

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

YEAR ENDED DECEMBER 31, 2008

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

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

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

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

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

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

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

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

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

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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**Year Ended December 31, 2008**



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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**CURRENT ORGANIZATION**

			<u>Term Expires</u>
<b>Elected Officers</b>			
<b>Commissioners</b>			
Chair	Ronald Allen	District 1	January 2013
Vice Chair	Jim Bryant	District 4	January 2011
Board Member	Richard Samuelson	District 2	January 2011
Board Member	Dan Rehtzigel	District 3	January 2013
Board Member	Ted Seifert	District 5	January 2013
Attorney	Steven N. Betcher		January 2011
County Sheriff	Dean Albers		January 2011
 <b>Appointed Officials</b>			
Administrator	Scott Arneson		Indefinite
Court Services	Joanne Pohl		Indefinite
Facilities Maintenance	Rick Seyffer		Indefinite
Finance Director	Carolyn Holmsten		Indefinite
Human Resources	Melissa Cushing		Indefinite
Human Services	Greg Schoener		Indefinite
Information Technology	Randy Johnson		Indefinite
Land Use Management/Recorder	Lisa Hanni		Indefinite
Public Health	Karen Main		Indefinite
Public Works	Greg Isakson		Indefinite
Veterans Service Officer	Robert Davis		March 2011

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Goodhue County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Goodhue County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County as of December 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009, on our consideration of Goodhue County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

November 30, 2009

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2008  
(Unaudited)**

In the Management's Discussion and Analysis (MD&A), we will provide readers with a narrative overview and both a short-term and long-term analysis of the financial activities of Goodhue County for the year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with the County's financial activity and performance.

**FINANCIAL HIGHLIGHTS**

- On December 31, 2008, Goodhue County's total assets exceeded liabilities by \$142,672,932, of which \$112,395,904 is invested in capital assets (net of related debt), and \$2,667,578 is restricted to specific purposes. This leaves year-end unrestricted net assets of \$27,609,450.
- Goodhue County's net assets decreased by \$894,697 from current operations for the year ended December 31, 2008. Net capital assets (which includes depreciation) decreased by \$2,417,343. Other asset categories increased as shown in Exhibit 1.
- Total liabilities decreased by \$916,897. Reductions in long-term debt payments of \$1,261,216 are offset by increases of \$344,319 in liabilities related to daily operations.
- The County's net expenses supported by fees, grants, and contributions increased by \$7,093,789 from 2007. The net costs were funded by general revenues and other items totaling \$28,313,594. These general revenues decreased in net by \$239,899 from the previous year due to a large decline in investment earnings and non-restricted grants and contributions which were only partially offset by an increase in property tax revenues.
- At the end of the year, the General Fund's unreserved, undesignated fund balance was \$8,394,800. This amount represents approximately 38 percent of expenditures for the year and a decrease of \$442,431 from 2007.
- The County continues to reduce its long-term debt. The final levy for major debt will be in 2013 with the last payments due in February 2014.

- Goodhue County continues its joint powers agreement with South Country Health Alliance whereby each original participating county has an equity interest. Changes over the last two years to the agreement have impacted the equity investment. This joint venture was recorded at \$1,692,568 for the fiscal year ending December 31, 2006. In April 2007, the County received a \$1,089,167 equity payment from South Country Health Alliance. This receipt, in combination with a 2007 operational loss, led to a reduced equity in the joint venture of \$525,212 for 2007.

On May 12, 2008, the South Country Health Alliance Joint Powers Board issued a capital call to all participating counties. The County's portion of that capital call was \$1,120,596, payable in two installments. The first installment was paid May 27, 2008, and the second half was paid November 25, 2008, using the 2007 equity funds noted above. The Office of the State Auditor has judged this a Human Services expenditure rather than an extraordinary event, so this large payment has contributed to an overage in the Human Services Special Revenue Fund budget as displayed on Schedule 3.

Further net losses in South Country Health Alliance operations are shown on the government-wide reports where Goodhue County received a loss allocation in 2008 of \$789,921. Equity as of December 31, 2008, in this joint venture stands at \$855,887.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-Wide Financial Statements**

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

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

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

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

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

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

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

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

The financial statements provide two other sources of information:

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

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

A useful tool for analyzing financial statements is comparative information from previous years. Net assets may be a useful indicator of a government's financial position over time. As of December 31, 2008, assets exceeded liabilities by \$142,672,932. The following table provides a summary of Goodhue County's governmental net assets, which decreased \$894,697 from the previous year.

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

	Governmental Activities		
	2008	2007	\$ Change
Current and other assets	\$ 38,006,171	\$ 37,400,422	\$ 605,749
Capital assets	122,595,053	125,012,396	(2,417,343)
Total Assets	\$ 160,601,224	\$ 162,412,818	\$ (1,811,594)
Long-term debt outstanding	\$ 15,106,305	\$ 16,367,521	\$ (1,261,216)
Other liabilities	2,821,987	2,477,668	344,319
Total Liabilities	\$ 17,928,292	\$ 18,845,189	\$ (916,897)
Net Assets			
Invested in capital assets, net of debt	\$ 112,395,904	\$ 113,358,909	\$ (963,005)
Restricted	2,667,578	4,213,586	(1,546,008)
Unrestricted	27,609,450	25,995,134	1,614,316
Total Net Assets	\$ 142,672,932	\$ 143,567,629	\$ (894,697)

The largest portion of Goodhue County's net assets, 79 percent, or approximately \$112.4 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Resources needed to repay the debt must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

An additional \$27.6 million of net assets, or 19 percent, represents unrestricted net assets that may be used to meet ongoing obligations to citizens and creditors. In 2008, unrestricted net assets increased by \$1,614,316. Table 2 shows 2008 overall net assets decreased by \$894,697, as government-wide expenses exceeded revenues.

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

	Governmental Activities			
	2008	2007	\$ Change	% Change
Revenues				
Program revenues				
Fees, fines, charges, and other	\$ 7,456,790	\$ 8,299,392	\$ (842,602)	(10.2)
Operating grants and contributions	12,317,997	10,468,851	1,849,146	17.7
Capital grants and contributions	54,905	2,669,525	(2,614,620)	(97.9)
General revenues				
Property taxes	23,853,442	22,788,683	1,064,759	4.7
Other taxes	75,850	91,440	(15,590)	(17.0)
Grants and contributions	2,949,281	3,307,914	(358,633)	(10.8)
Other general revenues	1,435,021	2,365,456	(930,435)	(39.3)
Total Revenues	\$ 48,143,286	\$ 49,991,261	\$ (1,847,975)	(3.7)

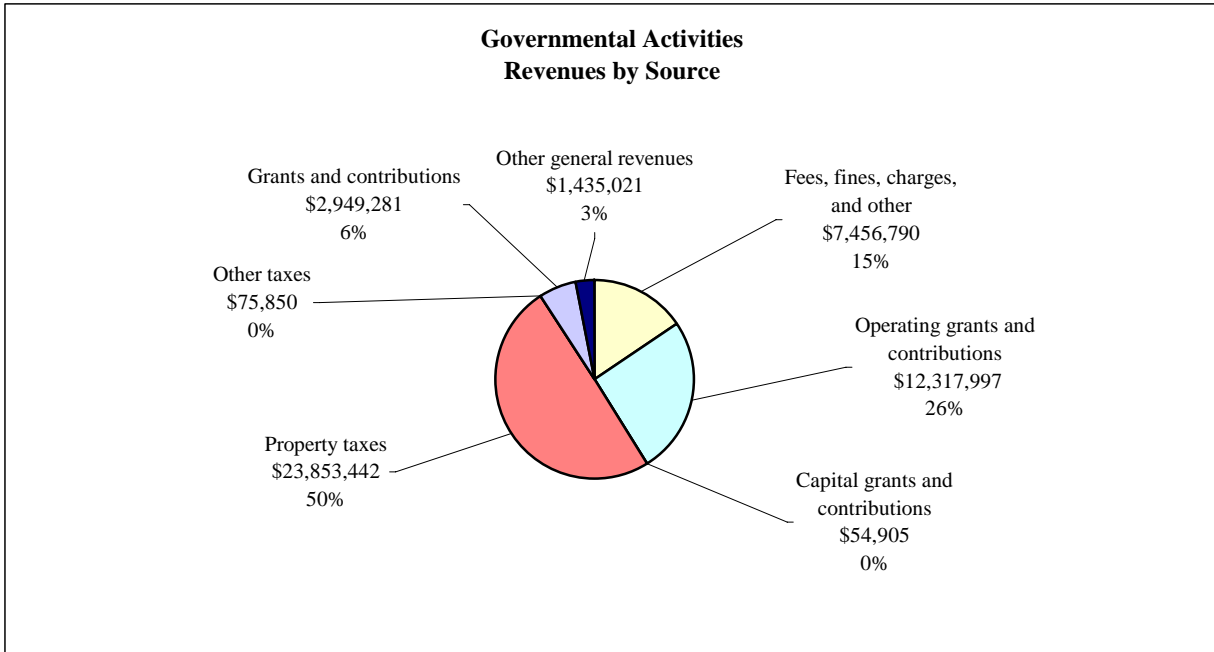
	Governmental Activities			
	2008	2007	\$ Change	% Change
Expenses				
General government	\$ 8,865,569	\$ 8,904,444	\$ (38,875)	(0.4)
Public safety	11,644,703	10,532,023	1,112,680	10.6
Highways and streets	10,182,732	6,514,610	3,668,122	56.3
Sanitation	966,513	810,992	155,521	19.2
Human services	11,065,315	11,004,777	60,538	0.6
Health	4,026,789	3,753,359	273,430	7.3
Culture and recreation	646,002	581,223	64,779	11.1
Conservation of natural resources	847,435	711,523	135,912	19.1
Economic development	354,128	258,826	95,302	36.8
Interest	438,797	480,493	(41,696)	(8.7)
Total Expenses	\$ 49,037,983	\$ 43,552,270	\$ 5,485,713	12.6
Increase (Decrease) in Net Assets	\$ (894,697)	\$ 6,438,991	\$ (7,333,688)	(113.9)
Net Assets - January 1	143,567,629	137,128,638	6,438,991	4.7
Net Assets - December 31	\$ 142,672,932	\$ 143,567,629	\$ (894,697)	(0.6)

## Governmental Activities

Also reflected in Table 2 are the changes in revenues and expenses sorted by activity. The 2008 total revenues for County governmental activities decreased by 3.7 percent, and expenses increased by 12.6 percent. This caused a decrease in net assets of \$894,697, (0.6 percent).

State construction funding was reclassified in 2008 as operating grants and contributions rather than inclusion in capital grants and contributions as shown in previous audits. The largest decrease in revenues was in general revenues where investment earnings decreased by nearly \$1 million.

All program expenditures reflect a net increase of 12.6 percent. The largest change occurred in highways and streets, as depreciation on existing infrastructure continues to outpace the addition and acquisition of new construction. Expenditures in economic development, though the smallest account, show a large percentage increase. This is due to the use of a small cities grant with the majority of activity in 2008 and 2009.



Per Table 2, one can see the cost of all governmental activities in 2008 was \$49,037,983 compared to \$43,552,270 in 2007. However, as shown in the Statement of Activities (Exhibit 2), not all of this is paid for with County revenues. Those directly benefiting from the programs paid \$7,456,790 of the cost. For example, direct users are charged things such as building permit fees, home health fees, recording fees, inmate boarding fees, etc. Another \$12,372,902 was covered by other governments and organizations that subsidized either a specific program or general operations with grants and contributions. Some examples of grants received are State Construction Aid; County Program Aid; State Police Aid; Probation Officer Salary Reimbursements; WIC (Women, Infants, and Children); and other public health and human services programs. The amount that was financed for these activities through County general revenues was only \$28,313,594.

Overall, County governmental program revenues declined in all areas: fees, charges, fines, and operating and capital grants and contributions from \$21,437,768 in 2007 to \$19,829,692 in 2008. The County paid for the remaining “public benefit” portion of governmental activities with 2008 general revenue dollars of \$28,313,594, down \$239,899 from 2007. General revenues, which are made up of primarily taxes (some of which could only be used for certain programs), also include investment earnings and grants. The decrease in unrestricted investment earnings (\$1,004,089) is attributable to a reduction in the market’s interest rates due to a declining economy.

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.

