

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

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.

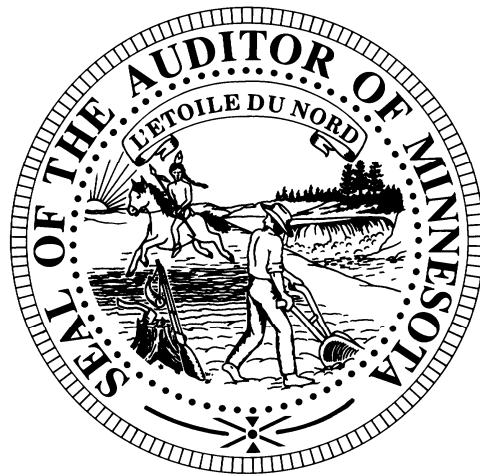
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

Year Ended December 31, 2014



**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
2014

Office	Name	Term Expires
Commissioners		
1st District	Lon Walling	January 2017
2nd District	John Schueller	January 2015
3rd District	Al Kokesch, Vice Chair	January 2015
4th District	Priscilla Klabunde	January 2017
5th District	Sharon Hollatz, Chair	January 2017
County Officers		
Elected		
Attorney	Steven Collins	January 2015
Auditor-Treasurer	Jean Price	January 2015
District Court Judge	Patrick R. Rohland	January 2015
Recorder	Joyce Anderson	January 2015
Sheriff	Randy Hanson	January 2015
Appointed		
Administrator	Vicki Knobloch	Indefinite
Assessor	Kathy Hillmer	Indefinite
Environmental Services Director	Jon Mitchell	Indefinite
Highway Engineer	William Rabenberg	Indefinite
License Center Supervisor	Lisa Guggisberg	Indefinite
Maintenance Supervisor	Loren Gewerth	Indefinite
Medical Examiner	Dr. Gregory McCallum	Indefinite
Veterans Service Officer	Martin Caraway	Indefinite

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Redwood County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Redwood County's internal control over financial reporting and compliance.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 5, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(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, 2014. 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 position is \$95,279,825, of which \$74,497,590 is the net investment in capital assets, and \$5,969,924 is restricted to specific purposes. The \$14,812,311 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$3,654,709 for the year ended December 31, 2014. A large part of the increase is attributable to the County's net investment in capital assets.
- The net cost of governmental activities for the current fiscal year was \$7,791,642. The net cost was funded by general revenues totaling \$11,746,351.
- Fund balances of the governmental funds decreased by \$363,367. Most of the decrease was due to the 2014 second additional payment of \$300,000 for the transfer of the Human Services operations to Southwest Health and Human Services. During 2013, the County transferred Human Services and Public Health operations to Southwest Health and Human Services.
- For the year ended December 31, 2014, the assigned and unassigned fund balance of the General Fund was \$10,449,264, or 102.8 percent of the total General Fund expenditures for the year, an increase of 7.0 percent (10.8 percentage points).

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 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 Position presents information on all assets and liabilities of the County using the accrual basis of accounting, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. It is important 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

Fund level financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law or 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, Solid Waste Special Revenue Fund, Ditch Special Revenue Fund, and Debt Service Fund. A budgetary comparison schedule has been provided as either 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.

A proprietary fund is maintained by Redwood County. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses the Internal Service Fund to account for its self-insurance. The service benefits the governmental functions and has been allocated to the governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements are Exhibits 7 through 9 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 Position on Exhibit 10.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 32 through 77 of this report.

Other Information

Other information is provided as supplementary information regarding Redwood County's intergovernmental revenue.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$95,279,825 at the close of 2014. The largest portion of the net position (78.2 percent) reflects the County's net investment in capital assets (for example: land, buildings, equipment, and infrastructure such as roads and bridges), less any related outstanding debt used to require those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. Comparative data with 2013 is presented.

**Net Position
(in thousands)**

	2014	2013
Assets		
Current and other assets	\$ 24,928	\$ 25,137
Capital assets	80,878	78,354
Total Assets	\$ 105,806	\$ 103,491
Liabilities		
Long-term liabilities	\$ 9,430	\$ 9,217
Other liabilities	1,096	2,540
Total Liabilities	\$ 10,526	\$ 11,757
Deferred Inflows of Resources		
Advance from other governments	\$ -	\$ 109
Net Position		
Net investment in capital assets	\$ 74,498	\$ 72,307
Restricted	5,970	4,129
Unrestricted	14,812	15,189
Total Net Position	\$ 95,280	\$ 91,625

Unrestricted net position--the part of net position 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--is 15.5 percent of net position.

