

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**REDWOOD COUNTY**  
**REDWOOD FALLS, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2009**

## **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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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**Year Ended December 31, 2009**



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

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

ORGANIZATION  
2009

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Lon Walling	January 2013
2nd District	John Schueller, Vice Chair	January 2011
3rd District	Al Kokesch, Chair	January 2011
4th District	Priscilla Klabunde	January 2011
5th District	Gary Dahms	January 2013
<b>County Officers</b>		
<b>Elected</b>		
Attorney	Patrick Rohland <sup>2</sup>	January 2011
Auditor-Treasurer	Jean Price <sup>1</sup>	January 2011
District Court Judge	David W. Peterson	January 2011
Recorder	Joyce Anderson	January 2011
Sheriff	Randy Hanson <sup>3</sup>	January 2011
<b>Appointed</b>		
Administrator	Vicki Knobloch	Indefinite
Assessor	Kathy Hillmer	Indefinite
Environmental Services Director	Jon Mitchell	Indefinite
Highway Engineer	Ernest Fiala	Indefinite
License Center Director	Deb Tholkes	Indefinite
Maintenance Supervisor	Loren Gewerth	Indefinite
Medical Examiner	Dr. Dennis P. Nelson	Indefinite
Public Health Nursing	Genie Simon	Indefinite
Veterans Service Officer	Martin Caraway	Indefinite
Human Services Director	Patrick Bruflat	Indefinite

<sup>1</sup>Jean Price was appointed as Auditor-Treasurer effective March 25, 2008, to fill the remaining term of Larry Bunting, who resigned effective February 2, 2008.

<sup>2</sup>Patrick Rohland was appointed as Attorney effective August 15, 2008, to fill the remaining term of Michelle Dietrich, who resigned effective August 15, 2008.

<sup>3</sup>Randy Hanson was appointed as Sheriff effective February 3, 2009, to fill the remaining term of Richard Morris, who resigned effective January 31, 2009.

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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  
Redwood County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 basic 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, each major fund, and the aggregate remaining fund information of Redwood County as of December 31, 2009, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents 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 conducted for the purpose of forming opinions on the basic financial statements of Redwood County. The statement and schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Redwood County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented 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 September 27, 2010, on our consideration of Redwood County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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

September 27, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009  
(Unaudited)**

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2009. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's basic financial statements that follow this section.

**FINANCIAL HIGHLIGHTS**

Governmental activities' total net assets are \$78,638,441, of which \$61,361,173 is invested in capital assets, net of related debt, and \$4,267,916 is restricted to specific purposes. The \$13,009,352 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

The County's net assets increased by \$4,573,165 for the year ended December 31, 2009. A large part of the increase is attributable to the County's investing in capital assets, net of accumulated depreciation.

The net cost of governmental activities for the current fiscal year was \$7,223,226. The net cost was funded by general revenues totaling \$11,796,391.

Fund balances of the governmental funds decreased by \$737,695. Most of the decrease was due to expending the bonds issued in 2008 to pay for expenses incurred in 2009 for the renovation of the Government Center.

For the year ended December 31, 2009, the unreserved fund balance of the General Fund was \$4,209,532, or 67.5 percent, of the total General Fund expenditures for the year, an increase of 14.6 percent.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities of the County using the accrual basis of accounting, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

The statement of activities presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities. The County has no business-type activities or discretely presented component units for which the County is legally accountable.

The government-wide financial statements are Exhibits 1 and 2 of this report.

## **Fund Financial Statements**

The fund level financial statements provide detailed information about the funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Public Health Services Special Revenue Fund, Solid Waste Special Revenue Fund, Building Special Revenue Fund, Ditch Special Revenue Fund, and Debt Service Fund. A budgetary comparison schedule has been provided as required or other supplementary information for each of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements are Exhibits 3 through 6 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in a separate statement of fiduciary net assets shown as Exhibit 7.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$78,638,441 at the close of 2009. The largest portion of the net assets (78 percent) reflects its investment in capital assets (for example: land, buildings, equipment, and infrastructure such as roads and bridges). However, it should be noted that these assets are not available for future spending. Comparative data with 2008 is presented.

**Table 1**  
**Governmental Activities**  
**Net Assets**  
**(in Thousands)**

	2009	2008
Assets		
Current and other assets	\$ 21,348	\$ 21,530
Capital assets	65,211	60,402
<b>Total Assets</b>	<b>\$ 86,559</b>	<b>\$ 81,932</b>
Liabilities		
Long-term liabilities	\$ 5,897	\$ 6,107
Other liabilities	2,024	1,760
<b>Total Liabilities</b>	<b>\$ 7,921</b>	<b>\$ 7,867</b>
Net Assets		
Invested in capital assets, net of related debt	\$ 61,361	\$ 57,170
Restricted	4,268	4,386
Unrestricted	13,009	12,509
<b>Total Net Assets</b>	<b>\$ 78,638</b>	<b>\$ 74,065</b>

Unrestricted net assets--the part of net assets that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--are 16.5 percent of the net assets.

### Governmental Activities

The County's activities increased net assets by 6.2 percent (\$74,065,276 for 2008 compared to \$78,638,441 for 2009). Key elements in this increase in net assets are as follows for 2009, with comparative data for 2008.

**Table 2**  
**Governmental Activities**  
**Changes in Net Assets**  
**(in Thousands)**

	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 2,612	\$ 2,666
Operating grants and contributions	7,774	7,346
Capital grants and contributions	991	37
General revenues		
Property taxes	9,769	8,477
Other	2,027	2,143
	<u>\$ 23,173</u>	<u>\$ 20,669</u>
<b>Expenses</b>		
General government	\$ 2,994	\$ 3,379
Public safety	2,683	2,658
Highways	4,276	4,943
Sanitation	639	574
Human services	5,244	5,283
Health	1,393	1,370
Culture and recreation	352	367
Conservation of natural resources	723	705
Economic development	62	74
Interest	234	75
	<u>\$ 18,600</u>	<u>\$ 19,428</u>
Increase in Net Assets	\$ 4,573	\$ 1,241
Net Assets - January 1	<u>74,065</u>	<u>72,824</u>
Net Assets - December 31	<u>\$ 78,638</u>	<u>\$ 74,065</u>

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

### **Governmental Funds**

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and the balances left at year-end that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$17,213,573, a decrease of \$737,695 in comparison with the prior year. Of the combined ending fund balances, \$14,110,464 represents unreserved fund balance which is available for spending at the County's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons either by state law, grant agreements, or bond covenants.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unreserved fund balance of \$4,209,532. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund unreserved fund balance represents 67.5 percent of total General Fund expenditures. During 2009, the ending fund balance increased by \$865,610, primarily due to spending \$664,780 less than was budgeted.

The Road and Bridge Special Revenue Fund had an unreserved fund balance of \$1,890,707 at fiscal year-end, representing 29.3 percent of its annual expenditures. The ending fund balance decreased \$103,494 during 2009, primarily due to less revenues being collected than expected.

The Human Services Special Revenue Fund had an unreserved fund balance of \$2,203,077 at fiscal year-end, representing 42.1 percent of its annual expenditures. The ending fund balance increased \$108,177 during 2009, primarily due to more revenues collected than expected.

The Public Health Service Special Revenue Fund had an unreserved fund balance of \$1,447,165 at fiscal year-end, representing 103.9 percent of its annual expenditures. The ending balance increased \$150,743 during 2009, primarily due to more revenues collected than expected.

The Solid Waste Special Revenue Fund had an unreserved fund balance of \$834,673 at fiscal year-end, representing 117.7 percent of its annual expenditures. The ending fund balance decreased \$69,277 during 2009, primarily due to expenditures being over budget.

The Building Special Revenue Fund's ending fund balance decreased by \$2,366,734 during 2009, primarily due to the spending of the bonds for the renovation of the Government Center.

The Ditch Special Revenue Fund had an unreserved fund balance of \$2,951,063 at fiscal year-end. The ending fund balance decreased \$45,540 during 2009, primarily due to actual expenditures exceeding budgeted expenditures.

The Debt Service Fund had a reserved fund balance of \$732,160 at fiscal year-end. The Debt Service Fund was created in 2008 due to the issuance of bonds for the renovation of the Government Center, remodeling of the Courthouse, and the purchase of equipment.

### Governmental Activities

The County's total revenues were \$23,173,408. Table 3 presents the percent of total County revenues by source for the year ended December 31, 2009.