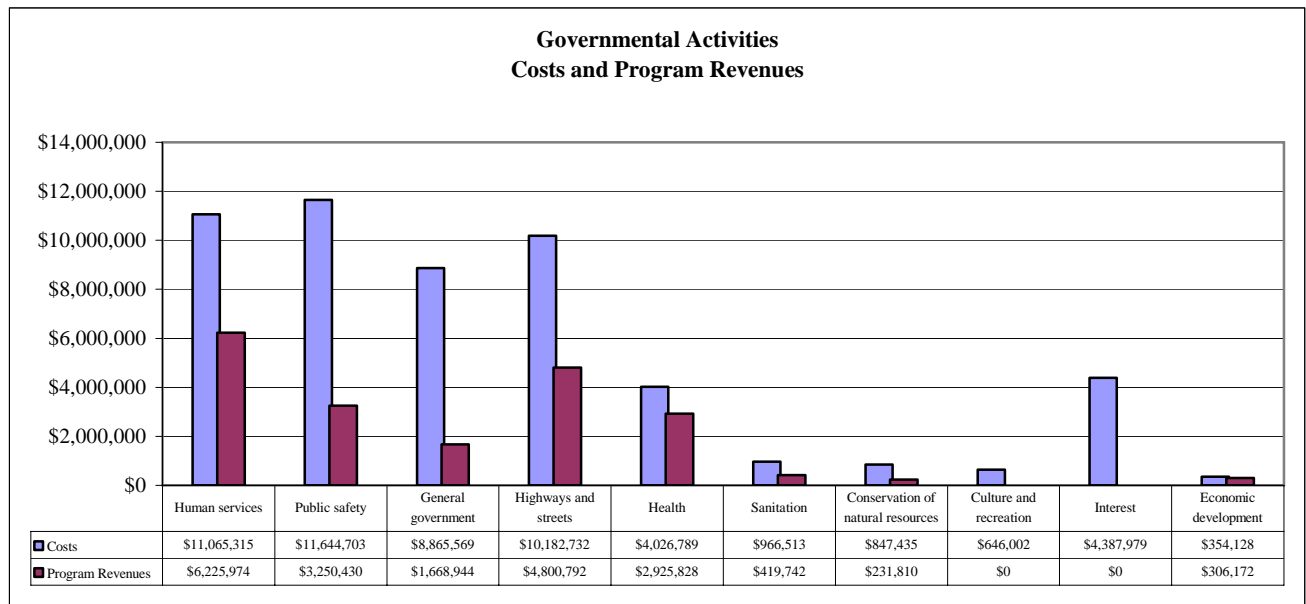
**Table 3  
Governmental Activities  
Costs of Services**

	Total Cost of Services		
	2008	2007	\$ Change
Public safety	\$ 11,644,703	\$ 10,532,023	\$ 1,112,680
Human services	11,065,315	11,004,777	60,538
Highways and streets	10,182,732	6,514,610	3,668,122
General government	8,865,569	8,904,444	(38,875)
Health	4,026,789	3,753,359	273,430
All others	3,252,875	2,843,057	409,818
<b>Totals</b>	<b>\$ 49,037,983</b>	<b>\$ 43,552,270</b>	<b>\$ 5,485,713</b>

	Net Cost of Services		
	2008	2007	\$ Change
Public safety	\$ 8,394,273	\$ 7,527,064	\$ 867,209
Human services	4,839,341	4,783,350	55,991
Highways and streets	5,381,940	(235,464)	5,617,404
General government	7,196,625	7,380,731	(184,106)
Health	1,100,961	729,138	371,823
All others	2,295,151	1,929,683	365,468
<b>Totals</b>	<b>\$ 29,208,291</b>	<b>\$ 22,114,502</b>	<b>\$ 7,093,789</b>

The net cost of services increased \$7,093,789, or 32 percent, compared to the previous year when the increase was 7 percent. The following chart represents, by program, the costs incurred for these County services and the program revenues received in conjunction with those services. The difference leads to the amount of tax revenues needed to help offset operational costs.



## **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, the County strives to maintain the minimum number of funds to meet our legal and operating requirements.

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

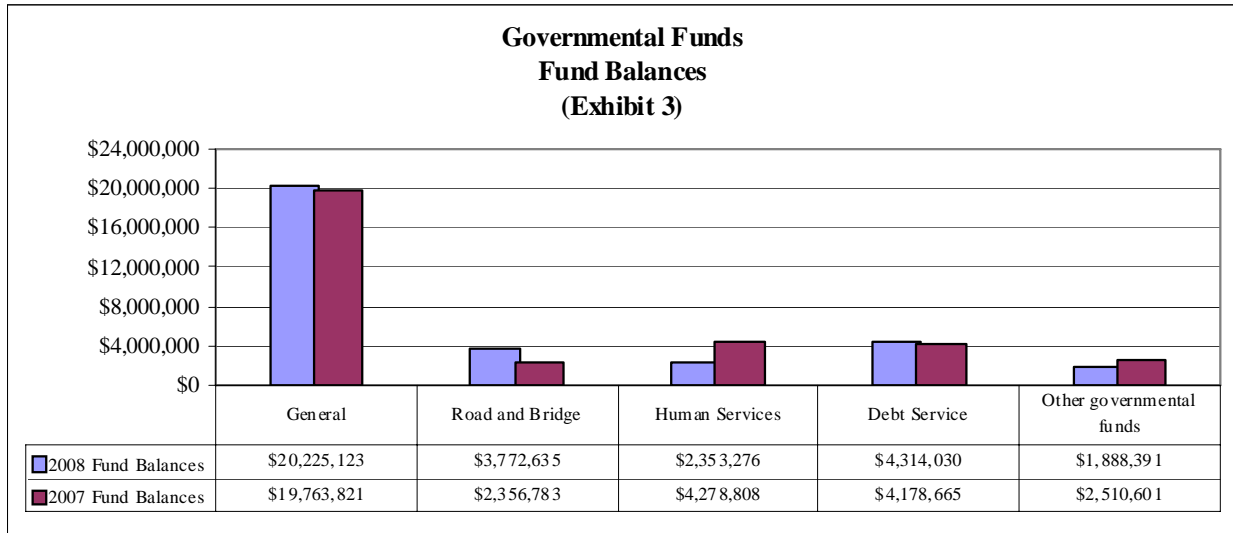
The focus of Goodhue County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Therefore, the timing of cash flows is taken into account in the governmental fund financial statements, while it is disregarded in the government-wide statements.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

### **The County's Funds**

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

At year-end, the County's governmental funds (as presented in the balance sheet on Exhibit 3) reported a combined fund balance of \$32,553,455. This represents a \$535,223 decrease (1.62 percent) from December 31, 2007. Maintaining a fund balance for cash flow purposes will be very important as sources of revenue from other governments are anticipated to tighten due to national, state, and local economic factors.





The General Fund is the primary operating fund of the Goodhue County government. Most of the County's traditional services are reported here. The General Fund's fund balance increased by \$461,302, or 2.3 percent, in 2008.

The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$3.77 million fund balance at the end of 2008 that represented a \$1,415,852, or 60 percent, increase from 2007. Due to the fluctuation of projects between years and the related federal and state funding, it is not unusual to have the swing in fund balance as noted here.

The 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 \$2.35 million fund balance at the end of 2008. The majority of this decline was due to the South Country Health Alliance capital call of \$1.1 million. The fund continues to use fund balance to help offset cuts in state funding.

The Debt Service Fund contains resources designated for the repayment of debt obligations - yearly principal and interest payments on existing bonds. Most of these funds are derived from tax revenues. The fund had a \$4.3 million fund balance at the end of 2008, which was \$135,365 more than the previous year.

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

Goodhue County has three fiduciary funds 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 Statement of Fiduciary Net Assets is Exhibit 7 of this report. Additional detail which breaks down the activity of these three funds can be found on Statement 3.

**General Fund Budgetary Highlights**

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

On December 31, 2008, the County’s General Fund actual expenditures were \$3,392,765 less than the projected budget. This is accounted for in three large capital projects: water pipes and an elevator in the Government Center and the Radio Project in the Sheriff’s Office. A total of \$477,000, 55 percent of the water pipes and 100 percent of elevator budgets, were carried over and completed in 2009. The Radio Project, endorsed by the Board on September 4, 2007, has \$2,275,632 carried over for use upon implementation. In addition to these funds, the County has applied for financial aid from sources such as the State of Minnesota, the Minnesota Department of Public Safety, and the Federal Department of Homeland Security. Over \$2 million has already been committed from outside sources to assist in financing this project.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2008, the County had \$122,595,053 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net decrease of \$2,417,343, or 1.9 percent, over the previous year. Assets are depreciating at a faster rate than we are replacing current assets.

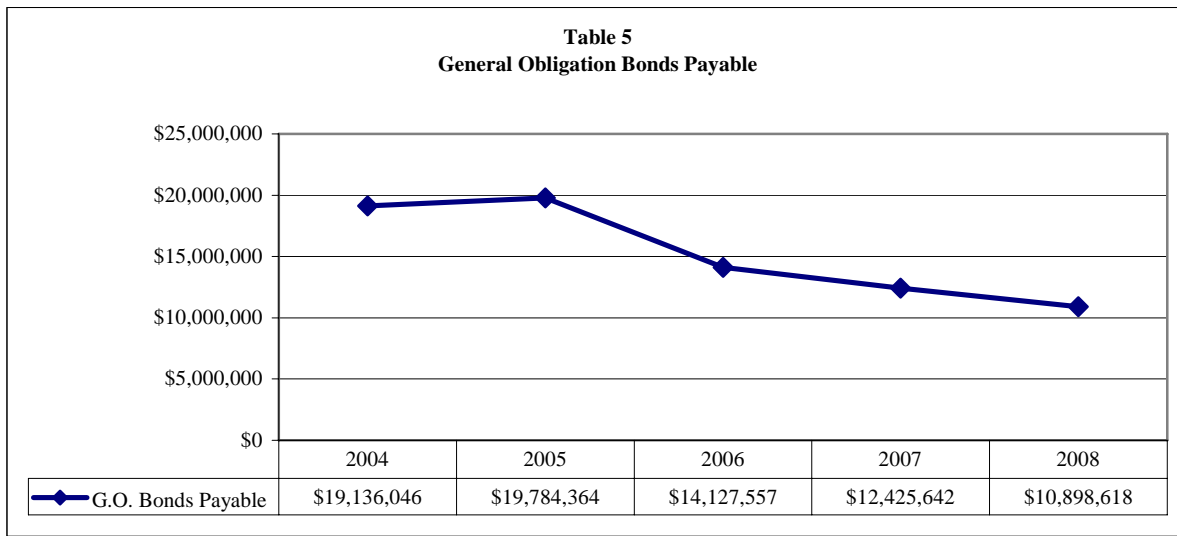
**Table 4  
Capital Assets at Year-End  
(Net of Depreciation)**

	Governmental Activities		
	2008	2007	Variance
Land	\$ 7,822,261	\$ 7,704,161	\$ 118,100
Construction in progress	1,704,689	3,776,161	(2,071,472)
Buildings and land improvements	24,940,228	25,183,803	(243,575)
Machinery, vehicles, furniture, and equipment	4,478,100	4,147,021	331,079
Infrastructure	83,649,775	84,201,250	(551,475)
Totals	<u>\$ 122,595,053</u>	<u>\$ 125,012,396</u>	<u>\$ (2,417,343)</u>

## Debt Administration

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

On December 31, 2008, the County had \$10,898,618 in bonds and notes outstanding, a decrease of 12.29 percent, as shown in Table 5. All debt payments were made on a timely basis. There were no refinancings or new debt obligations in 2008.



Other long-term liabilities carried at year-end 2008 include: compensated absence liability (accrued vacation and sick leave payable) of \$3,517,302, landfill closure and postclosure care liability of \$802,615, special assessments of \$22,254, and capital leases of \$23,348. More detailed information about the County's long-term liabilities is presented in Note 3.C. of the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

### Unemployment

The 12-month average for unemployment in 2008 for the U.S., Minnesota, and Goodhue County was 5.8, 5.4, and 5.7 percent, respectively. This compared to 2007 of 4.6, 4.6, and 5.0 percent, respectively. Current 2009 average unemployment rates for 2009 through August were 9.1, 8.2, and 8.2 percent, respectively, for the U.S., Minnesota, and Goodhue County. Like all local units of government, we are very concerned about both the national and local economic conditions and the impacts on our County. We would like to think the County will not reach a 10 percent unemployment rate as is predicted for a nationwide average. There are no large employers in the County that have recently announced work force reductions as the struggle continues, but we do not know what lies ahead.