Governmental Activities

The County's activities increased net position by 4.0 percent (\$91,625,116 for 2013 compared to \$95,279,825 for 2014). Key elements in this increase in net position are as follows for 2014, with comparative data for 2013.

**Changes in Net Position
(in thousands)**

	2014	2013
Revenues		
Program revenues		
Charges for services	\$ 2,655	\$ 2,719
Operating grants and contributions	6,448	6,202
Capital grants and contributions	647	1,643
General revenues		
Property taxes	10,399	10,267
Other	1,348	1,103
Total Revenues	\$ 21,497	\$ 21,934

	<u>2014</u>	<u>2013</u>
Expenses		
General government	\$ 3,683	\$ 3,260
Public safety	3,333	3,074
Highways and streets	5,519	4,537
Sanitation	731	618
Human services	2,175	2,215
Health	326	442
Culture and recreation	357	342
Conservation of natural resources	1,072	943
Economic development	81	138
Interest	265	232
	<hr/>	<hr/>
Total Expenses	\$ 17,542	\$ 15,801
	<hr/>	<hr/>
Change in net position before special items	\$ 3,955	\$ 6,133
	<hr/>	<hr/>
Special items	(300)	(3,534)
	<hr/>	<hr/>
Change in Net Position	\$ 3,655	\$ 2,599
	<hr/>	<hr/>
Net Position - January 1	91,625	89,026
	<hr/>	<hr/>
Net Position - December 31	\$ 95,280	\$ 91,625
	<hr/>	<hr/>

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, unrestricted 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 \$21,956,873, a decrease of \$363,367 in comparison with the prior year. Of the combined ending fund balances, \$14,892,439 represents assigned and unassigned fund balance which is available for spending at the County's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, bond covenants, or is nonspendable or committed.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an assigned and unassigned fund balance of \$10,449,264. As a measure of the General Fund's liquidity, it may be useful to compare assigned and unassigned fund balance to total expenditures. The General Fund's assigned and unassigned fund balance represents 102.8 percent of total General Fund expenditures. The ending fund balance decreased by \$1,268,458 during 2014, primarily due to completing the law enforcement remodel.

The Road and Bridge Special Revenue Fund had an assigned fund balance of \$2,221,589 at fiscal year-end, representing 33.6 percent of its annual expenditures. The ending fund balance increased \$1,226,491 during 2014, primarily due to receiving state aid money for state aid projects that had not been completed during the year.

The Human Services Special Revenue Fund had an assigned fund balance of \$719,063 at fiscal year-end. The ending fund balance decreased \$291,902 during 2014, due to the transfer of Human Services operations to Southwest Health and Human Services.

The Solid Waste Special Revenue Fund had an assigned fund balance of \$571,401 at fiscal year-end, representing 63.1 percent of its annual expenditures. The ending fund balance increased \$56,414 during 2014, primarily due to receiving more intergovernmental revenue than was projected.

The Ditch Special Revenue Fund had restricted fund balance of \$1,716,563 at fiscal year-end. The ending fund balance decreased \$24,008 during 2014, primarily due to spending more than was budgeted.

The Springdale Watershed Special Revenue Fund had restricted fund balance of \$49,076 at fiscal year-end. The ending fund balance increased \$24,649 during 2014. The Springdale Watershed Special Revenue Fund was new in 2013 and created to account for restricted property tax revenues to be used to improve the watershed district in Springdale Township.

The Debt Service Fund had restricted fund balance of \$975,728 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. In 2013, new bonds were sold for the construction and remodeling of the Law Enforcement Center.

Governmental Activities

The County's total revenues were \$21,496,697. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2014.