**Table 3**  
**Total County Revenues**

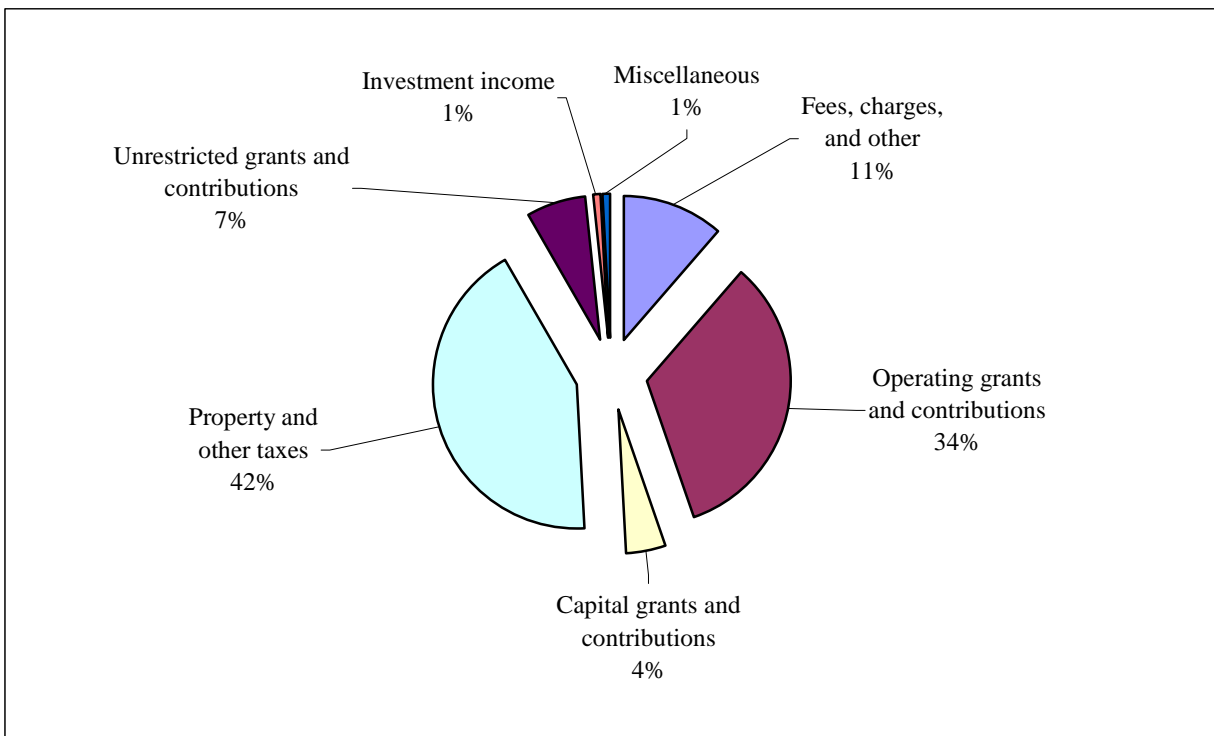
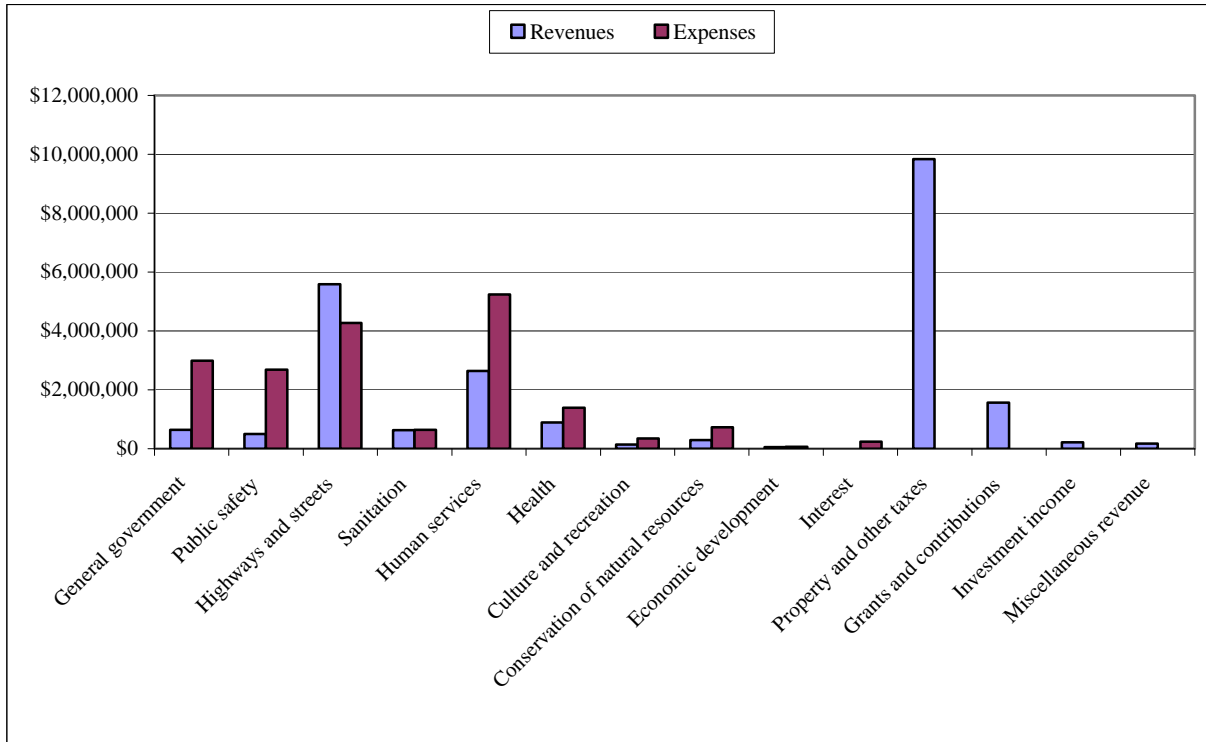


Table 4 presents the cost and revenue of each program, as well as the County’s general revenues.

Total revenues for the County were \$23,173,408, while total expenses were \$18,600,243. This reflects a \$4,573,165 increase in net assets for the year ended December 31, 2009.

**Table 4  
Program Revenues and Expenses - 2009**



The cost of all governmental activities this year was \$18,600,243. However, as shown on the Statement of Activities (Exhibit 2), the amount that our taxpayers ultimately financed for these activities through County taxes was only \$9,769,034, because some of the cost was paid by those who directly benefited from the programs (\$2,612,376) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,764,641). The County paid for the remaining “public benefit” portion of governmental activities with general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as grants and contributions not restricted to specific programs, and interest.

Table 5 presents the cost of each of the County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table 5  
Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009
Human services	\$ 5,243,971	\$ 2,606,980
Highways and streets	4,276,524	(1,311,087)
General government	2,993,642	2,354,670
Public safety	2,682,538	2,187,588
Health	1,392,696	500,505
All others	2,010,872	884,570
Totals	<u>\$ 18,600,243</u>	<u>\$ 7,223,226</u>

### General Fund Budgetary Highlights

Over the course of the year, the County Board made changes to revise the General Fund budget.

The actual charges to appropriations (expenditures) were \$664,780 less than the final budget amounts. One of the most significant positive variances (\$171,695) occurred in general government - computer, where the costs to operate were less than anticipated, resulting in a 52.3 percent reduction in expected expenditures. Reasons for other significant variances of actual expenditures from final budget include lower than anticipated water quality loans issued and overall departmental and staff changes.

On the other hand, resources available for appropriation were also \$218,135 above the final budgeted amount. Greater than expected collections for miscellaneous items and intergovernmental revenues accounted for most of the increase.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The County’s capital assets for its governmental activities at December 31, 2009, totaled \$65,211,685 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than building, equipment, and infrastructure. The investment in capital assets increased \$4,809,101, or 8.0 percent, from the previous year. The major capital asset events were:

Construction of highways and streets	\$ 1,995,200
Construction in progress	3,526,898



**Table 6**  
**Capital Assets at Year-End**  
**Net of Depreciation**  
**(in Thousands)**

	2009	2008
Land	\$ 1,763	\$ 1,763
Infrastructure	53,561	51,566
Buildings	2,245	2,362
Improvements other than building	518	184
Machinery and equipment	2,117	2,254
Construction in progress	5,008	2,274
Totals	<u>\$ 65,212</u>	<u>\$ 60,403</u>

Additional information about the County's capital assets can be found in Note 2.A.2. to the financial statements.

### Long-Term Debt

The County has a net debt at December 31, 2009, of \$4,732,345. The debt is for financing the renovation of the Government Center and remodeling of the Courthouse (15-year term with final payment February 1, 2024); the purchase of equipment (5-year term with final payment February 1, 2014); and lease agreements for financing squad cars for the Sheriff's Department and copiers for various departments.

**Table 7**  
**Outstanding Debt**

	2009	2008
General obligation capital notes	\$ -	\$ 80,000
General obligation improvement bonds	3,893,291	3,891,383
General obligation certificates of indebtedness	715,392	714,240
Leased squad cars	107,400	99,447
Leased copiers	16,262	-
Totals	<u>\$ 4,732,345</u>	<u>\$ 4,785,070</u>

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2009, the County's outstanding debt was 0.22 percent of its total estimated market value.

Additional information on the County's long-term debt can be found in the notes to the financial statements of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The County's elected and appointed officials considered many factors when setting the 2010 budget, tax rates, and fees that will be charged for the year.