### Property Value Growth

The growth in the County's tax base peaked in 2006 at 13 percent. Pay 2007's growth of 10.5 percent was back to comparable levels of 9.5 percent for Pay 2005 and 9.0 percent for Pay 2004. Today, Goodhue County is no different than other counties as tightening markets have an impact on values. Pay 2008's growth fell just below 6.0 percent, and Pay 2009 was slightly more than half of that at 3.4 percent growth. It is expected to be in this range or slightly less for Pay 2010, with a glimmer of hope that the slowdown is nearing an end.

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

The initial year of 2008 required Xcel to pay the County \$176,642. The second year, 2009, requires two equal payments of \$185,386, of which the first was received in May, and the other is expected in October.

### State Financial Position

The latest media reports indicate the state's November forecast will show a multi-billion dollar deficit. By unallotting County Program Aid late in 2009 and again in 2010, the County is very concerned about what future changes lie in store for counties - both financial and the mandating of programs. It is also anticipated that, due to the state budget deficit, the County will continue to see significant reductions in state aids to local governments.

In order to adapt to the anticipated revenue reductions and the struggle of tax payers, the Board of County Commissioners tightened future expenditures in the 2010-2011 budget as noted below.

### Budgeting Approach

The Board of County Commissioners prepares budgets using a two-year cycle. While planning for both 2008 and 2009, it looked at reducing expenditures where possible and increasing revenue sources. In addition, it implemented a very thorough review and budgeting process for all capital expenditures.

With conditions such as they are, there was a need to examine current operations very closely to establish a balanced 2010-2011 budget. General Fund budgeted expenditures have been reduced in numerous areas, Social Services continues to plan on using some of its existing fund balance, and capital asset purchases budgeted for 2010 are less than \$500,000. The capital plan was altered to eliminate some purchases and delay others to be acquired beyond 2011.

In addition, after much planning and analysis of mandates and programs, a decision was made to make changes in the Environmental Health Department and Home Services Division of Public Health. These reductions in services, along with items noted above, will help meet a balanced budget while limiting the amount of Pay 2010 tax increase required of local property owners.

The 2008 Legislature took action to limit the amount of local levy which could be approved by county boards for the Pay 2009-2011 taxes. For Pay 2009, the County Board levy was increased by 3.66 percent, which was less than the 3.9 percent limit imposed. As is the practice throughout Minnesota, the Board established a preliminary levy within the limit in September; in December, after all special levies requested have been approved by the Department of Revenue, it will finalize all levy amounts for 2010. At this time, it is expected there will be no levy increase for Pay 2010.

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 Office, Goodhue County Government Center, 509 W. 5th Street, Red Wing, Minnesota 55066, or call 651-385-3032.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2008**

	<b>Primary Government Governmental Activities</b>	<b>Belle Creek Watershed Component Unit</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 32,011,575	\$ 235,966
Petty cash and change funds	4,000	-
Departmental cash	-	-
Cash with escrow agent	492,160	-
Taxes receivable		
Prior - net	950,757	-
Accounts receivable - net	173,421	-
Accrued interest receivable	334,576	622
Loans receivable	107,256	-
Due from other governments	2,039,607	-
Due from primary government	-	208
Inventories	395,274	-
Prepaid items	277,077	-
Restricted assets		
Cash and pooled investments	215,763	-
Deferred charges	148,818	-
Investment in joint venture	855,887	-
Capital assets		
Non-depreciable	9,526,950	378,550
Depreciable - net of accumulated depreciation	113,068,103	-
<b>Total Assets</b>	<b>\$ 160,601,224</b>	<b>\$ 615,346</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 773,761	\$ -
Salaries payable	924,499	-
Contracts payable	145,992	-
Due to other governments	460,364	754
Due to component unit	208	-
Accrued interest payable	142,266	-
Unearned revenue	370,470	-
Customer deposits	4,427	-
Long-term liabilities		
Due within one year	3,101,081	-
Due in more than one year	12,005,224	-
<b>Total Liabilities</b>	<b>\$ 17,928,292</b>	<b>\$ 754</b>

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2008**

	<u>Primary Government Governmental Activities</u>	<u>Belle Creek Watershed Component Unit</u>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 112,395,904	\$ 378,550
Restricted for		
General government	705,313	-
Public safety	573,190	-
Highways and streets	460,491	-
Human services	1,229	-
Health	108,629	-
Conservation of natural resources	2,853	-
Economic development	50,000	-
Debt service	492,160	-
Landfill postclosure	215,763	-
Gravel pit postclosure	57,950	-
Unrestricted	<u>27,609,450</u>	<u>236,042</u>
<b>Total Net Assets</b>	<b><u><u>\$ 142,672,932</u></u></b>	<b><u><u>\$ 614,592</u></u></b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 8,865,569	\$ 1,496,042
Public safety	11,644,703	1,895,187
Highways and streets	10,182,732	59,152
Sanitation	966,513	297,620
Human services	11,065,315	1,289,270
Health	4,026,789	2,418,271
Culture and recreation	646,002	-
Conservation of natural resources	847,435	898
Economic development	354,128	350
Interest	438,797	-
<b>Total Governmental Activities</b>	<b><u>\$ 49,037,983</u></b>	<b><u>\$ 7,456,790</u></b>
<b>Component unit</b>		
Belle Creek Watershed	<b><u>\$ 8,929</u></b>	<b><u>\$ -</u></b>

**General Revenues**

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

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning**

**Net Assets - Ending**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Governmental Activities</b>	<b>Belle Creek Watershed Discretely Presented Component Unit</b>
\$ 131,964	\$ 40,938	\$ (7,196,625)	
1,355,243	-	(8,394,273)	
4,741,640	-	(5,381,940)	
122,122	-	(546,771)	
4,936,704	-	(4,839,341)	
507,557	-	(1,100,961)	
-	-	(646,002)	
216,945	13,967	(615,625)	
305,822	-	(47,956)	
-	-	(438,797)	
<b>\$ 12,317,997</b>	<b>\$ 54,905</b>	<b>\$ (29,208,291)</b>	
<b>\$ -</b>	<b>\$ -</b>		<b>\$ (8,929)</b>
		\$ 23,853,442	\$ 9,097
		32,193	-
		43,657	-
		200,569	-
		2,949,281	381
		975,922	8,386
		240,063	-
		18,467	-
		<b>\$ 28,313,594</b>	<b>\$ 17,864</b>
		<b>\$ (894,697)</b>	<b>\$ 8,935</b>
		<b>143,567,629</b>	<b>605,657</b>
		<b>\$ 142,672,932</b>	<b>\$ 614,592</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 20,293,480	\$ 3,618,220
Petty cash and change funds	1,400	50
Cash with escrow agent	-	-
Taxes receivable		
Prior	546,581	147,281
Accounts receivable	26,345	6,326
Accrued interest receivable	334,576	-
Due from other funds	6,168	12,284
Due from other governments	685,906	475,680
Prepaid items	171,477	23,637
Inventories	-	395,274
Loans receivable	107,256	-
Restricted assets		
Cash and pooled investments	-	-
	<b>\$ 22,173,189</b>	<b>\$ 4,678,752</b>
	<b>\$ 22,173,189</b>	<b>\$ 4,678,752</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 250,146	\$ 105,449
Salaries payable	550,170	77,674
Contracts payable	455	139,522
Due to other funds	30,901	-
Due to other governments	113,963	15,627
Deferred revenue - unavailable	875,670	567,845
Deferred revenue - unearned	122,334	-
Customer deposits	4,427	-
	<b>\$ 1,948,066</b>	<b>\$ 906,117</b>
	<b>\$ 1,948,066</b>	<b>\$ 906,117</b>

**EXHIBIT 3**

<u>Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 2,717,503	\$ 3,801,460	\$ 1,580,912	\$ 32,011,575
450	-	2,100	4,000
-	492,160	-	492,160
123,670	89,181	44,044	950,757
22,698	-	118,052	173,421
-	-	-	334,576
4,954	-	42,475	65,881
692,807	-	185,214	2,039,607
44,505	-	37,458	277,077
-	-	-	395,274
-	-	-	107,256
-	-	215,763	215,763
<b><u>\$ 3,606,587</u></b>	<b><u>\$ 4,382,801</u></b>	<b><u>\$ 2,226,018</u></b>	<b><u>\$ 37,067,347</u></b>
\$ 380,649	\$ 59	\$ 37,458	\$ 773,761
157,357	-	139,298	924,499
-	-	6,015	145,992
32,313	-	2,667	65,881
307,581	-	23,401	460,572
137,275	68,712	118,788	1,768,290
238,136	-	10,000	370,470
-	-	-	4,427
<b><u>\$ 1,253,311</u></b>	<b><u>\$ 68,771</u></b>	<b><u>\$ 337,627</u></b>	<b><u>\$ 4,513,892</u></b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>(Continued)</b>		
<b>Fund Balances</b>		
Reserved for		
Sales and use tax	\$ 10,726	\$ -
Inventories	-	395,274
Sheriff's contingency	3,610	-
Debt service	-	-
Enhanced 911	323,871	-
Victim assistance	2,000	-
Gravel pit closure	57,950	-
Individual sewage treatment systems	49,147	-
County ditch #1	2,853	-
Prepaid items	171,477	23,637
Law library	95,672	-
Landfill closure	-	-
Recorder's compliance fund	204,477	-
Recorder's equipment purchases	274,099	-
Gun permit applications	17,217	-
Sheriff's forfeited property	8,281	-
Attorney's forfeited property	16,634	-
Veterans' transportation	935	-
Troop reintegration	28,732	-
Community support program	-	-
Health	-	-
HAVA grant	22,653	-
Driver awareness program	15,225	-
Unclaimed funds	238	-
Counteract	5,232	-
Correction service fee	25,635	-
Sheriff K-9	1,199	-
Local correctional fees	41,542	-
NPP funds	131,378	-
EDA loan program	-	-
Unreserved, designated in major funds (Note 3.D.)	10,319,540	1,016,184
Unreserved, undesignated	8,394,800	2,337,540
Unreserved in nonmajor special revenue funds	-	-
	<b>\$ 20,225,123</b>	<b>\$ 3,772,635</b>
<b>Total Fund Balances</b>		
	<b>\$ 22,173,189</b>	<b>\$ 4,678,752</b>
<b>Total Liabilities and Fund Balances</b>		

**EXHIBIT 3  
(Continued)**

<u>Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 10,726
-	-	-	395,274
-	-	-	3,610
-	492,160	-	492,160
-	-	-	323,871
-	-	-	2,000
-	-	-	57,950
-	-	-	49,147
-	-	-	2,853
44,505	-	37,458	277,077
-	-	-	95,672
-	-	215,763	215,763
-	-	-	204,477
-	-	-	274,099
-	-	-	17,217
-	-	-	8,281
-	-	-	16,634
-	-	-	935
-	-	-	28,732
1,229	-	-	1,229
-	-	108,629	108,629
-	-	-	22,653
-	-	-	15,225
-	-	-	238
-	-	-	5,232
-	-	-	25,635
-	-	-	1,199
-	-	-	41,542
-	-	-	131,378
-	-	50,000	50,000
450	3,821,870	-	15,158,044
2,307,092	-	-	13,039,432
-	-	1,476,541	1,476,541
<b>\$ 2,353,276</b>	<b>\$ 4,314,030</b>	<b>\$ 1,888,391</b>	<b>\$ 32,553,455</b>
<b>\$ 3,606,587</b>	<b>\$ 4,382,801</b>	<b>\$ 2,226,018</b>	<b>\$ 37,067,347</b>

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2008**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 32,553,455</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		122,595,053
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		855,887
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,768,290
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	\$ (7,605,000)	
Revenue bonds	(3,137,547)	
Bond issuance premiums	(24,879)	
Deferred amounts on refunding	182,711	
Notes payable	(156,071)	
Deferred debt issuance charges	148,818	
Capital leases	(23,348)	
Special assessments	(22,254)	
Compensated absences	(3,517,302)	
Accrued interest payable	(142,266)	
Landfill postclosure care liability	(802,615)	(15,099,753)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b><u><u>\$ 142,672,932</u></u></b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 13,467,000	\$ 3,807,231
Special assessments	-	-
Licenses and permits	22,503	8,000
Intergovernmental	4,059,156	4,967,282
Charges for services	2,446,660	23,035
Fines and forfeits	25,710	-
Gifts and contributions	12,014	-
Investment earnings	972,739	-
Miscellaneous	1,188,830	31,748
	<b>\$ 22,194,612</b>	<b>\$ 8,837,296</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 8,851,678	\$ -
Public safety	11,229,507	-
Highways and streets	-	7,572,592
Sanitation	54,045	-
Human services	-	-
Health	-	-
Culture and recreation	565,069	66,930
Conservation of natural resources	843,537	-
Economic development	305,822	-
<b>Debt service</b>		
Principal	23,500	-
Interest	2,964	-
<b>Intergovernmental</b>		
Highways and streets	-	295,808
	<b>\$ 21,876,122</b>	<b>\$ 7,935,330</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 318,490</b>	<b>\$ 901,966</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 666,515	\$ 484,469
Transfers out	(582,751)	-
Capital lease/installment purchase	33,291	-
Proceeds from sale of capital assets	20,769	-
Compensation for loss of general capital assets	4,988	-
	<b>\$ 142,812</b>	<b>\$ 484,469</b>
<b>Change in Fund Balance</b>	<b>\$ 461,302</b>	<b>\$ 1,386,435</b>
<b>Fund Balance - January 1</b>	<b>19,763,821</b>	<b>2,356,783</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>29,417</b>
<b>Fund Balance - December 31</b>	<b>\$ 20,225,123</b>	<b>\$ 3,772,635</b>