**Table 1
Total County Revenues**

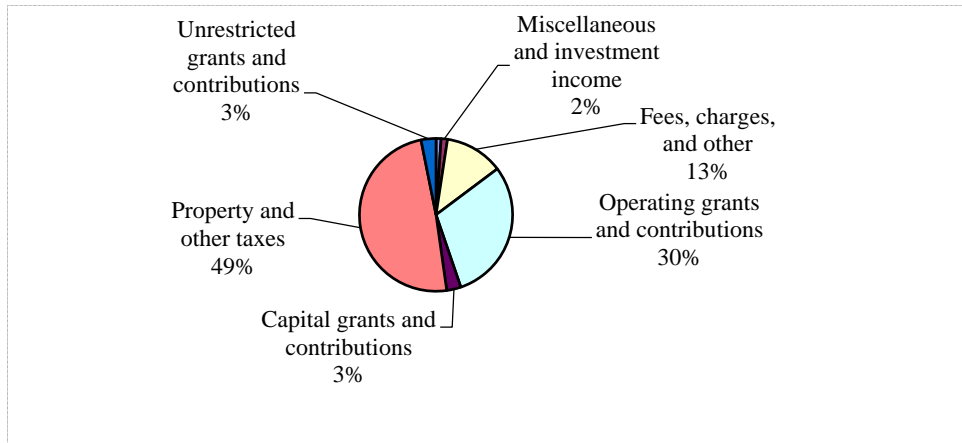
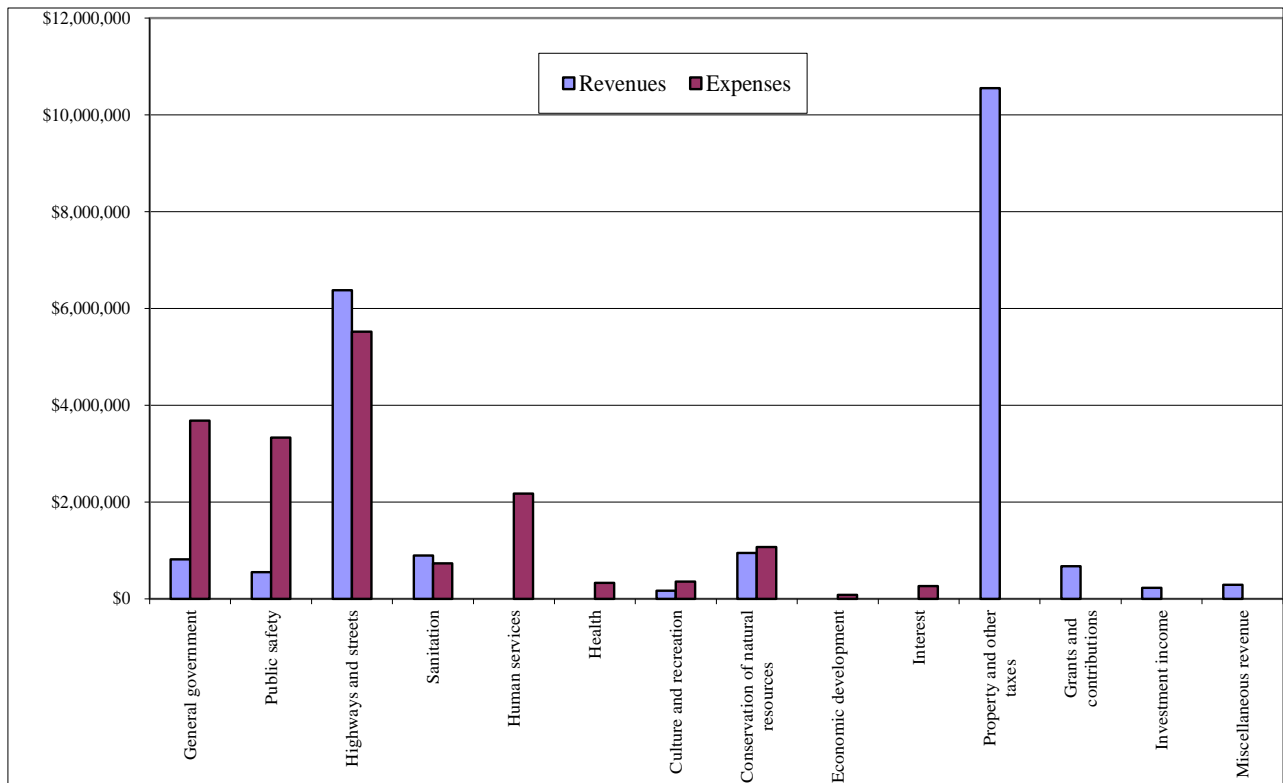


Table 2 presents the cost and revenue of each program, as well as the County’s general revenues.

Total program and general revenues for the County were \$21,496,697, while total expenses were \$17,541,988. Along with the special item of \$(300,000), this reflects a \$3,654,709 increase in net position for the year ended December 31, 2014.