- The average unemployment rate for Redwood County at the end of 2009 was 7.0 percent. This was slightly below the state unemployment rate of 7.4 percent and shows an increase from the County's 6.4 percent rate of one year ago. This could impact the level of services requested by County residents. The 2009 County population is estimated at 15,518, a decrease of 1,297 from the 2000 census of 16,815.
- At the end of 2009, Redwood County set its 2010 revenue and expenditure budgets.
- The property tax levy for the County decreased 0.85 percent (\$97,454) from 2009. With the state aid decreasing by \$97,454, the net tax levy (the amount spread to taxpayers) remained the same for 2010.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Redwood County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the County's Auditor-Treasurer, Jean Price, Redwood County Government Center, 403 South Mill Street, Box 130, Redwood Falls, Minnesota 56283.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

***EXHIBIT 1***

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009**

**Assets**

**Current assets**

Cash and pooled investments	\$ 10,225,205
Investments	6,992,860
Taxes receivable	
Prior - net	156,078
Special assessments receivable	
Current - net	70,374
Prior - net	42,768
Noncurrent - net	289,724
Accounts receivable - net	112,205
Accrued interest receivable	46,462
Due from other governments	2,965,099
Loans receivable	23,169
Inventories	233,798
Prepaid items	13,536

**Noncurrent assets**

Deferred charges	42,127
Long-term receivables	134,312

**Capital assets**

Non-depreciable	6,771,095
Depreciable - net of accumulated depreciation	58,440,590

<b>Total Assets</b>	<b><u>\$ 86,559,402</u></b>
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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009**

**Liabilities**

**Current liabilities**

Accounts payable	\$	487,447
Salaries payable		377,080
Contracts payable		257,535
Due to other governments		257,587
Accrued interest payable		71,366
Deferred revenue - unearned		46,314
Compensated absences payable - current		73,541
Other postemployment benefits payable - current		50,410
General obligation bonds payable - current		170,000
General obligation certificates of indebtedness payable - current		130,000
Capital leases payable - current		53,550
Loans payable - current		48,677

**Noncurrent liabilities**

Compensated absences payable		899,228
Other postemployment benefits payable		224,129
Capital leases payable		70,112
General obligation bonds payable - net		3,723,291
General obligation certificates of indebtedness payable - net		585,392
Loans payable		395,302

<b>Total Liabilities</b>	<b>\$</b>	<b><u>7,920,961</u></b>
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**Net Assets**

Invested in capital assets - net of related debt	\$	61,361,173
Restricted for		
Public safety		375,479
Highways and streets		1,943,661
Capital projects		937,553
Debt service		667,942
Other purposes		343,281
Unrestricted		13,009,352
<b>Total Net Assets</b>	<b>\$</b>	<b><u><u>78,638,441</u></u></b>



**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Program Revenues</b>			<b>Net (Expense)</b>	
<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Revenue and Changes in Net Assets</b>	
<b><u>Functions/Programs</u></b>					
<b>Primary government</b>					
<b>Governmental activities</b>					
General government	\$ 2,993,642	\$ 568,338	\$ 70,634	\$ -	\$ (2,354,670)
Public safety	2,682,538	203,063	291,887	-	(2,187,588)
Highways and streets	4,276,524	88,394	4,507,979	991,238	1,311,087
Sanitation	639,093	547,855	83,475	-	(7,763)
Human services	5,243,971	318,474	2,318,517	-	(2,606,980)
Health	1,392,696	580,412	311,779	-	(500,505)
Culture and recreation	351,904	57,186	87,765	-	(206,953)
Conservation of natural resources	723,393	248,654	43,867	-	(430,872)
Economic development	62,250	-	57,500	-	(4,750)
Interest	234,232	-	-	-	(234,232)
<b>Total Governmental Activities</b>	<b>\$ 18,600,243</b>	<b>\$ 2,612,376</b>	<b>\$ 7,773,403</b>	<b>\$ 991,238</b>	<b>\$ (7,223,226)</b>
 <b>General Revenues</b>					
Property taxes				\$ 9,769,034	
Other taxes				10,546	
Payments in lieu of tax				58,716	
Grants and contributions not restricted to specific programs				1,561,024	
Investment income				218,507	
Miscellaneous				178,564	
<b>Total general revenues</b>				<b>\$ 11,796,391</b>	
<b>Change in net assets</b>					<b>\$ 4,573,165</b>
<b>Net Assets - Beginning</b>					<b>74,065,276</b>
<b>Net Assets - Ending</b>					<b>\$ 78,638,441</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 2,065,343	\$ 1,903,432	\$ 2,057,792
Petty cash and change funds	1,860	-	-
Undistributed cash in agency fund	120,856	27,511	49,584
Investments	3,083,788	-	-
Taxes receivable			
Delinquent	73,027	22,184	40,247
Special assessments receivable			
Delinquent	3,514	-	-
Noncurrent	313,218	-	-
Accounts receivable	1,145	1,539	44,903
Accrued interest receivable	18,386	-	-
Due from other funds	23,937	1,089	-
Due from other governments	80,363	2,308,197	479,348
Loans receivable	114,595	-	-
Inventories	-	233,798	-
Prepaid items	7,047	2,559	2,207
	<b>\$ 5,907,079</b>	<b>\$ 4,500,309</b>	<b>\$ 2,674,081</b>

**EXHIBIT 3**

<u>Public Health Services</u>	<u>Solid Waste</u>	<u>Building</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ 1,391,214	\$ 275,424	\$ 1,695,220	\$ 139,848	\$ 444,401	\$ 9,972,674
200	30	-	-	-	2,090
11,580	22,907	6,169	2,075	9,759	250,441
-	600,000	100,000	2,931,072	278,000	6,992,860
9,309	-	4,448	-	6,863	156,078
-	37,388	-	1,866	-	42,768
-	-	-	46,880	-	360,098
55,220	9,398	-	-	-	112,205
847	4,343	82	22,519	285	46,462
3,932	-	-	-	-	28,958
92,364	-	-	4,827	-	2,965,099
-	-	42,886	-	-	157,481
-	-	-	-	-	233,798
1,723	-	-	-	-	13,536
<u>\$ 1,566,389</u>	<u>\$ 949,490</u>	<u>\$ 1,848,805</u>	<u>\$ 3,149,087</u>	<u>\$ 739,308</u>	<u>\$ 21,334,548</u>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 65,486	\$ 108,748	\$ 178,711
Salaries payable	153,365	72,605	90,107
Contracts payable	-	65,361	1,520
Due to other funds	4,332	-	23,667
Due to other governments A95	61,552	93,242	78,300
Deferred revenue - unavailable	405,361	1,999,268	96,492
Deferred revenue - unearned	36,562	-	-
<b>Total Liabilities</b>	<b>\$ 726,658</b>	<b>\$ 2,339,224</b>	<b>\$ 468,797</b>
<b>Fund Balances</b>			
Reserved for			
Inventories	\$ -	\$ 233,798	\$ -
Loans receivable	114,595	-	-
Prepaid items	7,047	2,559	2,207
Missing heirs	1,552	-	-
Recorder's technology fund	125,899	-	-
Recorder's equipment	134,263	-	-
Enhanced 911	341,832	-	-
Sheriff's contingency	1,002	-	-
Sheriff's forfeited property	18,242	-	-
Sheriff's DWI assessment	10,551	-	-
Attorney's forfeited property	3,852	-	-
Victim assistance	24,423	-	-
Gun permit fees	20,303	-	-
Highway allotments	-	34,021	-
Septic/sewer loans	130,761	-	-
Law library	2,154	-	-
Encumbrances	-	-	-
Election equipment grant	34,413	-	-
Unspent grant monies	-	-	-
2008A General Obligation Bond	-	-	-
2008B General Obligation Equipment Certificate	-	-	-
Unreserved			
Designated for future expenditures	3,550,070	1,642,749	1,955,464
Designated for compensated absences	348,524	228,608	247,613
Designated for postemployment benefits	305,938	19,350	-
Designated for future loans	-	-	-
Designated for VEBA health plan	5,000	-	-
<b>Total Fund Balances</b>	<b>\$ 5,180,421</b>	<b>\$ 2,161,085</b>	<b>\$ 2,205,284</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,907,079</b>	<b>\$ 4,500,309</b>	<b>\$ 2,674,081</b>



**EXHIBIT 3**  
**(Continued)**

<u>Public Health Services</u>	<u>Solid Waste</u>	<u>Building</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ 16,424	\$ 15,624	\$ 20	\$ 102,434	\$ -	\$ 487,447
44,701	12,342	-	3,960	-	377,080
1,430	-	189,224	-	-	257,535
959	-	-	-	-	28,958
2,156	120	32	22,185	-	257,587
42,079	41,731	4,530	69,445	7,148	2,666,054
9,752	-	-	-	-	46,314
<b>\$ 117,501</b>	<b>\$ 69,817</b>	<b>\$ 193,806</b>	<b>\$ 198,024</b>	<b>\$ 7,148</b>	<b>\$ 4,120,975</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233,798
-	-	42,886	-	-	157,481
1,723	-	-	-	-	13,536
-	-	-	-	-	1,552
-	-	-	-	-	125,899
-	-	-	-	-	134,263
-	-	-	-	-	341,832
-	-	-	-	-	1,002
-	-	-	-	-	18,242
-	-	-	-	-	10,551
-	-	-	-	-	3,852
-	-	-	-	-	24,423
-	-	-	-	-	20,303
-	-	-	-	-	34,021
-	-	-	-	-	130,761
-	-	-	-	-	2,154
-	-	260,724	-	-	260,724
-	-	-	-	-	34,413
-	45,000	-	-	-	45,000
-	-	568,951	-	571,440	1,140,391
-	-	208,191	-	160,720	368,911
1,327,898	813,380	574,247	2,068,499	-	11,932,307
119,267	21,293	-	7,464	-	972,769
-	-	-	-	-	325,288
-	-	-	875,100	-	875,100
-	-	-	-	-	5,000
<b>\$ 1,448,888</b>	<b>\$ 879,673</b>	<b>\$ 1,654,999</b>	<b>\$ 2,951,063</b>	<b>\$ 732,160</b>	<b>\$ 17,213,573</b>
<b>\$ 1,566,389</b>	<b>\$ 949,490</b>	<b>\$ 1,848,805</b>	<b>\$ 3,149,087</b>	<b>\$ 739,308</b>	<b>\$ 21,334,548</b>