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



**EXHIBIT 5**

<u>Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 3,101,760	\$ 1,892,525	\$ 1,539,093	\$ 23,807,609
-	13,967	-	13,967
-	-	358,910	389,413
5,136,590	124,724	891,526	15,179,278
948,126	-	2,169,849	5,587,670
-	-	-	25,710
6,820	-	-	18,834
-	7,511	3,529	983,779
373,733	-	256,168	1,850,479
<u>\$ 9,567,029</u>	<u>\$ 2,038,727</u>	<u>\$ 5,219,075</u>	<u>\$ 47,856,739</u>
\$ -	\$ -	\$ 544,243	\$ 9,395,921
-	-	-	11,229,507
-	-	-	7,572,592
-	-	716,426	770,471
11,514,547	-	-	11,514,547
-	-	3,942,091	3,942,091
-	-	-	631,999
-	-	-	843,537
-	-	48,306	354,128
-	1,527,024	-	1,550,524
-	376,338	-	379,302
-	-	-	295,808
<u>\$ 11,514,547</u>	<u>\$ 1,903,362</u>	<u>\$ 5,251,066</u>	<u>\$ 48,480,427</u>
<u>\$ (1,947,518)</u>	<u>\$ 135,365</u>	<u>\$ (31,991)</u>	<u>\$ (623,688)</u>
\$ 21,986	\$ -	\$ 76,296	\$ 1,249,266
-	-	(666,515)	(1,249,266)
-	-	-	33,291
-	-	-	20,769
-	-	-	4,988
<u>\$ 21,986</u>	<u>\$ -</u>	<u>\$ (590,219)</u>	<u>\$ 59,048</u>
\$ (1,925,532)	\$ 135,365	\$ (622,210)	\$ (564,640)
4,278,808	4,178,665	2,510,601	33,088,678
-	-	-	29,417
<u>\$ 2,353,276</u>	<u>\$ 4,314,030</u>	<u>\$ 1,888,391</u>	<u>\$ 32,553,455</u>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (564,640)**

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

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

Deferred revenue - December 31	\$ 1,768,290	
Deferred revenue - January 1	(1,284,543)	483,747

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

Expenditures for general capital assets and infrastructure	\$ 2,068,790	
Net book value of assets disposed of	(33,617)	
Current year depreciation	(4,452,516)	(2,419,645)

In the statement of net assets, an asset is reported for the equity interest in joint venture. The change in net assets differs from the change in fund equity by the increases and decreases in the investment in joint venture. 330,675

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

Capital lease	\$ (33,291)	(33,291)

Principal repayments		
Expenditures for principal retirement	\$ 1,527,024	
Special assessment retirement	11,127	
Capital lease retirement	12,373	1,550,524

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

Amortization of deferred issuance costs	\$ (34,042)	
Amortization of deferred charges on refunding	(41,726)	
Amortization of bond premiums	4,742	
Change in accrued interest payable	16,273	
Change in landfill postclosure care liability	(150,082)	
Change in compensated absences	(68,951)	
Change in inventories	29,417	(244,369)

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ (896,999)**

**FIDUCIARY FUNDS**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2008**

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 1,726,362
Accounts receivable	10,572
Due from other governments	<u>39,759</u>
<b>Total Assets</b>	<b><u><u>\$ 1,776,693</u></u></b>
<b><u>Liabilities</u></b>	
Due to component unit	\$ 208
Due to other governments	<u>1,776,485</u>
<b>Total Liabilities</b>	<b><u><u>\$ 1,776,693</u></u></b>

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DEEMBER 31, 2008

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, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Blended Component Unit

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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



**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, 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 2008 were \$972,739.

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

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

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

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

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

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

6. Compensated Absences

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Deferred Revenue

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

	Unavailable	Unearned
Delinquent property taxes	\$ 701,992	\$ -
Loans receivable	107,256	-
Receivables that do not provide current financial resources	959,042	-
Grant drawdowns prior to meeting all eligibility requirements	-	370,470
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 1,768,290	\$ 370,470

8. Long-Term Obligations

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Fund Equity

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

10. Use of Estimates

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

E. Revenues

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

Imposed Nonexchange Transactions

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



**GOODHUE COUNTY  
RED WING, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Revenues (Continued)

Intergovernmental

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

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

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

Exchange Transactions

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

Expenditures in Excess of Budget

The following is a summary of the individual funds which had expenditures in excess of budget for the year ended December 31, 2008.

	Budget	Expenditures	Excess
Human Services	\$ 9,584,316	\$ 11,514,547	\$ 1,930,231
Economic Development Authority	32,135	48,306	16,171

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental funds		
Cash and pooled investments	\$	32,011,575
Petty cash and change funds		4,000
Cash with escrow agent		492,160
Restricted cash		215,763
Fiduciary funds		
Agency funds		
Cash and pooled investments		1,726,362
Total Cash and Investments	\$	34,449,860
Deposits	\$	13,138,621
Petty cash and change funds		4,000
Investments		21,307,239
Total	\$	34,449,860

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit 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, 2008, Goodhue County's deposits were not exposed to custodial credit risk.

b. Investments

Interest Rate Risk

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County has no policy concerning custodial credit risk. At December 31, 2008, all of the investments held in the escrow agent accounts listed below, totaling \$492,160, were subject to custodial credit risk.

Concentration of Credit Risk

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The following table presents the County's investment balances at December 31, 2008, 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	\$ 1,765,825
Wells Fargo Brokerage - money market mutual funds	Aaa	Moody's	N/A	1,896,544
Total mutual funds				<u>\$ 3,662,369</u>
Commercial paper				
Wells Fargo Brokerage				
FPL Group Cap, Inc.	P1	Moody's	5.03	<u>\$ 1,072,350</u>
Agency securities				
Wells Fargo Brokerage				
FHLB Disc. Note	P1	Moody's	5.11	\$ 1,088,000
FFCB	Aaa	Moody's	2.39	509,218
FNMA	Aaa	Moody's	3.56	757,580
FHLB	Aaa	Moody's	4.78	1,018,438
Wells Fargo - Red Wing Repurchase agreement	N/A	N/A	N/A	<u>2,023,164</u>
Total agency securities				<u>\$ 5,396,400</u>
Bonds				
Small Business Administration				
Wells Fargo Brokerage			N/A	<u>\$ 428,285</u>
EE U.S. Savings Bonds	N/A	N/A	N/A	<u>\$ 30,675</u>
Escrow agent				
Mutual funds				
US Bank - U.S. Treasury money market funds	Aaa	Moody's	N/A	<u>\$ 492,160</u>
Negotiable certificates of deposit	N/A	N/A	N/A	<u>\$ 10,225,000</u>
Total Investments				<u><u>\$ 21,307,239</u></u>

N/A - Not Applicable

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Investments	Fair Value	Investment Maturities (in Years)		
		Less Than 2	2 - 3	3 - 5
Commercial paper				
FPL Group Cap, Inc.	\$ 1,072,350	\$ 1,072,350	\$ -	\$ -
Agency securities				
FHLB Disc. Note	\$ 1,088,000	\$ 1,088,000	\$ -	\$ -
FFCB	509,218	254,453	254,765	-
FNMA	757,580	506,720	250,860	-
FHLB	1,018,438	-	505,390	513,048
Wells Fargo repurchase agreement	2,023,164	2,023,164	-	-
Total agency securities	\$ 5,396,400	\$ 3,872,337	\$ 1,011,015	\$ 513,048
Bonds				
Small Business Administration	\$ 428,285	\$ -	\$ -	\$ 428,285
EE U.S. Savings Bonds	30,675	4,025	-	26,650
Total bonds	\$ 458,960	\$ 4,025	\$ -	\$ 454,935
Negotiable certificates of deposit	\$ 10,225,000	\$ 10,225,000	\$ -	\$ -
Total Investments Subject to Interest Rate Risk	\$ 17,152,710	\$ 15,173,712	\$ 1,011,015	\$ 967,983
Investments not subject to interest rate risk	4,154,529			
Total Investments	\$ 21,307,239			

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2008, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 950,757	\$ -
Due from other governments	2,039,607	-
Accounts - net	173,421	-
Interest	334,576	-
Loans receivable	107,256	107,256
Total Governmental Activities	\$ 3,605,617	\$ 107,256

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 7,704,161	\$ 118,100	\$ -	\$ 7,822,261
Construction in progress	3,776,161	-	2,071,472	1,704,689
Total capital assets not depreciated	\$ 11,480,322	\$ 118,100	\$ 2,071,472	\$ 9,526,950
Capital assets depreciated				
Land improvements	\$ 200,222	\$ 52,047	\$ -	\$ 252,269
Buildings	35,945,512	588,100	-	36,533,612
Machinery, furniture, and equipment	9,860,342	1,353,563	722,173	10,491,732
Infrastructure	134,367,351	2,028,452	49,813	136,345,990
Total capital assets depreciated	\$ 180,373,427	\$ 4,022,162	\$ 771,986	\$ 183,623,603

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Land improvements	\$ 34,772	\$ 8,270	\$ -	\$ 43,042
Buildings	10,927,159	875,452	-	11,802,611
Machinery, furniture, and equipment	5,713,321	988,867	688,556	6,013,632
Infrastructure	<u>50,166,101</u>	<u>2,579,927</u>	<u>49,813</u>	<u>52,696,215</u>
Total accumulated depreciation	<u>\$ 66,841,353</u>	<u>\$ 4,452,516</u>	<u>\$ 738,369</u>	<u>\$ 70,555,500</u>
Total capital assets depreciated, net	<u>\$ 113,532,074</u>	<u>\$ (430,354)</u>	<u>\$ 33,617</u>	<u>\$ 113,068,103</u>
Capital Assets, Net	<u>\$ 125,012,396</u>	<u>\$ (312,254)</u>	<u>\$ 2,105,089</u>	<u>\$ 122,595,053</u>

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

Governmental Activities	
General government	\$ 951,870
Public safety	389,056
Highways and streets, including depreciation of infrastructure assets	2,978,616
Human services	52,137
Health	14,686
Sanitation	52,148
Culture and recreation	<u>14,003</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,452,516</u>



**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 6,071
	Public Health	97
Total due to General Fund		\$ 6,168
Road and Bridge	General	\$ 9,714
	Waste Management	2,570
Total due to Road and Bridge Fund		\$ 12,284
Human Services	General	\$ 4,954
Public Health	General	\$ 16,233
	Human Services	26,242
Total due to Public Health Fund		\$ 42,475
Total Due To/From Other Funds		\$ 65,881

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfers to Public Health Fund from the General Fund	\$ 35,987	Capital expenditures
Transfers to Human Services Fund from the General Fund	21,986	Capital expenditures
Transfers to General Fund from the Land Use Management Fund	666,515	Close fund
Transfers to Road and Bridge Fund from the General Fund	484,469	Capital expenditures
Plus: Transfers to Economic Development Authority from General Fund	10,000	1916 tax incentives
Transfers to the Waste Management Fund from the General Fund	30,309	Capital expenditures
Total Interfund Transfers	\$ 1,249,266	

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

	Governmental Activities
Accounts payable	\$ 773,761
Salaries payable	924,499
Contracts payable	145,992
Due to other governments	460,572
Total Payables	\$ 2,304,824

2. Capital Leases

The County has entered into a lease agreement as lessee for financing the acquisition of a global positioning system. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date for the acquisition amount of \$36,779. The future minimum lease obligations and the net present value of these minimum payments as of December 31, 2008, were as follows:

Year Ending December 31	Governmental Activities
2009	\$ 11,573
2010	11,573
2011	2,893
Total minimum lease payments	\$ 26,039
Less: amount representing interest	(2,691)
Present Value of Minimum Lease Payments	\$ 23,348