**Table 2
Program Revenues, General Revenues, and Expenses**



The cost of all governmental activities this year was \$17,541,988. However, as shown on the Statement of Activities on Exhibit 2, the amount that taxpayers ultimately financed for these activities through County taxes was only \$10,386,557, because some of the cost was paid by those who directly benefited from the programs (\$2,655,016) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,095,330). 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 investment income.

Table 3 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 3
Governmental Activities**

	Total Cost of Services 2014	Net Cost of Services 2014
Highways and streets	\$ 5,518,558	\$ (857,720)
General government	3,683,157	2,864,401
Public safety	3,332,720	2,784,534
Human services	2,174,992	2,174,992
Conservation of natural resources	1,072,132	128,061
All others	1,760,429	697,374
Totals	\$ 17,541,988	\$ 7,791,642

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 \$607,307 less than the final budget amounts. One of the most significant positive variances of \$388,276 occurred in buildings and plant, where the actual expenditures were less than the amount budgeted. Another significant positive variance of \$112,626 occurred in the County administration, where the actual expenditures were also less than the amount budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2014, totaled \$80,877,588 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, and infrastructure. The investment in capital assets increased \$2,523,723, or 3.2 percent, from the previous year. The major capital asset event was:

Construction of highways and streets \$ 4,186,584

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

	2014	2013
Land	\$ 2,058	\$ 1,894
Infrastructure	64,194	61,715
Buildings	5,489	5,374
Improvements other than building	388	414
Machinery and equipment	2,954	2,615
Construction in progress	5,795	6,342
Totals	<u>\$ 80,878</u>	<u>\$ 78,354</u>

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

Long-Term Debt

The County has net debt at December 31, 2014, of \$8,165,343. 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) and the purchase of equipment (5-year term with final payment February 1, 2014). In 2013, the County issued a bond for the construction and remodel of the Law Enforcement Center (15-year term with final payment February 1, 2028) and a bond shared with Renville County for the construction of the joint Recycling Facility (15-year term with final payment February 1, 2028). Other debt is lease agreements for financing squad cars for the Sheriff's Department, copiers for various departments, and a postage machine.

**Table 5
Outstanding Debt**

	2014	2013
General obligation improvement bonds, 2008A	\$ 2,872,831	\$ 3,095,923
General obligation law enforcement center bonds, 2013A	3,241,253	3,414,042
General obligation recycling facility bonds, 2013A	1,921,656	2,063,321
General obligation certificates of indebtedness, 2008B	-	155,000
Leased squad cars	97,724	122,853
Leased copiers and postage machine	31,879	12,619
Totals	\$ 8,165,343	\$ 8,863,758

Minnesota statutes limit the amount of debt a county may levy to 3 percent of its total market value. At the end of 2014, the County’s outstanding debt was 0.16 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 2015 budget, tax rates, and fees that will be charged for the year.

- The average unemployment rate for Redwood County at the end of 2014 was 4.1 percent and shows a decrease from the County’s 5.0 percent rate of one year ago. The state unemployment rate was 3.7 percent. The 2010 County population was 16,059, a decrease of 756 from the 2000 census of 16,815.
- At the end of 2014, Redwood County set its 2015 revenue and expenditure budgets.
- The 2015 property tax levy for the County increased to \$10,968,138 compared to \$10,655,680 in 2014.

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, P. O. 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 POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Assets

Current assets

Cash and pooled investments	\$	14,742,924
Investments		6,933,878
Taxes receivable		
Delinquent		59,508
Special assessments receivable		
Current		411,688
Delinquent		33,524
Noncurrent		127,502
Accounts receivable		9,372
Accrued interest receivable		49,570
Due from other governments		1,239,094
Loans receivable		63,673
Inventories		188,645
Prepaid items		17,514

Noncurrent assets

Long-term receivables		1,051,160
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Capital assets

Non-depreciable		7,852,886
Depreciable - net of accumulated depreciation		73,024,702

Total Assets	\$	105,805,640
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Liabilities

Current liabilities

Accounts payable	\$	259,684
Salaries payable		395,042
Contracts payable		142,006
Due to other governments		107,036
Accrued interest payable		103,253
Unearned revenue		89,371
Compensated absences payable - current		115,542
Other postemployment benefits payable - current		57,907
General obligation bonds payable - current		555,000
Capital leases payable - current		47,896
Loans payable - current		44,700

Noncurrent liabilities

Compensated absences payable		669,393
Other postemployment benefits payable		244,012
Capital leases payable		81,707
General obligation bonds payable - net		7,480,740
Loans payable		132,526