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009**

<b>Fund balance - total governmental funds (Exhibit 3)</b>		<b>\$ 17,213,573</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.		65,211,685
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,666,054
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Notes payable	\$ (720,000)	
Bonds payable	(3,920,000)	
Leases payable	(123,662)	
Other postemployment benefits	(274,539)	
Compensated absences	(972,769)	
Loans payable	(443,979)	
Deferred debt issuance charges	42,127	
Unamortized discount on notes	31,317	
Accrued interest payable	(71,366)	(6,452,871)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b><u>\$ 78,638,441</u></b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 4,430,363	\$ 1,330,315	\$ 2,373,374
Special assessments	89,483	-	-
Licenses and permits	36,755	-	-
Intergovernmental	1,326,285	4,920,705	2,660,764
Charges for services	649,666	41,385	215,423
Gifts and contributions	15,436	-	-
Investment earnings	81,648	6,336	-
Miscellaneous	410,536	47,009	93,957
<b>Total Revenues</b>	<b>\$ 7,040,172</b>	<b>\$ 6,345,750</b>	<b>\$ 5,343,518</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 2,754,977	\$ -	\$ -
Public safety	2,499,868	-	-
Highways and streets	-	6,085,916	-
Sanitation	-	-	-
Human services	-	-	5,235,341
Health	-	-	-
Culture and recreation	234,026	-	-
Conservation of natural resources	354,911	-	-
Economic development	62,250	-	-
<b>Intergovernmental</b>	105,592	373,510	-
<b>Debt service</b>			
Principal	175,593	-	-
Interest	52,303	-	-
Administrative charges	395	-	-
<b>Total Expenditures</b>	<b>\$ 6,239,915</b>	<b>\$ 6,459,426</b>	<b>\$ 5,235,341</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 800,257</b>	<b>\$ (113,676)</b>	<b>\$ 108,177</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(1,000)	-	-
Capital lease/installment purchase	66,353	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 65,353</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 865,610</b>	<b>\$ (113,676)</b>	<b>\$ 108,177</b>
<b>Fund Balance - January 1</b>	<b>4,314,811</b>	<b>2,264,579</b>	<b>2,097,107</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>10,182</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,180,421</b>	<b>\$ 2,161,085</b>	<b>\$ 2,205,284</b>

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

**EXHIBIT 5**

<b>Public Health Services</b>	<b>Solid Waste</b>	<b>Building</b>	<b>Ditch</b>	<b>Debt Service</b>	<b>Total</b>
\$ 555,397	\$ -	\$ 343,497	\$ -	\$ 717,498	\$ 9,750,444
-	357,731	-	243,810	-	691,024
-	750	-	-	-	37,505
391,180	83,480	52,718	183	110,461	9,545,776
561,258	-	-	-	-	1,467,732
282	-	-	-	-	15,718
23,699	13,372	6,676	88,986	9,046	229,763
5,597	184,586	63,518	111	-	805,314
<b>\$ 1,537,413</b>	<b>\$ 639,919</b>	<b>\$ 466,409</b>	<b>\$ 333,090</b>	<b>\$ 837,005</b>	<b>\$ 22,543,276</b>
\$ -	\$ -	\$ 2,834,143	\$ -	\$ -	\$ 5,589,120
-	-	-	-	-	2,499,868
-	-	-	-	-	6,085,916
-	709,196	-	-	-	709,196
-	-	-	-	-	5,235,341
1,392,137	-	-	-	-	1,392,137
-	-	-	-	-	234,026
-	-	-	378,630	-	733,541
-	-	-	-	-	62,250
-	-	-	-	-	479,102
797	-	-	-	-	176,390
271	-	-	-	114,185	166,759
-	-	-	-	-	395
<b>\$ 1,393,205</b>	<b>\$ 709,196</b>	<b>\$ 2,834,143</b>	<b>\$ 378,630</b>	<b>\$ 114,185</b>	<b>\$ 23,364,041</b>
<b>\$ 144,208</b>	<b>\$ (69,277)</b>	<b>\$ (2,367,734)</b>	<b>\$ (45,540)</b>	<b>\$ 722,820</b>	<b>\$ (820,765)</b>
\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ 1,000
-	-	-	-	-	(1,000)
6,535	-	-	-	-	72,888
<b>\$ 6,535</b>	<b>\$ -</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 72,888</b>
<b>\$ 150,743</b>	<b>\$ (69,277)</b>	<b>\$ (2,366,734)</b>	<b>\$ (45,540)</b>	<b>\$ 722,820</b>	<b>\$ (747,877)</b>
1,298,145	948,950	4,021,733	2,996,603	9,340	17,951,268
-	-	-	-	-	10,182
<b>\$ 1,448,888</b>	<b>\$ 879,673</b>	<b>\$ 1,654,999</b>	<b>\$ 2,951,063</b>	<b>\$ 732,160</b>	<b>\$ 17,213,573</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ (747,877)**

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	\$ 2,666,054	
Deferred revenue - January 1	<u>(2,031,195)</u>	634,859

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. In the statement of activities, only the gain or loss on the disposal of capital 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	\$ 6,940,801	
Net book value of assets disposed of	(100,553)	
Current year depreciation	<u>(2,031,147)</u>	4,809,101

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Principal repayments		
General obligation bonds	\$ 80,000	
Loans payable	47,717	
Leases payable	<u>48,673</u>	176,390
 New debt issued - net of discounts (see Note 2.C.2. for more information)		 (72,888)

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.

Change in accrued interest payable	\$ (56,903)	
Change in compensated absences	(39,806)	
Change in other postemployment benefits	(129,718)	
Change in inventories	10,182	
Amortization of discounts and deferred debt issuance charges	<u>(10,175)</u>	<u>(226,420)</u>

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 4,573,165**

**FIDUCIARY FUNDS**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
DECEMBER 31, 2009**

<u>Assets</u>	
Cash and pooled investments	<u>\$ 514,511</u>
 <u>Liabilities</u>	
Accounts payable	\$ 201,530
Due to other governments	<u>312,981</u>
<b>Total Liabilities</b>	<b><u>\$ 514,511</u></b>

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2009. 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

Redwood County was established February 6, 1862, 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 Redwood County. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Unit

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

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
Redwood County Economic Development Authority (RCEDA) provides services pursuant to Minn. Stat. §§ 469.090-.1082.	The County appoints all of the RCEDA Board members and is financially responsible for funding its projects.	Separate financial statements are not prepared.

**REDWOOD COUNTY**  
**REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in joint ventures as described in Note 5.B. The County also participates in jointly-governed organizations 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 Redwood County. 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. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported in a single column.

In the government-wide statement of net assets, the governmental activities are presented on a consolidated basis and are 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, (2) restricted net assets, and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions 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.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. 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. The County reports all of its governmental funds as major 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.

The Public Health Services Special Revenue Fund is used to account for community health programs. Financing comes primarily from an annual tax levy and intergovernmental revenue provided by the state and federal governments.

The Solid Waste Special Revenue Fund is used to account for the costs relating to disposal of the County's solid waste. Financing is provided by special assessments, miscellaneous revenue, grants from the state, and through an appropriation from the General Fund.

The Building Special Revenue Fund is used to account for the cost of constructing and maintaining County buildings. Financing is provided from an annual tax levy, miscellaneous revenue, and investment earnings on taxes and penalties' investments.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

The Debt Service Fund is used to account for the accumulation of financial resources for, and the payment of, principal, interest, and related costs of general obligation bonds. This fund was opened in 2008.

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. Redwood 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.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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.

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, 2009, 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 2009 were \$12,445.

Redwood 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 2a7 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.

2. Receivables and Payables

Activity between funds that represents 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.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

All receivables 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.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses 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. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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.



**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Building improvements	20 - 35
Public domain infrastructure	15 - 70
Furniture, equipment, and vehicles	3 - 15

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation 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 and fiduciary fund 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.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

6. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

	<u>Unavailable</u>
Delinquent property taxes	\$ 156,078
Delinquent and noncurrent special assessments	402,866
Interest on investments	38,307
Receivables that do not provide current financial resources	<u>2,068,803</u>
Total Deferred Revenues	<u>\$ 2,666,054</u>

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

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

8. Fund Equity

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

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. 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 certain 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.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 10,225,205
Investments	6,992,860
Statement of fiduciary net assets	
Cash and pooled investments	514,511
Total Cash and Investments	\$ 17,732,576

Deposits	
Checking	\$ (16,234)
Money market savings	1,741,086
Certificates of deposit	6,392,860
Invested in MAGIC Fund	4,732,226
Invested in mutual funds	3,948,805
Invested in Federal Home Loan Bank bonds	200,000
Invested in Federal National Mortgage Association notes	400,000
Invested in repurchase agreement	331,743
Petty cash and change funds	2,090
Total Deposits, Cash on Hand, and Investments	\$ 17,732,576

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with 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 or 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 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 is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2009, the County's deposits were not exposed to custodial credit risk.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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's policy is to minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

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 in the possession of an outside party. The County's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31, 2009, the County's investments were not exposed to custodial credit risk.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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 following table presents the County's cash and investment balances at December 31, 2009, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Home Loan Bank Bonds	AAA	S&P	<5%	N/A	\$ 200,000
Federal National Mortgage Association Notes	AAA	S&P	<5%	N/A	\$ 200,000
Federal National Mortgage Association Notes	AAA	S&P	<5%	N/A	200,000
Total Federal National Mortgage Association Notes					\$ 400,000
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	N/A	N/A	\$ 4,732,226
Federated Prime Obligations Fund	N/R	N/A	>5%	N/A	3,948,805
Total investment pools/mutual funds					\$ 8,681,031
Repurchase agreement	N/A	N/A	<5%	N/A	\$ 331,743
Total investments					\$ 9,612,774
Checking					(16,234)
Savings					1,741,086
Certificates of deposit					6,392,860
Petty cash					2,090
Total Cash and Investments					\$ 17,732,576