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2008
General obligation bonds					
1997B G.O. Welch Village Revenue Bonds	2018	\$3,120 - \$8,095	1.58	\$ 143,750	\$ 72,547
1998, 2001, and 2003 G.O. Revenue Notes	2023	\$1,284 - \$7,804	0.00	175,670	156,071
2004A Courts Building Lease Revenue Refunding Bonds	2013	\$240,000 - \$660,000	2.00 - 3.80	4,905,000	3,065,000
2004A Landfill Closure Refunding Bonds	2013	\$140,000 - \$170,000	1.375 - 3.80	1,235,000	805,000
2005A Jail Refunding Bonds	2012	\$750,000 - \$880,000	2.10 - 3.10	5,670,000	3,385,000
2005B Jail Refunding Bonds	2014	\$20,000 - \$1,860,000	3.60 - 3.625	3,460,000	3,415,000
Total General Obligation Bonds				<u>\$ 15,589,420</u>	<u>\$ 10,898,618</u>
Special Assessments					
1999 Law Enforcement Center Improvements	2010	\$11,127	5.00	<u>\$ 111,271</u>	<u>\$ 22,254</u>

4. Debt Service Requirements

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	General Obligation Refunding Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 990,000	\$ 228,429	\$ 577,136	\$ 101,973
2010	1,015,000	202,445	597,249	81,560
2011	1,045,000	173,688	617,364	60,292
2012	1,075,000	141,913	642,481	37,601
2013	1,620,000	96,341	667,600	13,195
2014 - 2018	<u>1,860,000</u>	<u>33,713</u>	<u>35,717</u>	<u>1,426</u>
Total	<u>\$ 7,605,000</u>	<u>\$ 876,529</u>	<u>\$ 3,137,547</u>	<u>\$ 296,047</u>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

Year Ending December 31	General Obligation Revenue Notes		Special Assessments	
	Principal	Interest	Principal	Interest
2009	\$ -	\$ -	\$ 11,127	\$ 1,113
2010	-	-	11,127	556
2011	-	-	-	-
2012	13,401	-	-	-
2013	15,000	-	-	-
2014 - 2018	87,840	-	-	-
2019 - 2023	39,830	-	-	-
Total	\$ 156,071	\$ -	\$ 22,254	\$ 1,669

5. Deferred Amount on Refunding Bonds

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

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, 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	\$ 8,570,000	\$ -	\$ 965,000	\$ 7,605,000	\$ 990,000
G.O. revenue bonds	3,699,571	-	562,024	3,137,547	577,136
G.O. notes	156,071	-	-	156,071	-
Deferred amounts					
For issuance premiums	29,622	-	4,743	24,879	-
On refunding	(224,437)	-	(41,726)	(182,711)	-
Total bonds and notes payable	\$ 12,230,827	\$ -	\$ 1,490,041	\$ 10,740,786	\$ 1,567,137
Special assessments	33,381	-	11,127	22,254	11,127
Capital leases - 2005	2,430	-	2,430	-	-
Capital leases - 2008	-	33,291	9,943	23,348	10,377
Closure and postclosure care	652,533	150,082	-	802,615	-
Compensated absences	3,448,351	1,661,309	1,592,358	3,517,302	1,512,441
Governmental Activity					
Long-Term Liabilities	\$ 16,367,522	\$ 1,844,682	\$ 3,105,899	\$ 15,106,305	\$ 3,101,081

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County officially closed the landfill on December 20, 1996. The \$802,615 landfill closure and postclosure care liability at December 31, 2008, is based on what it would cost to perform all closure and postclosure care in 2008. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Not included in the above liability are \$765,266 of estimated contingency action costs which may be incurred.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2008, investments of \$215,763 are held for these purposes. These are reported as restricted assets on the balance sheet. Because the amount in trust is considerably smaller than the estimated postclosure care and contingency costs, the state has required Goodhue County to obtain a letter of credit for \$2,250,000 to ensure financing is available, if needed.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Fund Balance Designations

Fund balances of the major governmental funds were designated as follows at December 31, 2008.

Designation	General	Road and Bridge	Human Services	Debt Service
Petty cash and change	\$ 1,400	\$ 50	\$ 450	\$ -
Debt service	-	-	-	3,821,870
Operations	3,476,636	-	-	-
Inmate improvement	66,425	-	-	-
Ordinance enforcement	278,078	-	-	-
Buildings and grounds	43,075	3,531	-	-
Employee training and development	76,649	-	-	-
Building permit activities	363,664	-	-	-
Health and wellness	214,600	-	-	-
Compensated absences	663,899	-	-	-
Capital equipment	4,801,758	-	-	-
Extension programs	1,148	-	-	-
Byllesby dam	332,208	-	-	-
Byllesby park	-	24,716	-	-
TH 52 development	-	47,703	-	-
Township turnbacks	-	40,184	-	-
TH 52 corridor construction	-	900,000	-	-
Total	<u>\$ 10,319,540</u>	<u>\$ 1,016,184</u>	<u>\$ 450</u>	<u>\$ 3,821,870</u>

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary in 2008. Public Employees Police and Fire Fund members were required to contribute 8.60 percent of their annual covered salary in 2008. That rate increased to 9.40 percent in 2009. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.



**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	2008	2009
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2008	2007	2006
Public Employees Retirement Fund	\$ 848,069	\$ 782,393	\$ 703,621
Public Employees Police and Fire Fund	305,784	257,828	223,645
Public Employees Correctional Fund	194,090	183,033	168,894

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

B. Defined Contribution Plan

Four employees of 430 eligible are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. The plan is 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.

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,250	\$ 4,250
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 \$410,000 per claim in 2008. Should MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Contingent Liabilities

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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

C. Joint Ventures

Southeastern Minnesota Multi-County Housing and Redevelopment Authority

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

Southeast Minnesota Water Resources Board

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

Goodhue County Family Services Collaborative

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

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Goodhue County Family Services Collaborative (Continued)

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

South Country Health Alliance

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

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2008, was \$855,887. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as Health and Human Services.

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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

D. Debt Obligation Contingency

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

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

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

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

Loan activity for 2008 and prior years is:

	<u>Prior Years</u>	<u>During 2008</u>
Number of loans made	36	6
Loans outstanding - January 1	\$ -	\$ 96,967
Loans made	296,802	54,045
Payments made on loans	<u>(198,835)</u>	<u>(43,756)</u>
Loans outstanding - December 31	<u>\$ 96,967</u>	<u>\$ 107,256</u>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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

F. Subsequent Event

Goodhue County is seeking proposals from potential buyers for the sale of the Goodhue County Home Health Care Agency. The home health care agency provides skilled nursing visits, home health aide intermittent visits, physical therapy, and occupational therapy visits to approximately 150 clients in Goodhue County. The agency is Medicate certified.

6. Belle Creek Watershed Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Presentation

The District does not prepare separate financial statements.

B. Detailed Notes on the General Fund

Deposits

At December 31, 2008, the District's deposits were \$235,966.

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

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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6. Belle Creek Watershed Disclosures

B. Detailed Notes on the General Fund

Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the District’s deposits may not be returned to it. As of December 31, 2008, the District’s deposits were not exposed to custodial credit risk.

Capital Assets

The District’s capital asset activity for the year ended December 31, 2008, was as follows:

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



**REQUIRED SUPPLEMENTARY INFORMATION**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*Schedule 1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 14,330,835	\$ 13,500,279	\$ 13,467,000	\$ (33,279)
Licenses and permits	13,120	13,120	22,503	9,383
Intergovernmental	4,210,904	5,041,460	4,059,156	(982,304)
Charges for services	2,765,615	2,765,615	2,446,660	(318,955)
Fines and forfeits	21,600	21,600	25,710	4,110
Gifts and contributions	10,200	10,200	12,014	1,814
Investment earnings	1,525,000	1,525,000	972,739	(552,261)
Miscellaneous	523,841	523,841	1,188,830	664,989
<b>Total Revenues</b>	<b>\$ 23,401,115</b>	<b>\$ 23,401,115</b>	<b>\$ 22,194,612</b>	<b>\$ (1,206,503)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 242,200	\$ 242,200	\$ 225,919	\$ 16,281
Courts	156,500	156,500	141,610	14,890
County administration	325,401	325,401	320,407	4,994
County auditor-treasurer	526,976	526,976	545,188	(18,212)
County assessor	786,523	806,538	708,796	97,742
Elections	72,530	72,530	70,799	1,731
Data processing	946,900	1,057,470	910,748	146,722
Personnel	306,808	307,807	280,564	27,243
Attorney	1,360,323	1,360,323	1,310,830	49,493
Law library	86,750	86,750	85,673	1,077
Recorder	444,789	444,789	526,407	(81,618)
Surveyor	473,551	473,551	487,227	(13,676)
GIS	165,405	174,605	159,452	15,153
Building permits	-	-	12,040	(12,040)
Planning and zoning	-	-	11,208	(11,208)
Buildings and plant	2,316,746	3,122,604	1,660,089	1,462,515
Veterans service officer	190,106	233,636	207,728	25,908
Other general government	1,241,462	1,241,462	1,186,993	54,469
<b>Total general government</b>	<b>\$ 9,642,970</b>	<b>\$ 10,633,142</b>	<b>\$ 8,851,678</b>	<b>\$ 1,781,464</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 6,810,310	\$ 6,826,310	\$ 4,600,510	\$ 2,225,800
Sheriff - seasonal	235,679	235,679	222,363	13,316
Emergency management	168,284	168,284	204,532	(36,248)
Coroner	81,500	81,500	86,086	(4,586)
E-911 system	815,271	815,271	735,546	79,725
Adult detention center	4,353,573	4,353,573	4,334,072	19,501
Court services	1,064,282	1,064,282	1,020,253	44,029
Family court services	51,867	51,867	26,145	25,722
<b>Total public safety</b>	<b>\$ 13,580,766</b>	<b>\$ 13,596,766</b>	<b>\$ 11,229,507</b>	<b>\$ 2,367,259</b>
<b>Sanitation</b>				
Individual septic treatment systems	\$ -	\$ -	\$ 54,045	\$ (54,045)
<b>Culture and recreation</b>				
Historical society	\$ 105,750	\$ 105,750	\$ 105,750	\$ -
Regional library	376,695	376,695	376,695	-
Byllesby dam	30,000	30,000	49,405	(19,405)
Other culture and recreation	31,019	31,019	33,219	(2,200)
<b>Total culture and recreation</b>	<b>\$ 543,464</b>	<b>\$ 543,464</b>	<b>\$ 565,069</b>	<b>\$ (21,605)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 141,305	\$ 141,305	\$ 143,628	\$ (2,323)
Soil and water conservation	317,409	317,409	663,108	(345,699)
Fairs	36,801	36,801	36,801	-
<b>Total conservation of natural resources</b>	<b>\$ 495,515</b>	<b>\$ 495,515</b>	<b>\$ 843,537</b>	<b>\$ (348,022)</b>
<b>Economic development</b>				
Southeastern Minnesota Multi-County Housing and Redevelopment Authority	\$ -	\$ -	\$ 305,822	\$ (305,822)