Total Liabilities	\$	10,525,815
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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Net Position

Net investment in capital assets	\$ 74,497,590
Restricted for	
Public safety	367,249
Conservation	2,122,091
Highways and streets	2,170,704
Debt service	889,487
Other purposes	420,393
Unrestricted	<u>14,812,311</u>
Total Net Position	<u><u>\$ 95,279,825</u></u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Revenues			Net (Expense)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
<u>Functions/Programs</u>				
Primary government				
Governmental activities				
General government	\$ 3,683,157	\$ 666,699	\$ 152,057	\$ -
Public safety	3,332,720	212,865	335,321	-
Highways and streets	5,518,558	166,063	5,563,353	646,862
Sanitation	731,700	640,012	253,631	-
Human services	2,174,992	-	-	-
Health	326,177	-	-	-
Culture and recreation	356,515	71,380	98,032	-
Conservation of natural resources	1,072,132	897,997	46,074	-
Economic development	80,796	-	-	-
Interest	265,241	-	-	-
Total Governmental Activities	\$ 17,541,988	\$ 2,655,016	\$ 6,448,468	\$ 646,862
General Revenues				
Property taxes				\$ 10,386,557
Other taxes				12,582
Payments in lieu of tax				156,480
Grants and contributions not restricted to specific programs				676,172
Unrestricted investment income				225,506
Miscellaneous				289,054
Special Item				
Transfer of human service operation to Southwest Health and Human Services				(300,000)
Total general revenues and special item				\$ 11,446,351
Change in net position				\$ 3,654,709
Net Position - Beginning				91,625,116
Net Position - Ending				\$ 95,279,825

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<u>Assets</u>			
Cash and pooled investments	\$ 7,124,466	\$ 4,187,922	\$ 683,353
Undistributed cash in agency fund	124,988	23,751	35,710
Petty cash and change funds	1,360	-	-
Investments	4,738,781	-	-
Taxes receivable			
Delinquent	34,853	8,080	12,895
Special assessments receivable			
Delinquent	-	-	-
Noncurrent	172,221	-	-
Accounts receivable	980	570	-
Accrued interest receivable	13,800	-	-
Due from other funds	-	2,091	-
Due from other governments	128,463	1,028,425	-
Loans receivable	114,833	-	-
Inventories	-	188,645	-
Prepaid items	13,071	4,383	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 12,467,816</u>	<u>\$ 5,443,867</u>	<u>\$ 731,958</u>

EXHIBIT 3

<u>Solid Waste</u>	<u>Ditch</u>	<u>Springdale Watershed</u>	<u>Debt Service</u>	<u>Total</u>
\$ 607,765	\$ 490,509	\$ 48,161	\$ 965,181	\$ 14,107,357
17,000	3,680	915	10,547	216,591
30	-	-	-	1,390
-	2,195,097	-	-	6,933,878
-	-	21	3,659	59,508
32,614	910	-	-	33,524
-	366,969	-	-	539,190
7,822	-	-	-	9,372
31,726	4,044	-	-	49,570
-	-	-	-	2,091
-	82,206	-	-	1,239,094
1,000,000	-	-	-	1,114,833
-	-	-	-	188,645
60	-	-	-	17,514
<u>\$ 1,697,017</u>	<u>\$ 3,143,415</u>	<u>\$ 49,097</u>	<u>\$ 979,387</u>	<u>\$ 24,512,557</u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge	Human Services
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 71,248	\$ 22,251	\$ -
Salaries payable	275,192	96,937	-
Contracts payable	23,424	118,582	-
Due to other funds	1,688	-	-
Due to other governments	57,947	6,582	-
Unearned revenue	89,371	-	-
	\$ 518,870	\$ 244,352	\$ -
Deferred Inflows of Resources			
Unavailable revenue	\$ 243,152	\$ 956,449	\$ 12,895
Fund Balances			
Nonspendable	\$ 129,456	\$ 193,028	\$ -
Restricted	706,437	1,828,449	-
Committed	420,637	-	-
Assigned	4,243,507	2,221,589	719,063
Unassigned	6,205,757	-	-
	\$ 11,705,794	\$ 4,243,066	\$ 719,063
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,467,816	\$ 5,443,867	\$ 731,958

EXHIBIT 3
(Continued)