N/A - Not Applicable

N/R - Not Rated

<5% - Concentration is less than 5% of investments

>5% - Concentration is more than 5% of investments

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 445,148	\$ -	\$ -	\$ 445,148
Right-of-way	1,318,255	-	-	1,318,255
Construction in progress	<u>2,273,546</u>	<u>3,526,898</u>	<u>792,752</u>	<u>5,007,692</u>
Total capital assets not depreciated	<u>\$ 4,036,949</u>	<u>\$ 3,526,898</u>	<u>\$ 792,752</u>	<u>\$ 6,771,095</u>
Capital assets depreciated				
Buildings	\$ 5,698,355	\$ -	\$ -	\$ 5,698,355
Improvements other than building	191,209	351,633	-	542,842
Machinery and equipment	6,900,939	521,924	219,031	7,203,832
Infrastructure	<u>66,617,048</u>	<u>3,333,098</u>	<u>-</u>	<u>69,950,146</u>
Total capital assets depreciated	<u>\$ 79,407,551</u>	<u>\$ 4,206,655</u>	<u>\$ 219,031</u>	<u>\$ 83,395,175</u>
Less: accumulated depreciation for				
Buildings	\$ 3,336,662	\$ 116,901	\$ -	\$ 3,453,563
Improvements other than building	7,413	17,245	-	24,658
Machinery and equipment	4,646,496	559,103	118,478	5,087,121
Infrastructure	<u>15,051,345</u>	<u>1,337,898</u>	<u>-</u>	<u>16,389,243</u>
Total accumulated depreciation	<u>\$ 23,041,916</u>	<u>\$ 2,031,147</u>	<u>\$ 118,478</u>	<u>\$ 24,954,585</u>
Total capital assets depreciated, net	<u>\$ 56,365,635</u>	<u>\$ 2,175,508</u>	<u>\$ 100,553</u>	<u>\$ 58,440,590</u>
Governmental Activities Capital Assets, Net	<u>\$ 60,402,584</u>	<u>\$ 5,702,406</u>	<u>\$ 893,305</u>	<u>\$ 65,211,685</u>

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

General government	\$ 159,901
Public safety	209,049
Highways and streets, including depreciation of infrastructure assets	1,607,184
Sanitation	29,054
Human services	4,686
Health	7,583
Culture and recreation	11,356
Conservation of natural resources	<u>2,334</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,031,147</u>



**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2009, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Human Services	\$ 23,567
	Public Health Services	370
Total due to General Fund		<u>\$ 23,937</u>
Road and Bridge	General	\$ 475
	Human Services	25
	Public Health Services	589
Total due to Road and Bridge Fund		<u>\$ 1,089</u>
Public Health Services	General	\$ 3,857
	Human Services	75
Total due to Public Health Services Fund		<u>\$ 3,932</u>
Total Due To/From Other Funds		<u>\$ 28,958</u>

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system and when the funds are repaid. All balances are expected to be liquidated in the subsequent year.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Transfer to Building Fund from General Fund	<u>\$ 1,000</u>	Provide funding
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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2009. The projects include the following:

	Spent-to-Date	Remaining Commitment
Building projects	\$ 1,520,985	\$ 260,724

2. Long-Term Debt

Loans Payable

In 2003, the County entered into a loan agreement with the Minnesota Pollution Control Agency for financing groundwater improvement projects. The loan is secured by special assessments placed on the individual parcels requesting repair of a failing septic system. Loan payments are reported in the General Fund.

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
Clean water loans					
Cottonwood River	2017	\$ 21,245	2.00	\$ 423,140	\$ 242,256
Redwood River	2017	6,326	2.00	123,047	93,107
Redwood River TMDL	-	-	-	31,594	31,594
Middle Minnesota	-	-	-	8,000	8,000
Cottonwood River Watershed	-	-	-	69,022	69,022
Total					\$ 443,979

The Redwood River Watershed Phosphorous TMDL, Middle Minnesota, and the Cottonwood River Watershed clean water loans do not have a fixed amortization schedule.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt (Continued)

Bonds, Certificates of Indebtedness, and Notes Payable

In 2008, Redwood County issued a Capital Improvement Bond (Series 2008A) for \$3,920,000 to finance the renovation of the Government Center and remodeling of the Courthouse. In 2008, Redwood County also issued a Certificate of Indebtedness (Series 2008B) for \$720,000 to finance the acquisition of capital equipment for the County. Payments on the 2008 issues will be made from the Debt Service Fund.

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2009</u>
2008 General Obligation Improvement Bond, Series 2008A	2024	\$170,000 - \$355,000	3.00 - 4.50	<u>\$ 3,920,000</u>	\$ 3,920,000
Less: unamortized discount					<u>(26,709)</u>
Total improvement bond					<u>\$ 3,893,291</u>
2008 General Obligation Certificate of Indebtedness, Series 2008B	2014	\$130,000 - \$155,000	2.50 - 3.40	<u>\$ 720,000</u>	\$ 720,000
Less: unamortized discount					<u>(4,608)</u>
Total certificate of indebtedness					<u>\$ 715,392</u>
Total General Obligation Bonds, Certificates, and Notes, Net					<u>\$ 4,608,683</u>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

Year Ending December 31	General Obligation Bonds, Certificates of Indebtedness, and Capital Notes	
	Principal	Interest
2010	\$ 300,000	\$ 167,103
2011	345,000	157,928
2012	355,000	147,602
2013	370,000	136,577
2014	380,000	124,642
2015 - 2019	1,280,000	479,348
2020 - 2024	1,610,000	183,516
Total	<u>\$ 4,640,000</u>	<u>\$ 1,396,716</u>

Year Ending December 31	Loans Payable	
	Principal	Interest
2010	\$ 48,677	\$ 6,465
2011	49,655	5,487
2012	50,653	4,489
2013	46,631	3,471
2014	40,403	2,593
2015 - 2017	99,344	2,959
Total	<u>\$ 335,363</u>	<u>\$ 25,464</u>

The Redwood River Watershed Phosphorous TMDL, Middle Minnesota, and the Cottonwood River Watershed clean water loans are not included in the debt service requirements because a fixed repayment schedule was not available.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of squad cars for the Sheriff's Department and copier leases for various departments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2009:

Lease	Final Maturity	Installments	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2009
2009 Crown Victoria	2013	Monthly	\$ 1,025	\$ 27,000	\$ 24,967
2009 Crown Victoria	2013	Monthly	1,025	27,000	24,370
2008 Crown Victoria	2012	Monthly	859	20,945	16,418
2007 Crown Victoria	2011	Monthly	1,110	26,226	14,098
2007 Crown Victoria	2010	Monthly	930	20,356	6,530
2007 Crown Victoria	2010	Monthly	1,301	27,552	8,015
2007 Crown Victoria	2010	Monthly	1,004	20,356	6,111
2007 Crown Victoria	2010	Monthly	1,004	20,365	6,891
Admn. Sharp Copier	2014	Monthly	155	7,286	6,217
Sheriff Sharp Copier	2014	Monthly	104	5,067	4,307
PHS Sharp Copier	2014	Monthly	134	6,535	5,738
Total Capital Leases					<u>\$ 123,662</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2009, were as follows:

Year Ending December 31	Governmental Activities
2010	\$ 84,528
2011	45,162
2012	35,319
2013	14,958
2014	1,052
Total minimum lease payments	\$ 181,019
Less: amount representing interest	<u>(57,357)</u>
Present Value of Minimum Lease Payments	<u>\$ 123,662</u>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation notes	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -
General obligation certificates	720,000	-	-	720,000	130,000
General obligation bond	3,920,000	-	-	3,920,000	170,000
Less: deferred amounts for issuance discounts	(34,377)	-	(3,060)	(31,317)	-
Total bonds and notes payable	\$ 4,685,623	\$ -	\$ 76,940	\$ 4,608,683	\$ 300,000
Clean water loans payable	491,696	-	47,717	443,979	48,677
Compensated absences	932,963	39,806	-	972,769	73,541
Other postemployment benefits	144,821	181,039	51,321	274,539	50,410
Capital leases	99,447	72,888	48,673	123,662	53,550
Governmental Activities Long-Term Liabilities	<u>\$ 6,354,550</u>	<u>\$ 293,733</u>	<u>\$ 224,651</u>	<u>\$ 6,423,632</u>	<u>\$ 526,178</u>

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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.

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.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. 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 are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent of their annual covered salary. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2009 and 2010:

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



**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 403,877	\$ 374,928	\$ 349,566
Public Employees Police and Fire Fund	82,213	75,596	72,964
Public Employees Correctional Fund	38,261	35,404	34,814

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

B. Defined Contribution Plan

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

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

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2009, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,463	\$ 6,463
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent

C. Other Postemployment Benefits (OPEB)

Plan Description

The County pays the health insurance for qualified retired employees and elected officials. Employees who retire between age 55 and 65 with 25 years of public service, and with at least 10 years of service with Redwood County, qualify for health insurance benefits. Elected officials qualify if they serve a minimum of 2 years as an elected Redwood County official. The elected official or his or her surviving spouse and dependents will receive one year of paid or partially paid medical insurance for every 2 years of service to Redwood County. Additional years, not a multiple of two, are prorated. A maximum of 6 years of paid insurance is available to elected officials. For retired employees, the County rates are based on the County's group health policy rates in effect at the time of retirement and are a fixed amount until discontinued at age 65 for retired employees and after a maximum of 6 years for elected officials. As of year-end December 31, 2009, the County has 12 eligible participants--7 elected officials and 5 employees. The County finances the plan on a pay-as-you-go basis. During 2009, the County expended \$43,284 for these benefits.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	175,246
Interest on net OPEB obligation		5,793
Adjustment to ARC		(8,037)
		_____
Annual OPEB cost (expense)	\$	173,002
Contributions made		(43,284)
		_____
Increase in net OPEB obligation	\$	129,718
Net OPEB Obligation - Beginning of Year		144,821
		_____
Net OPEB Obligation - End of Year	\$	274,539

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2008 and 2009, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 175,246	\$ 30,425	17.4%	\$ 144,821
December 31, 2009	173,002	43,284	25.0	274,539

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,867,528, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,867,528. The covered payroll (annual payroll of active employees covered by the plan) was \$6,782,042, and the ratio of the UAAL to the covered payroll was 27.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Redwood County's implicit rate of return on the General Fund. The annual health care cost trend is 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 8 years. Both rates included a

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

3.0 percent inflation assumption. The UAAL is being amortized over 30 years on a level dollar basis. The remaining amortization period at December 31, 2009, was 28 years.

4. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and dental coverage; or natural disasters. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT); formerly the Minnesota Counties Insurance Trust. MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. For risks related to certain equipment and for hospitalization, medical, dental, and major medical for its employees, the County purchases commercial insurance. The County retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$430,000 per claim in 2009 and \$450,000 per claim in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT. The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. 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 County.

Lincoln-Pipestone Rural Water System

At December 31, 2009, Lincoln-Pipestone Rural Water System had \$36,989,000 of general obligation bonds outstanding through 2034. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specially benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and unlimited taxing powers are pledged. The participating counties (Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn. Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the ten participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities)

Lincoln-Pipestone Rural Water System (Continued

In 2010, Nobles County issued a general obligation bond for \$800,000 on behalf of the Lincoln-Pipestone Rural Water System to finance the water expansion and internal improvements necessary for the delivery of water to its customers. Each of the participating counties adopted a board resolution to approve an updated joint powers agreement to guarantee the payment of the bond.

B. Joint Ventures

Lincoln-Pipestone Rural Water System

Redwood County, along with Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Rock, and Yellow Medicine Counties, jointly established the Lincoln-Pipestone Rural Water System pursuant to Minn. Stat. ch. 116A. The Water System is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it serves. The cost of providing these services is recovered through user charges. The Lincoln-Pipestone Rural Water System is governed by the District Court. The Water System's Board is solely responsible for the budgeting and financing of the Water System.

Bonds were issued by Lincoln County and Yellow Medicine County to finance the construction of the Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2009, were \$36,989,000.

The Lincoln-Pipestone Rural Water System's 2009 financial report shows total net assets of \$37,083,055, including unrestricted net assets of \$26,538,044. The decrease in net assets for the year ended December 31, 2009, was \$976,969.

Complete financial statements of the Lincoln-Pipestone Rural Water System can be obtained at East Highway 14, P. O. Box 188, Lake Benton, Minnesota 56149-0188.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Red Rock Rural Water System

The Red Rock Rural Water System was established pursuant to Minn. Stat. ch. 116A through a joint powers agreement pursuant to Minn. Stat. § 471.59 and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Lyon, Murray, Redwood, and Watonwan Counties have agreed to guarantee their share of debt arising within each respective county. The Red Rock Rural Water System provides water for participating rural water users and cities within the water district.

The Red Rock Rural Water System is governed by a nine-member Board appointed for terms of three years by the District Court.

Each county is responsible for levying and collecting the special assessments from the benefited properties within that county. A bond issue and notes payable are shown as long-term debt on the financial statements of the Red Rock Rural Water System. Outstanding bonds at December 31, 2009 (the most recent information available), were \$11,845,000. The Water System's net assets decreased by \$201,893 in 2009.

Complete financial information can be obtained at 305 West Whited Street, Jeffers, Minnesota 56145.

Southwest Minnesota Regional Radio Board

The Southwest Minnesota Regional Radio Board Joint Powers was established April 22, 2008, between Lyon County, the City of Marshall, the City of Worthington, and 12 other counties (including Redwood County) under authority of Minn. Stat. §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the Board include a member of the Southwest Minnesota Regional Advisory Committee, a member of the Southwest Minnesota Regional Radio System User Committee, and a member of the Southwest Minnesota Owners and Operators Committee.



**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Minnesota River Basin

The Minnesota River Basin Joint Powers Board was established July 12, 1995, by an agreement between Chippewa, Lac qui Parle, Lincoln, Lyon, Murray, Pipestone, Redwood, Yellow Medicine, and 27 other counties. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

In the event of termination of the agreement, all property, real and personal, held by the Joint Powers Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an executive board of five officers elected from the membership of the Joint Powers Board, consisting of one representative and alternate from each County Board of Commissioners included in this agreement.

During 2009, Redwood County made no contributions to the Joint Powers Board.

Complete financial statements for the Minnesota River Basin Joint Powers Board can be obtained from its administrative office at Administration Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with several counties and the Lincoln, Lyon, & Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board under the authority of Minn. Stat. § 471.59. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

The Southwestern Minnesota Adult Mental Health Consortium Board shall take actions and enter into such agreements as may be necessary to plan and develop within the Consortium Board's geographic jurisdiction a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

state proceeds or appropriations for the development of the system of care. The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2009:

Total assets	\$ 2,304,308
Total liabilities	327,637
Total net assets	1,976,671
Total revenues	4,271,686
Total expenses	4,327,451
Change in net assets	(55,765)

The Consortium Board reported no long-term obligations at December 31, 2009.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at Cottonwood County Family Services Agency, Windom, Minnesota 56101.

C. Jointly-Governed Organizations

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

Family Service Collaborative

The Family Service Collaborative was established to create opportunities to enhance family strengths and support through service coordination and access to informal communication. Redwood County, in an agent capacity, reports the cash transactions of the Collaborative as an agency fund in its financial statements. Redwood County has no operational or financial control over the Collaborative.

Area II Minnesota River Basin Project

The Area II Minnesota River Basin Project provides programs for flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County contributed \$11,187 to the Project.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Redwood-Cottonwood Rivers Control Area

The Redwood-Cottonwood Rivers Control Area (RCRCA) promotes orderly water quality improvement and management within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. The County contributed \$19,860 to the RCRCA in 2009.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,429,752	\$ 4,429,752	\$ 4,430,363	\$ 611
Special assessments	77,000	77,000	89,483	12,483
Licenses and permits	25,050	25,050	36,755	11,705
Intergovernmental	1,230,896	1,169,362	1,326,285	156,923
Charges for services	662,600	662,600	649,666	(12,934)
Gifts and contributions	3,000	3,000	15,436	12,436
Investment earnings	280,000	80,000	81,648	1,648
Miscellaneous	603,534	375,273	410,536	35,263
<b>Total Revenues</b>	<b>\$ 7,311,832</b>	<b>\$ 6,822,037</b>	<b>\$ 7,040,172</b>	<b>\$ 218,135</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 245,785	\$ 245,785	\$ 209,301	\$ 36,484
Law library	-	-	28,796	(28,796)
County administration	482,036	268,775	316,686	(47,911)
Administrator	236,928	236,428	235,790	638
Auditor-Treasurer	325,756	324,404	309,337	15,067
License center	136,842	136,842	135,665	1,177
Assessor	289,032	288,432	274,849	13,583
Elections	11,100	11,100	12,559	(1,459)
Computer	422,575	328,142	156,447	171,695
Attorney	377,643	366,143	333,213	32,930
Recorder	283,642	290,375	257,541	32,834
Buildings and plant	314,256	308,756	268,521	40,235
Veterans service officer	155,364	152,264	169,168	(16,904)
Other general government	14,500	14,500	47,104	(32,604)
<b>Total general government</b>	<b>\$ 3,295,459</b>	<b>\$ 2,971,946</b>	<b>\$ 2,754,977</b>	<b>\$ 216,969</b>
<b>Public safety</b>				
Sheriff	\$ 2,508,829	\$ 2,321,991	\$ 2,029,899	\$ 292,092
Coroner	11,000	11,000	18,594	(7,594)
E-911 system	106,500	106,500	104,880	1,620
Probation and parole	301,917	301,917	267,436	34,481
Restorative justice	-	-	204	(204)
Emergency management	69,132	69,132	59,151	9,981
Other public safety	22,100	22,100	19,704	2,396
<b>Total public safety</b>	<b>\$ 3,019,478</b>	<b>\$ 2,832,640</b>	<b>\$ 2,499,868</b>	<b>\$ 332,772</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Culture and recreation</b>				
Museum	\$ 3,200	\$ 3,200	\$ 2,144	\$ 1,056
Parks	123,639	123,639	95,867	27,772
Minnesota trails	84,084	84,084	87,765	(3,681)
Other	48,500	48,500	48,250	250
<b>Total culture and recreation</b>	<b>\$ 259,423</b>	<b>\$ 259,423</b>	<b>\$ 234,026</b>	<b>\$ 25,397</b>
<b>Conservation of natural resources</b>				
Extension	\$ 96,119	\$ 96,119	\$ 94,685	\$ 1,434
Agricultural inspection	124,176	119,136	83,393	35,743
Water quality loan program	90,000	90,000	-	90,000
Other	179,845	179,845	176,833	3,012
<b>Total conservation of natural resources</b>	<b>\$ 490,140</b>	<b>\$ 485,100</b>	<b>\$ 354,911</b>	<b>\$ 130,189</b>
<b>Economic development</b>				
Other	\$ 112,141	\$ 112,141	\$ 62,250	\$ 49,891
<b>Intergovernmental</b>				
Library	\$ 105,592	\$ 105,592	\$ 105,592	\$ -
<b>Debt service</b>				
Principal	\$ 127,717	\$ 127,717	\$ 175,593	\$ (47,876)
Interest	\$ 9,705	\$ 9,705	\$ 52,303	\$ (42,598)
Administrative (fiscal) charges	\$ 431	\$ 431	\$ 395	\$ 36
<b>Total Expenditures</b>	<b>\$ 7,420,086</b>	<b>\$ 6,904,695</b>	<b>\$ 6,239,915</b>	<b>\$ 664,780</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (108,254)</b>	<b>\$ (82,658)</b>	<b>\$ 800,257</b>	<b>\$ 882,915</b>