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 23,500	\$ (23,500)
Interest	-	-	2,964	(2,964)
<b>Total debt service</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,464</u>	<u>\$ (26,464)</u>
<b>Total Expenditures</b>	<u>\$ 24,262,715</u>	<u>\$ 25,268,887</u>	<u>\$ 21,876,122</u>	<u>\$ 3,392,765</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>\$ (861,600)</u>	<u>\$ (1,867,772)</u>	<u>\$ 318,490</u>	<u>\$ 2,186,262</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 50,000	\$ 50,000	\$ 666,515	\$ 616,515
Transfers out	(610,100)	(821,892)	(582,751)	239,141
Capital lease purchase	-	-	33,291	33,291
Proceeds from sale of bonds	1,388,000	1,388,000	-	(1,388,000)
Proceeds from sale of capital assets	-	-	20,769	20,769
Compensation for loss of capital assets	-	-	4,988	4,988
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 827,900</u>	<u>\$ 616,108</u>	<u>\$ 142,812</u>	<u>\$ (473,296)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (33,700)</u>	<u>\$ (1,251,664)</u>	<u>\$ 461,302</u>	<u>\$ 1,712,966</u>
<b>Fund Balance - January 1</b>	<u>19,763,821</u>	<u>19,763,821</u>	<u>19,763,821</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 19,730,121</u>	<u>\$ 18,512,157</u>	<u>\$ 20,225,123</u>	<u>\$ 1,712,966</u>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,841,607	\$ 3,841,607	\$ 3,807,231	\$ (34,376)
Licenses and permits	7,500	7,500	8,000	500
Intergovernmental	4,621,716	4,621,716	4,967,282	345,566
Charges for services	9,700	9,700	23,035	13,335
Miscellaneous	20,800	20,800	31,748	10,948
<b>Total Revenues</b>	<b>\$ 8,501,323</b>	<b>\$ 8,501,323</b>	<b>\$ 8,837,296</b>	<b>\$ 335,973</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 416,331	\$ 416,331	\$ 434,412	\$ (18,081)
Maintenance	2,391,445	2,391,445	2,239,935	151,510
Construction	4,770,537	4,770,537	3,719,586	1,050,951
Equipment maintenance and shop	1,059,460	1,059,460	1,178,659	(119,199)
<b>Total highways and streets</b>	<b>\$ 8,637,773</b>	<b>\$ 8,637,773</b>	<b>\$ 7,572,592</b>	<b>\$ 1,065,181</b>
<b>Culture and recreation</b>				
Parks	62,150	62,150	66,930	(4,780)
<b>Intergovernmental</b>				
Highways and streets	288,000	288,000	295,808	(7,808)
<b>Total Expenditures</b>	<b>\$ 8,987,923</b>	<b>\$ 8,987,923</b>	<b>\$ 7,935,330</b>	<b>\$ 1,052,593</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (486,600)</b>	<b>\$ (486,600)</b>	<b>\$ 901,966</b>	<b>\$ 1,388,566</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	486,600	486,600	484,469	(2,131)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,386,435</b>	<b>\$ 1,386,435</b>
<b>Fund Balance - January 1</b>	<b>2,356,783</b>	<b>2,356,783</b>	<b>2,356,783</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>29,417</b>	<b>29,417</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,356,783</b>	<b>\$ 2,356,783</b>	<b>\$ 3,772,635</b>	<b>\$ 1,415,852</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,108,219	\$ 3,108,219	\$ 3,101,760	\$ (6,459)
Intergovernmental	4,423,643	4,423,643	5,136,590	712,947
Charges for services	1,237,418	1,237,418	948,126	(289,292)
Gifts and contributions	-	-	6,820	6,820
Miscellaneous	441,363	441,363	373,733	(67,630)
<b>Total Revenues</b>	<b>\$ 9,210,643</b>	<b>\$ 9,210,643</b>	<b>\$ 9,567,029</b>	<b>\$ 356,386</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 2,493,170	\$ 2,545,900	\$ 2,589,571	\$ (43,671)
Social services	7,091,146	7,038,416	8,924,976	(1,886,560)
<b>Total Expenditures</b>	<b>\$ 9,584,316</b>	<b>\$ 9,584,316</b>	<b>\$ 11,514,547</b>	<b>\$ (1,930,231)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (373,673)</b>	<b>\$ (373,673)</b>	<b>\$ (1,947,518)</b>	<b>\$ (1,573,845)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	21,986	21,986
<b>Net Change in Fund Balance</b>	<b>\$ (373,673)</b>	<b>\$ (373,673)</b>	<b>\$ (1,925,532)</b>	<b>\$ (1,551,859)</b>
<b>Fund Balance - January 1</b>	<b>4,278,808</b>	<b>4,278,808</b>	<b>4,278,808</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,905,135</b>	<b>\$ 3,905,135</b>	<b>\$ 2,353,276</b>	<b>\$ (1,551,859)</b>

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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1. Budgetary Information

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

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

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

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2008, expenditures exceeded appropriations (the legal level of budgetary control) in the Human Services Special Revenue Fund by \$1,930,231. Excess expenditures in the Human Services Special Revenue Fund were funded by greater than anticipated revenues and use of fund balance.

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**SUPPLEMENTARY INFORMATION**

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**MAJOR FUND**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,888,942	\$ 1,888,942	\$ 1,892,525	\$ 3,583
Special assessments	10,114	10,114	13,967	3,853
Intergovernmental	118,243	118,243	124,724	6,481
Interest on investments	-	-	7,511	7,511
<b>Total Revenues</b>	<b><u>\$ 2,017,299</u></b>	<b><u>\$ 2,017,299</u></b>	<b><u>\$ 2,038,727</u></b>	<b><u>\$ 21,428</u></b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 1,527,024	\$ 1,527,024	\$ 1,527,024	\$ -
Interest	490,275	490,275	376,338	113,937
<b>Total Expenditures</b>	<b><u>\$ 2,017,299</u></b>	<b><u>\$ 2,017,299</u></b>	<b><u>\$ 1,903,362</u></b>	<b><u>\$ 113,937</u></b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 135,365</b>	<b>\$ 135,365</b>
<b>Fund Balance - January 1</b>	<b><u>4,178,665</u></b>	<b><u>4,178,665</u></b>	<b><u>4,178,665</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 4,178,665</u></u></b>	<b><u><u>\$ 4,178,665</u></u></b>	<b><u><u>\$ 4,314,030</u></u></b>	<b><u><u>\$ 135,365</u></u></b>

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Land Use Management - to account for financial activities of planning and zoning and solid waste management. This fund was closed into the General Fund the end of 2008.

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

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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2008**

	<u>Economic Development Authority</u>	<u>Land Use Management</u>	<u>Public Health</u>	<u>Waste Management</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 83,153	\$ -	\$ 1,078,205	\$ 419,554	\$ 1,580,912
Petty cash and change funds	-	-	2,100	-	2,100
Taxes receivable					
Prior	1,288	-	30,950	11,806	44,044
Accounts receivable	-	-	108,019	10,033	118,052
Due from other funds	-	-	42,475	-	42,475
Due from other governments	-	-	184,860	354	185,214
Prepaid items	-	-	33,435	4,023	37,458
Restricted assets					
Cash and pooled investments	-	-	-	215,763	215,763
<b>Total Assets</b>	<b>\$ 84,441</b>	<b>\$ -</b>	<b>\$ 1,480,044</b>	<b>\$ 661,533</b>	<b>\$ 2,226,018</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 895	\$ -	\$ 22,768	\$ 13,795	\$ 37,458
Salaries payable	-	-	128,238	11,060	139,298
Contracts payable	-	-	6,015	-	6,015
Due to other funds	-	-	97	2,570	2,667
Due to other governments	-	-	21,011	2,390	23,401
Deferred revenue - unavailable	981	-	107,051	10,756	118,788
Deferred revenue - unearned	-	-	10,000	-	10,000
<b>Total Liabilities</b>	<b>\$ 1,876</b>	<b>\$ -</b>	<b>\$ 295,180</b>	<b>\$ 40,571</b>	<b>\$ 337,627</b>
<b>Fund Balances</b>					
Reserved for prepaid items	\$ -	\$ -	\$ 33,435	\$ 4,023	\$ 37,458
Reserved for landfill closure and postclosure	-	-	-	215,763	215,763
Reserved for EDA loan program	50,000	-	-	-	50,000
Reserved for health (SCHA)	-	-	108,629	-	108,629
Unreserved					
Designated for petty cash	-	-	2,100	-	2,100
Designated for EDA loan program	7,320	-	-	-	7,320
Undesignated	25,245	-	1,040,700	401,176	1,467,121
<b>Total Fund Balances</b>	<b>\$ 82,565</b>	<b>\$ -</b>	<b>\$ 1,184,864</b>	<b>\$ 620,962</b>	<b>\$ 1,888,391</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 84,441</b>	<b>\$ -</b>	<b>\$ 1,480,044</b>	<b>\$ 661,533</b>	<b>\$ 2,226,018</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*Statement 2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Economic Development Authority</b>	<b>Land Use Management</b>	<b>Public Health</b>	<b>Waste Management</b>	<b>Total</b>
<b>Revenues</b>					
Taxes	\$ 29,203	\$ 362,599	\$ 818,321	\$ 328,970	\$ 1,539,093
Licenses and permits	-	149,268	203,087	6,555	358,910
Intergovernmental	2,009	30,450	715,285	143,782	891,526
Charges for services	350	4,884	2,107,348	57,267	2,169,849
Interest on investments	-	-	-	3,529	3,529
Miscellaneous	834	-	71,211	184,123	256,168
<b>Total Revenues</b>	<b>\$ 32,396</b>	<b>\$ 547,201</b>	<b>\$ 3,915,252</b>	<b>\$ 724,226</b>	<b>\$ 5,219,075</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ 544,243	\$ -	\$ -	\$ 544,243
Sanitation	-	-	-	716,426	716,426
Health	-	-	3,942,091	-	3,942,091
Economic development	48,306	-	-	-	48,306
<b>Total Expenditures</b>	<b>\$ 48,306</b>	<b>\$ 544,243</b>	<b>\$ 3,942,091</b>	<b>\$ 716,426</b>	<b>\$ 5,251,066</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (15,910)</b>	<b>\$ 2,958</b>	<b>\$ (26,839)</b>	<b>\$ 7,800</b>	<b>\$ (31,991)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 10,000	\$ -	\$ 35,987	\$ 30,309	\$ 76,296
Transfers out	-	(666,515)	-	-	(666,515)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 10,000</b>	<b>\$ (666,515)</b>	<b>\$ 35,987</b>	<b>\$ 30,309</b>	<b>\$ (590,219)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (5,910)</b>	<b>\$ (663,557)</b>	<b>\$ 9,148</b>	<b>\$ 38,109</b>	<b>\$ (622,210)</b>
<b>Fund Balance - January 1</b>	<b>88,475</b>	<b>663,557</b>	<b>1,175,716</b>	<b>582,853</b>	<b>2,510,601</b>
<b>Fund Balance - December 31</b>	<b>\$ 82,565</b>	<b>\$ -</b>	<b>\$ 1,184,864</b>	<b>\$ 620,962</b>	<b>\$ 1,888,391</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 29,514	\$ 29,514	\$ 29,203	\$ (311)
Intergovernmental	1,921	1,921	2,009	88
Charges for services	-	-	350	350
Miscellaneous	700	700	834	134
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Revenues</b>	<b>\$ 32,135</b>	<b>\$ 32,135</b>	<b>\$ 32,396</b>	<b>\$ 261</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Community development	32,135	32,135	48,306	(16,171)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (15,910)</b>	<b>\$ (15,910)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	10,000	10,000
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,910)</b>	<b>\$ (5,910)</b>
<b>Fund Balance - January 1</b>	<b>88,475</b>	<b>88,475</b>	<b>88,475</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Balance - December 31</b>	<b>\$ 88,475</b>	<b>\$ 88,475</b>	<b>\$ 82,565</b>	<b>\$ (5,910)</b>
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**GOODHUE COUNTY  
RED WING, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
LAND USE MANAGEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 367,676	\$ 367,676	\$ 362,599	\$ (5,077)
Licenses and permits	226,000	226,000	149,268	(76,732)
Intergovernmental	26,057	26,057	30,450	4,393
Charges for services	4,800	4,800	4,884	84
Miscellaneous	100	100	-	(100)
	<u>624,633</u>	<u>624,633</u>	<u>547,201</u>	<u>(77,432)</u>
<b>Total Revenues</b>	<b>\$ 624,633</b>	<b>\$ 624,633</b>	<b>\$ 547,201</b>	<b>\$ (77,432)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Planning and zoning	624,633	624,633	544,243	80,390
	<u>624,633</u>	<u>624,633</u>	<u>544,243</u>	<u>80,390</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 2,958	\$ 2,958
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(666,515)	(666,515)
	<u>-</u>	<u>-</u>	<u>(666,515)</u>	<u>(666,515)</u>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (663,557)</b>	<b>\$ (663,557)</b>
<b>Fund Balance - January 1</b>	<b>663,557</b>	<b>663,557</b>	<b>663,557</b>	<b>-</b>
	<u>663,557</u>	<u>663,557</u>	<u>663,557</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<b>\$ 663,557</b>	<b>\$ 663,557</b>	<b>\$ -</b>	<b>\$ (663,557)</b>
	<u>663,557</u>	<u>663,557</u>	<u>-</u>	<u>(663,557)</u>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 821,464	\$ 821,464	\$ 818,321	\$ (3,143)
Licenses and permits	208,500	208,500	203,087	(5,413)
Intergovernmental	564,631	564,631	715,285	150,654
Charges for services	2,156,308	2,156,308	2,107,348	(48,960)
Miscellaneous	148,112	148,112	71,211	(76,901)
<b>Total Revenues</b>	<b>\$ 3,899,015</b>	<b>\$ 3,899,015</b>	<b>\$ 3,915,252</b>	<b>\$ 16,237</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Quality assurance - health services	\$ 2,445,436	\$ 2,445,436	\$ 2,438,979	\$ 6,457
Healthy communities/behaviors	812,437	820,207	751,085	69,122
Disaster preparedness	44,940	44,940	58,799	(13,859)
Infectious disease	178,354	178,354	165,094	13,260
Environmental health	417,848	421,973	486,545	(64,572)
Health services - administration	43,500	43,500	41,589	1,911
<b>Total Expenditures</b>	<b>\$ 3,942,515</b>	<b>\$ 3,954,410</b>	<b>\$ 3,942,091</b>	<b>\$ 12,319</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (43,500)</b>	<b>\$ (55,395)</b>	<b>\$ (26,839)</b>	<b>\$ 28,556</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	43,500	43,500	35,987	(7,513)
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (11,895)</b>	<b>\$ 9,148</b>	<b>\$ 21,043</b>
<b>Fund Balance - January 1</b>	<b>1,175,716</b>	<b>1,175,716</b>	<b>1,175,716</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,175,716</b>	<b>\$ 1,163,821</b>	<b>\$ 1,184,864</b>	<b>\$ 21,043</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE  
WASTE MANAGEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 330,462	\$ 330,462	\$ 328,970	\$ (1,492)
Licenses and permits	6,200	6,200	6,555	355
Intergovernmental	131,393	131,393	143,782	12,389
Charges for services	71,800	71,800	57,267	(14,533)
Interest on investments	12,000	12,000	3,529	(8,471)
Miscellaneous	160,500	160,500	184,123	23,623
<b>Total Revenues</b>	<b>\$ 712,355</b>	<b>\$ 712,355</b>	<b>\$ 724,226</b>	<b>\$ 11,871</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 69,207	\$ 69,207	\$ 68,224	\$ 983
Recycling	398,300	398,300	396,836	1,464
Hazardous waste	113,498	113,498	104,240	9,258
Landfill	203,350	203,350	147,126	56,224
<b>Total Expenditures</b>	<b>\$ 784,355</b>	<b>\$ 784,355</b>	<b>\$ 716,426</b>	<b>\$ 67,929</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (72,000)</b>	<b>\$ (72,000)</b>	<b>\$ 7,800</b>	<b>\$ 79,800</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	72,000	72,000	30,309	(41,691)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 38,109</b>	<b>\$ 38,109</b>
<b>Fund Balance - January 1</b>	<b>582,853</b>	<b>582,853</b>	<b>582,853</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 582,853</b>	<b>\$ 582,853</b>	<b>\$ 620,962</b>	<b>\$ 38,109</b>