<u>Solid Waste</u>	<u>Ditch</u>	<u>Springdale Watershed</u>	<u>Debt Service</u>	<u>Total</u>
\$ 30,812	\$ 78,229	\$ -	\$ -	\$ 202,540
16,886	6,027	-	-	395,042
-	-	-	-	142,006
165	238	-	-	2,091
79	42,428	-	-	107,036
-	-	-	-	89,371
<u>\$ 47,942</u>	<u>\$ 126,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 938,086</u>
<u>\$ 32,614</u>	<u>\$ 368,808</u>	<u>\$ 21</u>	<u>\$ 3,659</u>	<u>\$ 1,617,598</u>
\$ 1,000,060	\$ -	\$ -	\$ -	\$ 1,322,544
45,000	1,716,563	49,076	975,728	5,321,253
-	-	-	-	420,637
571,401	931,122	-	-	8,686,682
-	-	-	-	6,205,757
<u>\$ 1,616,461</u>	<u>\$ 2,647,685</u>	<u>\$ 49,076</u>	<u>\$ 975,728</u>	<u>\$ 21,956,873</u>
<u>\$ 1,697,017</u>	<u>\$ 3,143,415</u>	<u>\$ 49,097</u>	<u>\$ 979,387</u>	<u>\$ 24,512,557</u>

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Fund balance - total governmental funds (Exhibit 3)		\$ 21,956,873
Amounts reported for governmental activities in the statement of net position 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.		80,877,588
An internal service fund is used by Redwood County to charge the cost of the self-funded insurance programs to functions. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		360,442
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		1,617,598
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable	\$ (7,995,000)	
Leases payable	(129,603)	
Other postemployment benefits	(301,919)	
Compensated absences	(784,935)	
Loans payable	(177,226)	
Unamortized premium on notes	(57,909)	
Unamortized discount on notes	17,169	
Accrued interest payable	(103,253)	
	(9,532,676)	
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 95,279,825</u></u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 6,092,990	\$ 1,515,369	\$ 2,143,344
Special assessments	55,398	-	-
Licenses and permits	56,294	-	-
Intergovernmental	1,304,025	6,185,791	61,057
Charges for services	731,617	35,695	-
Gifts and contributions	11,465	-	-
Investment earnings	103,436	1,302	-
Miscellaneous	447,317	130,368	-
Total Revenues	\$ 8,802,542	\$ 7,868,525	\$ 2,204,401
Expenditures			
Current			
General government	\$ 5,639,340	\$ -	\$ -
Public safety	3,092,124	-	-
Highways and streets	-	6,116,722	-
Sanitation	-	-	-
Health	2,231	-	-
Culture and recreation	258,771	-	-
Conservation of natural resources	526,764	-	-
Economic development	80,796	-	-
Intergovernmental	415,090	489,322	2,196,303
Debt service			
Principal	125,130	-	-
Interest	17,147	-	-
Administrative (fiscal) charges	6,200	-	-
Total Expenditures	\$ 10,163,593	\$ 6,606,044	\$ 2,196,303
Excess of Revenues Over (Under) Expenditures	\$ (1,361,051)	\$ 1,262,481	\$ 8,098
Other Financing Sources (Uses)			
Capital lease/installment purchase	\$ 56,216	\$ -	\$ -
Loans issued	36,377	-	-
Total Other Financing Sources (Uses)	\$ 92,593	\$ -	\$ -

EXHIBIT 5

<u>Solid Waste</u>	<u>Ditch</u>	<u>Springdale Watershed</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ 24,649	\$ 652,114	\$ 10,428,466
376,384	417,708	-	-	849,490
1,200	-	-	-	57,494
253,636	183	-	18,267	7,822,959
-	-	-	-	767,312
-	-	-	-	11,465
31,726	82,485	-	1,656	220,605
299,210	151	-	-	877,046
\$ 962,156	\$ 500,527	\$ 24,649	\$ 672,037	\$ 21,034,837
\$ -	\$ -	\$ -	\$ -	\$ 5,639,340
-	-	-	-	3,092,124
-	-	-	-	6,116,722
621,106	-	-	-	621,106
-	-	-	-	2,231
-	-	-	-	258,771
-	524,535	-	-	1,051,299
-	-	-	-	80,796
94,808	-	-	-	3,195,523
140,000	-	-	550,000	815,130
49,615	-	-	207,527	274,289
213	-	-	1,063	7,476
\$ 905,742	\$ 524,535	\$ -	\$ 758,590	\$ 21,154,807
\$ 56,414	\$ (24,008)	\$ 24,649	\$ (86,553)	\$ (119,970)
\$ -	\$ -	\$ -	\$ -	\$ 56,216
-	-	-	-	36,377
\$ -	\$ -	\$ -	\$ -	\$ 92,593