**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (1,000)	\$ (1,000)
Capital lease/installment purchase	-	-	66,353	66,353
Loans issued	90,000	90,000	-	(90,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>	<b>\$ 65,353</b>	<b>\$ (24,647)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (18,254)</b>	<b>\$ 7,342</b>	<b>\$ 865,610</b>	<b>\$ 858,268</b>
<b>Fund Balance - January 1</b>	<b>4,314,811</b>	<b>4,314,811</b>	<b>4,314,811</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,296,557</b>	<b>\$ 4,322,153</b>	<b>\$ 5,180,421</b>	<b>\$ 858,268</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,325,951	\$ 1,325,951	\$ 1,330,315	\$ 4,364
Intergovernmental	5,901,844	5,883,390	4,920,705	(962,685)
Charges for services	50,000	50,000	41,385	(8,615)
Investment earnings	60,000	60,000	6,336	(53,664)
Miscellaneous	90,000	90,000	47,009	(42,991)
<b>Total Revenues</b>	<b>\$ 7,427,795</b>	<b>\$ 7,409,341</b>	<b>\$ 6,345,750</b>	<b>\$ (1,063,591)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 518,772	\$ 518,772	\$ 426,337	\$ 92,435
Maintenance	1,845,708	1,754,508	1,527,404	227,104
Construction	4,566,444	4,558,244	3,479,666	1,078,578
Equipment and maintenance shops	864,076	858,476	652,509	205,967
<b>Total highways and streets</b>	<b>\$ 7,795,000</b>	<b>\$ 7,690,000</b>	<b>\$ 6,085,916</b>	<b>\$ 1,604,084</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	373,510	(373,510)
<b>Total Expenditures</b>	<b>\$ 7,795,000</b>	<b>\$ 7,690,000</b>	<b>\$ 6,459,426</b>	<b>\$ 1,230,574</b>
<b>Net Change in Fund Balance</b>	<b>\$ (367,205)</b>	<b>\$ (280,659)</b>	<b>\$ (113,676)</b>	<b>\$ 166,983</b>
<b>Fund Balance - January 1</b>	<b>2,264,579</b>	<b>2,264,579</b>	<b>2,264,579</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>10,182</b>	<b>10,182</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,897,374</b>	<b>\$ 1,983,920</b>	<b>\$ 2,161,085</b>	<b>\$ 177,165</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,365,233	\$ 2,335,617	\$ 2,373,374	\$ 37,757
Intergovernmental	2,688,279	2,684,977	2,660,764	(24,213)
Charges for services	196,430	196,430	215,423	18,993
Miscellaneous	100,900	100,900	93,957	(6,943)
<b>Total Revenues</b>	<b>\$ 5,350,842</b>	<b>\$ 5,317,924</b>	<b>\$ 5,343,518</b>	<b>\$ 25,594</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,574,430	\$ 1,542,671	\$ 1,492,373	\$ 50,298
Social services	3,764,314	3,709,371	3,742,968	(33,597)
<b>Total Expenditures</b>	<b>\$ 5,338,744</b>	<b>\$ 5,252,042</b>	<b>\$ 5,235,341</b>	<b>\$ 16,701</b>
<b>Net Change in Fund Balance</b>	<b>\$ 12,098</b>	<b>\$ 65,882</b>	<b>\$ 108,177</b>	<b>\$ 42,295</b>
<b>Fund Balance - January 1</b>	<b>2,097,107</b>	<b>2,097,107</b>	<b>2,097,107</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,109,205</b>	<b>\$ 2,162,989</b>	<b>\$ 2,205,284</b>	<b>\$ 42,295</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**Schedule 4**

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 553,380	\$ 553,380	\$ 555,397	\$ 2,017
Intergovernmental	383,141	375,439	391,180	15,741
Charges for services	449,496	449,496	561,258	111,762
Gifts and contributions	1,000	1,000	282	(718)
Investment earnings	12,000	12,000	23,699	11,699
Miscellaneous	4,700	4,700	5,597	897
<b>Total Revenues</b>	<b>\$ 1,403,717</b>	<b>\$ 1,396,015</b>	<b>\$ 1,537,413</b>	<b>\$ 141,398</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	\$ 1,556,786	\$ 1,402,470	\$ 1,392,137	\$ 10,333
<b>Debt service</b>				
Principal	-	-	797	(797)
Interest	-	-	271	(271)
<b>Total Expenditures</b>	<b>\$ 1,556,786</b>	<b>\$ 1,402,470</b>	<b>\$ 1,393,205</b>	<b>\$ 9,265</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (153,069)</b>	<b>\$ (6,455)</b>	<b>\$ 144,208</b>	<b>\$ 150,663</b>
<b>Other Financing Sources (Uses)</b>				
Capital lease/installment purchase	-	-	6,535	(6,535)
<b>Net Change in Fund Balance</b>	<b>\$ (153,069)</b>	<b>\$ (6,455)</b>	<b>\$ 150,743</b>	<b>\$ 144,128</b>
<b>Fund Balance - January 1</b>	<b>1,298,145</b>	<b>1,298,145</b>	<b>1,298,145</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,145,076</b>	<b>\$ 1,291,690</b>	<b>\$ 1,448,888</b>	<b>\$ 144,128</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 351,000	\$ 351,000	\$ 357,731	\$ 6,731
Licenses and permits	1,000	1,000	750	(250)
Intergovernmental	55,000	55,000	83,480	28,480
Investment earnings	30,000	13,372	13,372	-
Miscellaneous	184,040	184,040	184,586	546
<b>Total Revenues</b>	<b>\$ 621,040</b>	<b>\$ 604,412</b>	<b>\$ 639,919</b>	<b>\$ 35,507</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 408,559	\$ 408,559	\$ 484,544	\$ (75,985)
Recycling	250,500	250,500	208,999	41,501
Hazardous waste	10,000	10,000	15,653	(5,653)
<b>Total Expenditures</b>	<b>\$ 669,059</b>	<b>\$ 669,059</b>	<b>\$ 709,196</b>	<b>\$ (40,137)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (48,019)</b>	<b>\$ (64,647)</b>	<b>\$ (69,277)</b>	<b>\$ (4,630)</b>
<b>Fund Balance - January 1</b>	<b>948,950</b>	<b>948,950</b>	<b>948,950</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 900,931</b>	<b>\$ 884,303</b>	<b>\$ 879,673</b>	<b>\$ (4,630)</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 343,208	\$ 343,208	\$ 343,497	\$ 289
Intergovernmental	58,544	53,767	52,718	(1,049)
Investment earnings	20,000	6,676	6,676	-
Miscellaneous	63,500	63,500	63,518	18
<b>Total Revenues</b>	<b>\$ 485,252</b>	<b>\$ 467,151</b>	<b>\$ 466,409</b>	<b>\$ (742)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Buildings and plant	4,756,500	2,834,143	2,834,143	-
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (4,271,248)</b>	<b>\$ (2,366,992)</b>	<b>\$ (2,367,734)</b>	<b>\$ (742)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	1,000	1,000
Bonds issued	3,800,000	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 3,800,000</b>	<b>\$ -</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>
<b>Net Change in Fund Balance</b>	<b>\$ (471,248)</b>	<b>\$ (2,366,992)</b>	<b>\$ (2,366,734)</b>	<b>\$ 258</b>
<b>Fund Balance - January 1</b>	<b>4,021,733</b>	<b>4,021,733</b>	<b>4,021,733</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,550,485</b>	<b>\$ 1,654,741</b>	<b>\$ 1,654,999</b>	<b>\$ 258</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 265,350	\$ 265,350	\$ 243,810	\$ (21,540)
Intergovernmental	183	183	183	-
Investment earnings	130,000	88,986	88,986	-
Miscellaneous	-	-	111	111
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Revenues</b>	<b>\$ 395,533</b>	<b>\$ 354,519</b>	<b>\$ 333,090</b>	<b>\$ (21,429)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	350,424	350,424	378,630	(28,206)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balance</b>	<b>\$ 45,109</b>	<b>\$ 4,095</b>	<b>\$ (45,540)</b>	<b>\$ (49,635)</b>
<b>Fund Balance - January 1</b>	<b>2,996,603</b>	<b>2,996,603</b>	<b>2,996,603</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Balance - December 31</b>	<b>\$ 3,041,712</b>	<b>\$ 3,000,698</b>	<b>\$ 2,951,063</b>	<b>\$ (49,635)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**Schedule 8**

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$ 1,867,528	\$ 1,867,528	0.0%	\$ 6,782,042	27.5%



**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund, special revenue funds, and the Debt Service Fund. The expenditure budget is approved at the fund level.

The budgets may be amended or modified at any time by the County Board. Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund and special revenue funds.

2. Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

3. Excess of Expenditures Over Budget

<u>Fund</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Solid Waste Special Revenue	\$ 709,196	\$ 669,059	\$ 40,137
Ditch Special Revenue	378,630	350,424	28,206

4. Other Postemployment Benefits

Redwood County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2008. Future reports will provide additional trend analysis to meet the three-actuarial-valuation data requirement as the information becomes available. See Note 3.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

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**SUPPLEMENTARY INFORMATION**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 9*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 783,389	\$ 722,375	\$ 717,498	\$ (4,877)
Intergovernmental	59,468	110,461	110,461	-
Investment earnings	-	9,046	9,046	-
<b>Total Revenues</b>	<b>\$ 842,857</b>	<b>\$ 841,882</b>	<b>\$ 837,005</b>	<b>\$ (4,877)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Interest	-	114,185	114,185	-
<b>Net Change in Fund Balance</b>	<b>\$ 842,857</b>	<b>\$ 727,697</b>	<b>\$ 722,820</b>	<b>\$ (4,877)</b>
<b>Fund Balance - January 1</b>	<b>9,340</b>	<b>9,340</b>	<b>9,340</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 852,197</b>	<b>\$ 737,037</b>	<b>\$ 732,160</b>	<b>\$ (4,877)</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Statement 1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>FAMILY SERVICES COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 89,189	\$ 341,079	\$ 238,432	\$ 191,836
<b><u>Liabilities</u></b>				
Accounts payable	\$ 89,189	\$ 341,079	\$ 238,432	\$ 191,836
 <b><u>SOCIAL SERVICES SPECIAL PROJECTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 11,602	\$ 7,434	\$ 9,342	\$ 9,694
<b><u>Liabilities</u></b>				
Accounts payable	\$ 11,602	\$ 7,434	\$ 9,342	\$ 9,694
 <b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 969,303	\$ 969,303	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 969,303	\$ 969,303	\$ -

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Statement 1*  
*(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 277,036</u>	<u>\$ 20,025,889</u>	<u>\$ 19,990,014</u>	<u>\$ 312,911</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 277,036</u>	<u>\$ 20,025,889</u>	<u>\$ 19,990,014</u>	<u>\$ 312,911</u>
 <b><u>FORFEITED TAX SALE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 70</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 70</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70</u>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 377,897</u>	<u>\$ 21,343,705</u>	<u>\$ 21,207,091</u>	<u>\$ 514,511</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 100,791	\$ 348,513	\$ 247,774	\$ 201,530
Due to other governments	<u>277,106</u>	<u>20,995,192</u>	<u>20,959,317</u>	<u>312,981</u>
<b>Total Liabilities</b>	<u>\$ 377,897</u>	<u>\$ 21,343,705</u>	<u>\$ 21,207,091</u>	<u>\$ 514,511</u>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**Schedule 10**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Shared Revenue**

**State**

Highway users tax	\$ 3,719,562
County program aid	668,123
PERA rate reimbursement	27,660
Disparity reduction aid	44,991
Police aid	74,263
Enhanced 911	91,672
Market value credit	780,290
Casino credit	39,960
	39,960

**Total shared revenue** **\$ 5,446,521**

**Reimbursement for Services**

Minnesota Department of Human Services	\$ 332,631
	332,631

**Payments**

**Local**

Payments in lieu of taxes	\$ 58,716
Local contributions	1,000
	1,000

**Total payments** **\$ 59,716**

**Grants**

**State**

Minnesota Department/Board of	
Corrections	\$ 71,524
Health	88,704
Human Services	693,465
Natural Resources	87,765
Public Safety	368
Water and Soil Resources	43,867
Pollution Control Agency	83,475
Peace Officer Standards and Training Board	3,567
	3,567

**Total state** **\$ 1,072,735**

**Federal**

Department of	
Agriculture	\$ 248,766
Commerce	34,574
Transportation	993,699
Health and Human Services	1,343,944
Homeland Security	13,190
	13,190

**Total federal** **\$ 2,634,173**

**Total state and federal grants** **\$ 3,706,908**

**Total Intergovernmental Revenue** **\$ 9,545,776**





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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 11*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

- A. Our report expresses unqualified opinions on the basic financial statements of Redwood County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Redwood County and are 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 Redwood County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were 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."
- E. The Auditor's Report on Compliance for the major federal award programs for Redwood County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- |  |              |
|--|--------------|
| Highway Planning and Construction            | CFDA #20.205 |
| Child Support Enforcement Title IV-D Cluster |              |
| Child Support Enforcement Title IV-D         | CFDA #93.563 |
| Child Support Enforcement Title IV-D - ARRA  | CFDA #93.563 |
| Medical Assistance                           | CFDA #93.778 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Redwood County was determined not 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

99-1 Internal Accounting Controls

Due to the limited number of personnel within some County offices and departments, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Redwood 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.

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.

We recommend that County management try to segregate duties within the accounting functions as much as possible. When it is not feasible to segregate certain duties, County management should continue to be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure the integrity and reliability of the financial information in the accounting system and to ensure that the internal control policies and procedures are being followed by staff.

Client's Response:

*Redwood County's management is aware that staff size does not provide for adequate segregation of accounting duties and responsibilities. Management remains cognizant of the situation and strives to ensure that staff duties and responsibilities provide as much segregation as possible.*

ITEM ARISING THIS YEAR

09-1 Audit Adjustments

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. During our audit, we proposed adjustments of \$873,335 to decrease unrestricted net assets, \$777,142 to increase net assets restricted for capital projects, \$667,942 to increase net assets restricted for debt service, and \$571,749 to decrease net assets invested in capital assets, net of related debt, on the government-wide financial statements. We also proposed an adjustment for the Human Services Special Revenue Fund to decrease miscellaneous revenues and income maintenance expenditures by \$297,405 on the modified accrual financial statements.

The inability to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

We recommend that the County modify internal controls over financial reporting to detect misstatements in the financial statements.

Client's Response:

*Redwood County will continue to implement procedures over financial reporting to detect misstatements in the financial statements.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Accounting Policies and Procedures Manual (06-5)**

Redwood County did not have a current and comprehensive accounting policies and procedures manual to document the accounting policies and procedures of the County's internal control system.

**Resolution**

The County Board approved an accounting policies and procedures manual in May 2010.

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

09-2 Safekeeping of Investments

At December 31, 2009, Wells Fargo Advisors and Multi-Bank Securities, Inc., held security investments on behalf of Redwood County. Minnesota law in effect at that time permitted only brokers with a “principal executive office” in the State of Minnesota to hold public securities. Wells Fargo Advisors and Multi-Bank Securities, Inc., do not have a principal executive office in the State of Minnesota.

The 2010 Legislature changed this requirement so that as of August 1, 2010, brokers can hold public investments to the extent they have insurance to protect their clients through the Securities Investors Protection Corporation (SIPC) or excess SIPC coverage.

We recommend that all County securities be held only by brokers that meet the criteria of Minn. Stat. § 118A.06. For brokers such as Wells Fargo Advisors and Multi-Bank Securities, Inc., the County must verify the brokers have SIPC coverage and excess SIPC coverage sufficient to protect all County securities in their possession in order to be in compliance with Minn. Stat. § 118A.06 after August 1, 2010.

Client’s Response:

*Redwood County will verify that the brokers have SIPC and excess SIPC coverage to protect County securities.*

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.

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REBECCA OTTO  
STATE AUDITOR

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

Board of County Commissioners  
Redwood County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2010. 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 Redwood 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 99-1 and 09-1, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redwood 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 seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories with the exception of testing for compliance in tax increment financing because the County does not have any tax increment financing districts of its own.

The results of our tests indicate that, for the items tested, Redwood 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 09-2.

Redwood County's written responses to the significant deficiencies and legal compliance findings 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, audit committee, management, others within Redwood 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

September 27, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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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  
Redwood County

### Compliance

We have audited the compliance of Redwood 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, 2009. Redwood 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 Redwood 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, Redwood 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, 2009.

#### Internal Control Over Compliance

Management of Redwood 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 compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County as of and for the year ended December 31, 2009, and have issued our report thereon dated September 27, 2010. Our audit was performed for the purpose of forming opinions on Redwood County's financial statements that collectively comprise 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, audit committee, management and others within the 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

September 27, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 12*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<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	\$ 99,157
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	89,660
State Administrative Matching Grants for SNAP - ARRA	10.561	2,449
Direct		
Rural Business Enterprise Grants - ARRA	10.783	<u>57,500</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 248,766</u></b>
<b>U.S. Department of Commerce</b>		
Passed Through Southwest Minnesota Regional Radio Board Public Safety Interoperable Communications Grant Program	11.555	<b><u>\$ 34,574</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 991,238
Passed Through Minnesota Department of Public Safety Highway Safety Cluster		
State and Community Highway Safety	20.600	1,461
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	<u>1,000</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 993,699</u></b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

***Schedule 12  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<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</b>		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	\$ 1,985
Temporary Assistance for Needy Families (TANF)	93.558	122,941
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	495,997
Child Support Enforcement - ARRA	93.563	48,075
Refugee and Entrant Assistance - State-Administered Programs	93.566	228
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	9,989
Child Welfare Services - State Grants	93.645	8,141
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	43,969
Foster Care Title IV-E - ARRA	93.658	2,908
Social Services Block Grant	93.667	146,400
Chafee Foster Care Independence Program	93.674	11,800
Medical Assistance Program	93.778	370,903
Block Grants for Community Mental Health Services	93.958	1,352
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	20,039
Immunization Grants	93.268	800
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	24,670
Temporary Assistance for Needy Families (TANF)	93.558	38,827
Maternal and Child Health Services Block Grant to the States	93.994	18,011
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 1,367,035</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	\$ 15,894
<b>Total Federal Awards</b>		<b>\$ 2,659,968</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Redwood County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Redwood County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Redwood County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,634,173
Grants received more than 60 days after year-end, deferred in 2009	
Emergency Management Performance Grants	2,704
Foster Care - Title IV-E - ARRA	315
Child Support Enforcement	14,700
Medical Assistance Program	6,003
Public Health Emergency Preparedness	<u>2,073</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 2,659,968</u>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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5. Subrecipients

During 2009, the County did not pass any federal money to subrecipients.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.