**GOODHUE COUNTY  
RED WING, MINNESOTA**

**AGENCY FUNDS**

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

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

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

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>FAMILY COLLABORATIVE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 619,206	\$ 303,367	\$ 321,556	\$ 601,017
Due from other governments	44,817	39,759	44,817	39,759
<b>Total Assets</b>	<b>\$ 664,023</b>	<b>\$ 343,126</b>	<b>\$ 366,373</b>	<b>\$ 640,776</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 664,023</b>	<b>\$ 343,126</b>	<b>\$ 366,373</b>	<b>\$ 640,776</b>
<b><u>TAXES AND PENALTIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 830,702</b>	<b>\$ 46,801,956</b>	<b>\$ 46,649,113</b>	<b>\$ 983,545</b>
<b><u>Liabilities</u></b>				
Due to component unit	\$ 129	\$ 9,226	\$ 9,147	\$ 208
Due to other governments	830,573	46,792,730	46,639,966	983,337
<b>Total Liabilities</b>	<b>\$ 830,702</b>	<b>\$ 46,801,956</b>	<b>\$ 46,649,113</b>	<b>\$ 983,545</b>
<b><u>OTHER AGENCY FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 173,452	\$ 1,670,696	\$ 1,702,348	\$ 141,800
Accounts receivable	15,747	10,572	15,747	10,572
<b>Total Assets</b>	<b>\$ 189,199</b>	<b>\$ 1,681,268</b>	<b>\$ 1,718,095</b>	<b>\$ 152,372</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 189,199</b>	<b>\$ 1,681,268</b>	<b>\$ 1,718,095</b>	<b>\$ 152,372</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

Statement 3  
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,623,360	\$ 48,776,019	\$ 48,673,017	\$ 1,726,362
Accounts receivable	15,747	10,572	15,747	10,572
Due from other governments	44,817	39,759	44,817	39,759
<b>Total Assets</b>	<b>\$ 1,683,924</b>	<b>\$ 48,826,350</b>	<b>\$ 48,733,581</b>	<b>\$ 1,776,693</b>
<b><u>Liabilities</u></b>				
Due to component unit	\$ 129	\$ 9,226	\$ 9,147	\$ 208
Due to other governments	1,683,795	48,817,124	48,724,434	1,776,485
<b>Total Liabilities</b>	<b>\$ 1,683,924</b>	<b>\$ 48,826,350</b>	<b>\$ 48,733,581</b>	<b>\$ 1,776,693</b>

**BELLE CREEK WATERSHED COMPONENT UNIT**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

Statement 4

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET  
BELLE CREEK WATERSHED COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>General Fund</b>	<b>Reconciliation</b>	<b>Statement of Net Assets</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 235,966	\$ -	\$ 235,966
Accrued interest receivable	622	-	622
Due from primary government	208	-	208
Capital assets			
Not depreciable - land	-	378,550	378,550
<b>Total Assets</b>	<b>\$ 236,796</b>	<b>\$ 378,550</b>	<b>\$ 615,346</b>
<b><u>Liabilities</u></b>			
Due to other governments	\$ 754	\$ -	<b>\$ 754</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance			
Unreserved			
Undesignated	236,042	(236,042)	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 236,796</b>		
<b>Net Assets</b>			
Invested in capital assets		\$ 378,550	\$ 378,550
Unrestricted		236,042	236,042
<b>Total Net Assets</b>		<b>\$ 614,592</b>	<b>\$ 614,592</b>
<b>Reconciliation of the General Fund Balance to Net Assets</b>			
Fund Balance - Governmental Fund			\$ 236,042
Capital assets are reported on the Statement of Net Assets but not on the Fund Balance Sheet.			378,550
<b>Net Assets - Governmental Activities</b>			<b>\$ 614,592</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

Statement 5

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
BELLE CREEK WATERSHED COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General Fund	Reconciliation	Statement of Activities
<b>Revenues</b>			
Taxes	\$ 9,097	\$ -	\$ 9,097
Intergovernmental	381	-	381
Investment earnings	8,386	-	8,386
<b>Total Revenues</b>	<b>\$ 17,864</b>	<b>\$ -</b>	<b>\$ 17,864</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
General government	8,929	-	8,929
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>\$ 8,935</b>	<b>\$ -</b>	<b>\$ 8,935</b>
<b>Fund Balance/Net Assets - January 1</b>	<b>227,107</b>	<b>378,550</b>	<b>605,657</b>
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 236,042</b>	<b>\$ 378,550</b>	<b>\$ 614,592</b>

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



## **OTHER SCHEDULES**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

Schedule 9

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

	2007		2008		2009	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real property	\$ 55,649,626		\$ 58,825,975		\$ 60,900,337	
Personal property	644,947		693,432		687,117	
Tax increment	(1,691,338)		(1,711,987)		(1,778,360)	
<b>Net Tax Capacity</b>	<b>\$ 54,603,235</b>		<b>\$ 57,807,420</b>		<b>\$ 59,809,094</b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 13,846,041	26.321	\$ 14,083,835	25.269	\$ 14,520,656	25.198
Road and Bridge	3,854,533	7.065	4,025,980	6.973	4,175,233	6.998
County Welfare	3,039,211	5.571	3,305,176	5.725	3,875,424	6.496
Public Health Service	714,274	1.309	872,900	1.512	1,057,998	1.773
Land Use Management	341,408	0.626	390,733	0.677	-	-
Economic Development Authority	38,135	0.070	31,435	0.054	31,935	0.054
Debt Service	2,007,995	3.678	2,007,185	3.472	2,007,561	3.357
Waste Management	269,183	0.493	351,155	0.608	317,851	0.533
<b>Total Taxes Levied for County Purposes</b>	<b>\$ 24,110,780</b>	<b>45.133</b>	<b>\$ 25,068,399</b>	<b>44.29</b>	<b>\$ 25,986,658</b>	<b>44.409</b>
<b>Tax Capacity - Light and Power</b>						
Transmission	\$ 47,442		\$ 43,836		\$ 42,960	
Distribution	6,560		6,068		5,950	
<b>Total Tax Capacity - Light and Power</b>	<b>\$ 54,002</b>		<b>\$ 49,904</b>		<b>\$ 48,910</b>	
<b>Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.40, as amended)</b>						
Transmission	\$ 49,034		\$ 45,588		\$ 44,013	
Distribution	6,781		6,310		6,096	
<b>Total Light and Power Tax Levies</b>	<b>\$ 55,815</b>	<b>103.355</b>	<b>\$ 51,898</b>	<b>103.996</b>	<b>\$ 50,109</b>	<b>102.45</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*Schedule 9  
(Continued)*

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

	2007		2008		2009	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Market Value - Light and Power</b>						
Transmission	\$ 2,409,600		\$ 2,229,300		\$ 2,185,500	
Distribution	328,000		303,400		297,500	
<b>Total Market Value - Light and Power</b>	<b>\$ 2,737,600</b>		<b>\$ 2,532,700</b>		<b>\$ 2,483,000</b>	
<b>Light and Power Tax Market Value Levies</b>						
Transmission	\$ 2,924		\$ 2,878		\$ 3,812	
Distribution	398		392		519	
<b>Total Light and Power Tax Market Value Levies</b>	<b>\$ 3,322</b>	<b>0.12100</b>	<b>\$ 3,270</b>	<b>0.12912</b>	<b>\$ 4,331</b>	<b>0.17440</b>
<b>Market Value - State General Tax</b>						
Transmission	\$ 47,442		\$ 43,836		\$ 42,960	
Distribution	6,560		6,068		5,950	
<b>Total Market Value - State General Tax</b>	<b>\$ 54,002</b>		<b>\$ 49,904</b>		<b>\$ 48,910</b>	
<b>State General Tax Market Value Levies</b>						
Transmission	\$ 22,788		\$ 20,142		\$ 19,562	
Distribution	3,152		2,788		2,709	
<b>Total State General Tax Market Value Levies</b>	<b>\$ 25,940</b>	<b>48.032</b>	<b>\$ 22,930</b>	<b>45.949</b>	<b>\$ 22,271</b>	<b>45.535</b>
<b>Special Assessments</b>						
Belle Creek Watershed Improvement Bonds	\$ 10,000	0.491	\$ 10,000	0.451	\$ 10,000	
<b>Percentage of Tax Collections for All Purposes</b>	<b>98.62%</b>		<b>98.32%</b>			

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**Schedule 10**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Shared Revenue**

**State**

Highway users tax	\$	4,648,795
PERA rate reimbursement		61,078
Disparity reduction aid		29,154
Police aid		246,197
County program aid		1,231,533
Market value credit		1,478,084
Enhanced 911		129,602
		129,602

**Total Shared Revenue** **\$ 7,824,443**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	1,215,121
		1,215,121

**Payments**

**Local**

Local contributions	\$	130,425
Payments in lieu of taxes		200,569
		200,569

**Total Payments** **\$ 330,994**

**Grants**

**State**

Minnesota Department/Board of		
Corrections	\$	346,277
Health		142,559
Human Services		1,576,082
Natural Resources		122,766
Public Safety		156,327
Transportation		70,022
Water and Soil Resources		125,198
Pollution Control Agency		9,029
Office of Environmental Assistance		113,093
Peace Officer Standards and Training Board		17,223
		17,223

**Total State** **\$ 2,678,576**

**Federal**

Department of		
Agriculture	\$	260,833
Justice		23,167
Housing and Urban Development		305,822
Transportation		10,450
Health and Human Services		2,367,488
Homeland Security		162,384
		162,384

**Total Federal** **\$ 3,130,144**

**Total State and Federal Grants** **\$ 5,808,720**

**Total Intergovernmental Revenue** **\$ 15,179,278**

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

**Schedule 11**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

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

Community Development Block Grant	CFDA #14.228
Child Support Enforcement Grant	CFDA #93.563
Medical Assistance Grant	CFDA #93.778
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Goodhue County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

07-2 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a material misstatement in the financial statements not initially identified by the entity's internal control over financial reporting. During our audit, we proposed material adjustments that resulted in significant changes to the County's financial statements:

- increase liability for deferred revenue unearned of \$122,334 in the General Fund,
- increase Road and Bridge Special Revenue Fund liabilities \$65,612 for additional contracts payable, and
- increase Public Health Special Revenue Fund receivables \$68,235 and deferred revenues \$34,882.