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Special Item			
Transfer of human service operation to Southwest Health and Human Services	\$ -	\$ -	\$ (300,000)
Net Change in Fund Balance	\$ (1,268,458)	\$ 1,262,481	\$ (291,902)
Fund Balance - January 1	12,974,252	3,016,575	1,010,965
Increase (decrease) in inventories	-	(35,990)	-
Fund Balance - December 31	<u>\$ 11,705,794</u>	<u>\$ 4,243,066</u>	<u>\$ 719,063</u>

EXHIBIT 5
(Continued)

<u>Solid Waste</u>	<u>Ditch</u>	<u>Springdale Watershed</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ (300,000)
\$ 56,414	\$ (24,008)	\$ 24,649	\$ (86,553)	\$ (327,377)
1,560,047	2,671,693	24,427	1,062,281	22,320,240
-	-	-	-	(35,990)
<u>\$ 1,616,461</u>	<u>\$ 2,647,685</u>	<u>\$ 49,076</u>	<u>\$ 975,728</u>	<u>\$ 21,956,873</u>

**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, 2014**

Net change in fund balance - total governmental funds (Exhibit 5) \$ (327,377)

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 inflows of resources - December 31	\$ 1,617,598	
Deferred inflows of resources - January 1	<u>(1,192,115)</u>	425,483

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. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 4,959,070	
Net book value of assets disposed of	(27,552)	
Current year depreciation	<u>(2,407,795)</u>	2,523,723

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 position. Also, governmental funds report the effect of 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	\$ 535,000	
General obligation equipment certificates of indebtedness	155,000	
Loans payable	63,042	
Leases payable	62,085	
Amortization of discounts and premiums	<u>2,546</u>	817,673
 New debt issued (see Note 2.C.6. for more information)		 (92,593)

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	\$ 7,779	
Change in compensated absences	(5,283)	
Change in other postemployment benefits	(19,148)	
Change in inventories	<u>(35,990)</u>	(52,642)

An internal service fund is used by Redwood County to charge the cost of the self-funded insurance programs to functions. The increase or decrease in net position of the internal service fund is reported in the government-wide statement of activities.

360,442

Change in Net Position of Governmental Activities (Exhibit 2) \$ 3,654,709

PROPRIETARY FUND

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014**

	<u>Governmental Activities Internal Service Fund</u>
<u>Assets</u>	
Current assets	
Cash and pooled investments	<u>\$ 417,586</u>
<u>Liabilities</u>	
Current liabilities	
Accounts payable	<u>\$ 57,144</u>
<u>Net Position</u>	
Unrestricted	<u>\$ 360,442</u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Activities Internal Service Fund</u>
Operating Revenues	
Charges for services	\$ <u>1,305,197</u>
Operating Expenses	
Cost of service	\$ <u>944,755</u>
Operating Income (Loss)	\$ <u>360,442</u>
Net Position - January 1	<u>-</u>
Net Position - December 31	<u><u>\$ 360,442</u></u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
Increase (Decrease) in Cash and Cash Equivalents**

	Governmental Activities Internal Service Fund
Cash Flows from Operating Activities	
Receipts from internal services provided	\$ 1,305,197
Payments to suppliers	(887,611)
	\$ 417,586
Net cash provided by (used in) operating activities	\$ 417,586
Cash and Cash Equivalents at January 1	-
Cash and Cash Equivalents at December 31	\$ 417,586
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ 360,442
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in accounts payable	57,144
	57,144
Net Cash Provided by (Used in) Operating Activities	\$ 417,586

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FIDUCIARY FUNDS

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2014**

Assets

Cash and pooled investments	<u>\$ 295,772</u>
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Liabilities

Due to other governments	<u>\$ 295,772</u>
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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Redwood County was established February 6, 1862, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. § 373.01. 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. The County Administrator serves as the clerk of the Board of Commissioners but has no vote.

Blended Component Unit

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

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about 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 separately.

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those 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**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary 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 accounted for in another fund.
- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund accounts for assigned property tax revenues used for economic assistance and community social services programs.
- The Solid Waste Special Revenue Fund accounts for restricted special assessment revenues, miscellaneous revenues, and revenue resources from the state for the costs relating to disposal of the County's solid waste.
- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.
- The Springdale Watershed Special Revenue Fund accounts for restricted property tax revenues to be used to improve the watershed district in Springdale Township.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fund types:

- The Internal Service Fund accounts for health insurance premiums and payments.
- Fiduciary Funds - 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, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Redwood County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, 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**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

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, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, 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 2014 were \$7,463.

