Safety Programs	20.616	A-ENFRC16-2016- GOODHUSD-00031	3,414
(Total expenditures for Highway Safety Cluster \$23,851)			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC16-2016- GOODHUSD-00031	4,361
Total U.S. Department of Transportation			\$ 101,821
U.S. Department of Education			
Passed Through Minnesota Department of Health			
Special Education - Grants for Infants and Families	84.181	H181A110029	\$ 2,416
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	U90TP000418	\$ 31,925
Universal Newborn Hearing Screening	93.251	H61MC00035-16-02	400
Temporary Assistance for Needy Families	93.558	1601MNTANF	45,267
(Total Temporary Assistance for Needy Families 93.558 \$301,162)			
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	44,234
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	1601MNFPS	8,285
Temporary Assistance for Needy Families	93.558	1601MNTANF	255,895
(Total Temporary Assistance for Needy Families 93.558 \$301,162)			
Child Support Enforcement	93.563	1604MNCEST	66,624
Child Support Enforcement	93.563	1604MNCSES	966,824
(Total Child Support Enforcement 93.563 \$1,033,448)			
Refugee and Entrant Assistance - State-Administered Programs	93.566	1701MNRNMA	384
Child Care and Development Block Grant	93.575	G1601MNCCDF	16,888
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	12,984
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	5,734
Foster Care - Title IV-E	93.658	1601MNFOST	274,259
Social Services Block Grant	93.667	G-1601MNSOSR	202,466
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	5,853
Children's Health Insurance Program	93.767	05-1505MN5021	672
Medical Assistance Program	93.778	05-1605MN5ADM	1,366,267
Total U.S. Department of Health and Human Services			\$ 3,304,961

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Direct			
Port Security Grant Program	97.056		\$ 256,250
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	3315FAS150127	15,171
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4290DRMNP0000001 A-HMGP-DR4182-	5,876
Hazard Mitigation Grant	97.039	GOODHUECO-0003 A-EMPG-2016-	11,782
Emergency Management Performance Grants	97.042	GOODHUCO-027	<u>32,090</u>
Total U.S. Department of Homeland Security			\$ 321,169
Total Federal Awards			<u>\$ 4,306,657</u>

The County did not pass through any federal awards to subrecipients during the year ended December 31, 2016.

**GOODHUE COUNTY
RED WING, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Goodhue County, it is not intended to and does not present the financial position or changes in net position of Goodhue County.

3. Summary of Significant Accounting Policies

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 4,313,423
Grants deferred in 2015 and recognized in 2016	
Bulletproof Vest Partnership Program (CFDA #16.607)	(512)
Child Support Enforcement (CFDA #93.563)	(30,000)
Medical Assistance Program (CFDA #93.778)	(11,618)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	(20,571)
Grants deferred in 2016	
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)	<u>5,876</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 4,306,657</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

	2015		2016		2017	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 65,829,224		\$ 68,562,515		\$ 71,424,481	
Personal property	981,850		1,109,849		2,011,198	
Tax increment	(405,072)		(363,705)		(325,969)	
Powerline	-		(8,768)		(80,583)	
Net Tax Capacity	\$ 66,406,002		\$ 69,299,891		\$ 73,029,127	
Taxes Levied for County Purposes						
General	\$ 16,723,742	26.102	\$ 17,624,167	26.406	\$ 19,100,484	27.038
Road and Bridge	3,607,808	5.449	3,638,442	5.266	3,925,955	5.376
Health & Human Services	5,367,654	8.107	5,218,251	7.552	5,596,974	7.664
Economic Development Authority	2,894	0.004	19,298	0.028	25,294	0.035
Debt Service	2,000,000	3.011	1,976,142	2.851	1,975,365	2.705
Waste Management	313,392	0.473	472,105	0.683	344,547	0.472
Total Taxes Levied for County Purposes	\$ 28,015,490	43.146	\$ 28,948,405	42.786	\$ 30,968,619	43.290
Tax Capacity - Light and Power						
Transmission	\$ 56,694		\$ 57,674		\$ 61,182	
Distribution	7,818		7,952		8,430	
Total Tax Capacity - Light and Power	\$ 64,512		\$ 65,626		\$ 69,612	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. 273.40, as amended)						
Transmission	\$ 60,125		\$ 62,394		\$ 67,887	
Distribution	8,291		8,603		9,354	
Total Light and Power Tax Levies	\$ 68,416	106.051	\$ 70,997	108.184	\$ 77,241	110.959

**GOODHUE COUNTY
RED WING, MINNESOTA**

TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS (CONTINUED)

	2015		2016		2017	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Market Value - Light and Power						
Transmission	\$ 2,872,200		\$ 2,921,200		\$ 3,096,600	
Distribution	390,900		397,600		421,500	
Total Market Value - Light and Power	\$ 3,263,100		\$ 3,318,800		\$ 3,518,100	
Light and Power Market Value Levies						
Transmission	\$ 5,034		\$ 5,269		\$ 5,526	
Distribution	685		717		752	
Total Light and Power Tax Market Value Levies	\$ 5,719	0.17527	\$ 5,986	0.18036	\$ 6,278	0.17845
Market Value - State General Tax						
Transmission	\$ 56,694		\$ 57,674		\$ 61,182	
Distribution	7,818		7,952		8,430	
Total Market Value - State General Tax	\$ 64,512		\$ 65,626		\$ 69,612	
State General Tax Market Value Levies						
Transmission	\$ 28,823		\$ 28,053		\$ 28,023	
Distribution	3,975		3,868		3,861	
Total State General Tax Market Value Levies	\$ 32,798	50.84	\$ 31,921	48.641	\$ 31,884	45.802
Percentage of Tax Collections for All Purposes	99.41%		99.48%			