Reclassification entries were also made within:

- General Fund revenues of \$372,759 and fund balance of \$400,581,
- Human Services Special Revenue Fund had revenues of \$74,104 and expenditures of \$1,120,596 for the South Country Health Alliance classified as an extraordinary item, and
- Public Health Special Revenue Fund revenues of \$162,642.

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

Client's Response:

*It is an ongoing process for Goodhue County to look for and implement improvements to our current internal control procedures.*

ITEMS ARISING THIS YEAR

08-1 Payroll Segregation of Duties

During our review of internal controls over payroll, we noted all three individuals in the Human Resources Department have the ability to add new employees or change employee information in the Optimum Payroll System, and no one independent of this function is monitoring these changes to ensure they are properly authorized and the changes were correctly made in the system. We also noted that the individual entering the information from the time sheets is also the same individual reviewing the information entered into the system for accuracy.

Controls to avoid the situations described above should be included in the payroll written procedures which document controls and procedures for the payroll process. The written procedures should include all steps including who is performing each step.

We recommend the County implement controls over the payroll process by considering limiting access to the Optimum Payroll System. An employee that does not have access to employee changes in the Optimum Payroll System can review all changes and additions of employee information on a regular basis. Review of time sheet information should also be performed by an employee that does not record this information.

Client's Response:

*Goodhue County will review who has access to the various segments of the Payroll System, add this review to the current procedures, and continue to look for ways to improve upon the internal controls already in place for payroll.*

08-2 Disbursement Internal Controls - New Vendors

Employees who perform disbursement procedures or review disbursements have the ability to enter new vendors into the Integrated Financial System. These employees also have the ability to enter disbursements and print warrants. New vendors added to the Integrated Financial System are not reviewed by an individual independent from the disbursement process.

We recommend the County implement proper segregation of duties to prevent and detect errors in the disbursement process or implement other compensating controls.

Client's Response:

*New vendors added are now reviewed on a regular basis by an individual independent of the disbursement process.*

08-3 Departmental Internal Accounting Controls

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

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

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

Client's Response:

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

08-4 Public Health Disbursement Authorization

During the review of the Public Health disbursement process, we noted that the review and approval of invoices by the departmental accountant was being performed after payment had been made. The review of the check register was also being performed after the checks were already printed.

We recommend all disbursements be approved prior to payment, and warrant registers be reviewed to the output and original source documents by an individual independent of entry.

Client's Response:

*Public Health disbursements are now approved prior to payment, and warrant registers are reviewed by an individual independent of entry.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**County Sheriff's Office (07-1)**

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

**Resolution**

The civil process accounting duties are now segregated sufficiently

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

**INTERNAL CONTROL**

**ITEMS ARISING THIS YEAR**

**08-5 Community Development Block Grant (CFDA #14.228) Subrecipient Monitoring**

Goodhue County did not have policies and procedures in place for monitoring subrecipients, nor did it monitor subrecipient activity for the Federal Community Development Block Grant Program, CFDA #14.228 (grant passed through to the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA)).

We recommend Goodhue County implement written procedures and policies for monitoring and monitor the subrecipient activities for the Federal Community Development Block Grant, CFDA #14.228, to ensure that it is in compliance with federal regulations.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Amy Hove*

Corrective Action Planned:

*Goodhue County has since adopted written procedures and policies for monitoring SEMMCHRA activities for Federal Community Development Block Grant CFDA #14.228 to ensure compliance with federal regulations.*

Anticipated Completion Date:

*June 2009*

08-6 Medical Assistance (CFDA #93.778) Disbursement Authorization

Management is responsible for establishing and maintaining internal controls. The internal controls over adequate review and authorization of disbursements are a key control for CFDA #93.778 - Medical Assistance Program. Part of the MA Access fees are disbursed in the Public Health Department. During the review of the Public Health disbursements process, we determined that the review and approval of invoices by the departmental accountant was being performed after payment had been made. The review of the check register was also being performed after the checks were already printed.

We recommend that all disbursements be approved prior to payment, and warrant registers be reviewed to the output and original source documents by an individual independent of entry.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Kristine Holst*

Corrective Action Planned:

*Public Health disbursements are now approved prior to payment and warrant registers are reviewed by an individual independent of entry.*

Anticipated Completion Date:

*June 2009*

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

08-7 Safe Driving Class

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

In 2009, the Minnesota Legislature enacted a new statute, Minn. Stat. § 169.999, to authorize the issuance of administrative citations and prescribe criteria for them. *See* 2009 Minn. Laws, ch. 158. Among other provisions, the new law states that a governing body resolution must be passed to authorize issuance of

administrative citations. The resolution must bar peace officers from issuing administrative citations in violation of Minn. Stat. § 169.999 and specifies the offenses for which an administrative citation may be used. The authority requires the use of a uniform administrative citation prescribed by the Commissioner of Public Safety and specifies that the fine for an administrative violation must be \$60, two-thirds of which must be credited to the general revenue fund of the local unit of government, and one-third of which must be transferred to the Commissioner of Minnesota Management and Budget for deposit in the state's General Fund. A local unit of government receiving administrative fine proceeds must use one-half of the funds for law enforcement purposes. Each local unit of government must follow these and other criteria specified in the new statute.

We recommend the County comply with Minn. Stat. ch. 169, including Minn. Stat. § 169.999 (2009) or any subsequent legislation by not offering a safety class in lieu of issuance or court filing of a state uniform traffic ticket.

Client's Response:

*Goodhue County respectfully asserts that the State Auditor's report misconstrues the facts and policies of the Goodhue County Sheriff's Driver Awareness Classes.*

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

*The Goodhue County program is not based on an administrative ticket, rather authority is rooted in prosecutorial discretion and the County Attorney's decision to prefer driver education over in-court prosecution. Program guidelines assure that eligible individuals have not allegedly committed serious driving violations, have not had prior extensive driving violations, and are not holders of commercial vehicle licenses. This program is based on the same educational principles as the successful 55 Alive insurance company program for older drivers which has proven that periodic re-education of drivers improves highway safety. Traffic safety education is popular with participants and operates without the use of state funds, freeing valuable court time for serious offenses and offenders.*



Auditor's Reply:

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

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

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

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

07-3 Human Services Department - Social Welfare Fund Disbursements

During the review of the disbursements made in the Social Welfare Fund for the 2008 audit, we noted eight of 20 disbursements tested did not have documentation to support the checks written for individual clients.

- Five of these disbursements were made for housing rental without supporting documentation.
- There was no documentation to support a check written for a payment on an account to a café.

*Schedule 11*  
*(Continued)*

- There was no documentation to support a check written for a storage rental unit.
- There was no documentation to support a check written to an individual for a cell phone.

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

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

Client's Response:

*Goodhue County Social Services continues to recognize that the issue of payment for services is important and sensitive and that all disbursements should have some kind of supporting documentation. Social Services will obtain supporting documentation for disbursements when there is one readily available. There are situations when a payment is required but no standard process can be applied. In the event we don't have supporting documentation, we have created a spreadsheet request from the social worker requesting payment on behalf of the client, most of these are for personal payments the client requires or receives. We will request from landlords at the beginning of each year to send us the new rental rates for clients versus verbally informing us with the new rates. Some disbursements from clients are to family members for reimbursement for things family members purchased or paid for. We are now going to request that the family members, if available, sign and fill out a reimbursement request. Many family members are not located in the Red Wing area, so that makes it more difficult when they call up a social worker to request reimbursement. In that case, the social worker will fill out the spreadsheet request authorizing the payment on behalf of the client.*

**Schedule 11**  
**(Continued)**

*Negative balances can occur because cash may be brought in to pay a bill due immediately and the deposit might not be posted until the next day, or a check may be issued the last day of the month, knowing the SSA benefit will be direct deposited the following Monday. There also has been a software program issue that when posting disbursements, we are to receive a warning that the client's account may be negative, but this has not always been working, and we don't find out the client has a negative balance until we look at the client's credit balance report that would print after the warrant register. This situation should not happen very often. Social Services will make a more concerted effort to make sure the funds are in the account before disbursements are made.*

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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

Board of County Commissioners  
Goodhue County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County as of and for the year ended December 31, 2008, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 07-2 and 08-1 through 08-4 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

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

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

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

Also included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to Goodhue County, and it is reported for that purpose.

Goodhue County's written responses to the significant deficiencies, legal compliance finding, and the management practices comment identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 30, 2009

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

Board of County Commissioners  
Goodhue County

### Compliance

We have audited the compliance of Goodhue County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Goodhue County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Goodhue County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

### Internal Control Over Compliance

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

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 08-5 and 08-6 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Goodhue County's internal control. We did not consider either of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County as of and for the year ended December 31, 2008, which collectively comprise the

County's basic financial statements, and have issued our report thereon dated November 30, 2009. Our audit was performed for the purpose of forming opinions on the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

November 30, 2009

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**GOODHUE COUNTY  
RED WING, MINNESOTA**

Schedule 12

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 134,862
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	<u>125,971</u>
<b>Total U.S. Department of Agriculture</b>		<b>\$ <u>260,833</u></b>
<b>U.S. Department of Housing and Urban Development</b>		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grant	14.228	<b>\$ <u>305,822</u></b>
<b>U.S. Department of Justice</b>		
Direct		
Criminal Alien Assistance Program (SCAAP)	16.606	\$ 15,070
Bulletproof Vest Partnership Program	16.607	<u>8,097</u>
<b>Total U.S. Department of Justice</b>		<b>\$ <u>23,167</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	<b>\$ <u>10,450</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Southeastern Minnesota Area Agency on Aging Title III-B Special Programs for the Aging	93.044	\$ 7,487
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	68,659
Immunization Grants	93.268	600
Temporary Assistance for Needy Families (TANF)	93.558	47,465
Maternal and Child Health Services Block Grant	93.994	41,491

**GOODHUE COUNTY  
RED WING, MINNESOTA**

*Schedule 12*  
*(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services		
Child Care Cluster		
Block Grant - Child Care and Development	93.575	17,539
Child Care Mandatory and Matching Funds	93.596	11,460
Block Grant - Community Mental Health Services	93.958	7,400
Chafee Foster Care Independence Program	93.674	13,390
Child Support Enforcement Title IV-D	93.563	843,736
Promoting Safe and Stable Families	93.556	16,809
Foster Care Title IV-E	93.658	212,678
Medical Assistance Program	93.778	540,040
Refugee and Entrant Assistance	93.566	397
Social Services Block Grant Title XX	93.667	228,070
State Children's Insurance Program	93.767	431
Temporary Assistance for Needy Families (TANF)	93.558	336,430
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 2,394,082</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Boating Safety Financial Assistance	97.012	\$ 50,366
Emergency Management Performance Grants	97.042	30,488
Homeland Security Cluster		
Homeland Security Grant Program	97.004	2,844
Homeland Security Grant Program	97.067	78,686
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 162,384</b>
<b>Total Federal Awards</b>		<b>\$ 3,156,738</b>

**GOODHUE COUNTY  
RED WING, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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1. Reporting Entity

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

2. Basis of Presentation

The accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual--when both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Goodhue County considers all revenues as available if collected within 60 days of the current period. Expenditures are recorded when the liability is incurred.

The information in the schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue (Schedule 10)	\$ 3,130,144
Chafee Foster Care Independence Program grant deferred in 2007 and recognized in 2008 (CFDA #93.674)	(725)
Foster Care Title IV-E grant deferred in 2007 and recognized in 2008	(14,140)
Temporary Assistance for Needy Families (TANF) grant deferred in 2007 and recognized in 2008 (CFDA #93.558)	(940)
Immunization grant deferred in 2008 (CFDA #93.268)	100
Medical Assistance grant deferred in 2008 (CFDA #93.778)	42,299
	<hr/>
Expenditures per Schedule of Expenditures of Federal Awards (Schedule 12)	\$ 3,156,738

**GOODHUE COUNTY  
RED WING, MINNESOTA**

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4. Passed Through to Subrecipients

During 2008, Goodhue County passed \$305,822 (CFDA #14.228) to Southeastern Minnesota Multi-County Housing and Redevelopment Authority, a subrecipient of Goodhue County.

5. Pass-Through Grant Numbers

Pass-through grant numbers were not assigned by the pass-through agencies.