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary fund. Pooled investments, which have the characteristics of demand deposits, are considered to be cash and cash equivalents on the statement of cash flows.

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. The investment in the pool is measured at the amortized cost per share provided by the pool which would approximate fair value.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

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 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Special assessments receivable consist of delinquent special assessments payable in the years 2009 through 2014 and deferred special assessments payable in 2015 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

No allowance for uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

The County had no accounts receivables scheduled to be collected beyond one year.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds and 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 \$5,000 or more 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of Redwood 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 - 20
Intangible assets	3 - 7

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation and vested sick leave. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

6. Long-Term Obligations

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

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.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Unearned/Unavailable Revenue

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Classification of Net Position

Net position in the government-wide and proprietary fund financial statements is classified in the following categories:

- Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

10. Classification of Fund Balances

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

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- Restricted - amounts in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

- Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.
- Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Administrator, who has been delegated that authority by Board resolution.
- Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

11. Minimum Fund Balance

Redwood County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Minimum Fund Balance (Continued)

unassigned) of no less than three months of operating expenditures. The fund balance policy was adopted by the County Board on December 27, 2011. At December 31, 2014, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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.

13. Special Item

Redwood County approved a resolution seeking to join Southwest Health and Human Services (SWHHS) for both human services and community health functions, commencing January 1, 2013. In 2014, Redwood County contributed the remaining \$300,000 to the human services function of SWHHS.

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

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 position	
Governmental activities	
Cash and pooled investments	\$ 14,742,924
Investments	6,933,878
Statement of fiduciary net position	
Cash and pooled investments	<u>295,772</u>
 Total Cash and Investments	 <u><u>\$ 21,972,574</u></u>

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. 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.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2014, the County's deposits were not exposed to custodial credit risk.

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;

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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 Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage are available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31, 2014, \$1,610,923 of investments held by brokers was subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County's policy is to diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's cash and investment balances at December 31, 2014, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government agency securities					
Federal Home Loan Bank Bonds	AA+	S&P		07/30/24	\$ 99,877
Federal Home Loan Bank Bonds	AA+	S&P		04/18/23	199,990
Federal Home Loan Bank Bonds	AA+	S&P		05/23/23	274,838
Federal Home Loan Bank Bonds	AAA	S&P		08/22/18	24,487
			<5%		
Total Federal Home Loan Bank Bonds					\$ 599,192
Federal Farm Credit Bank	AAA	S&P		09/12/16	\$ 39,881
Federal Farm Credit Bank	AAA	S&P		11/13/17	39,687
Federal Farm Credit Bank	AAA	S&P		11/13/17	64,523
Federal Farm Credit Bank	AA+	S&P		01/29/20	755,800
Federal Farm Credit Bank	AA+	S&P		10/23/18	49,647
			<5%		
Total Federal Farm Credit Bank					\$ 949,538
Federal National Mortgage Association Bonds	AAA	S&P		04/01/17	\$ 8,353
Federal National Mortgage Association Bonds	AAA	S&P		06/20/19	85,419
Federal National Mortgage Association Bonds	AAA	S&P		08/28/19	74,370
Federal National Mortgage Association Bonds	N/R	N/A		10/01/40	25,612
Federal National Mortgage Association Bonds	N/R	N/A		01/01/41	28,849
Federal National Mortgage Association Bonds	N/R	N/A		09/25/41	29,781
			<5%		
Total Federal National Mortgage Association Bonds					\$ 252,384
Federal Home Loan Mortgage Corporation Notes	AA+	S&P		06/26/24	\$ 501,625
Federal Home Loan Mortgage Corporation Notes	AA+	S&P		03/19/24	200,120
Federal Home Loan Mortgage Corporation Notes	AAA	S&P		03/05/20	40,307
Federal Home Loan Mortgage Corporation Notes	N/R	N/A		03/15/39	18,888
Federal Home Loan Mortgage Corporation Notes	N/R	N/A		10/01/41	13,471
			<5%		
Total Federal Home Loan Mortgage Corporation Notes					\$ 774,411
Federal Agricultural Mortgage Corporation Notes	N/R	N/A		11/20/24	\$ 348,537
Beaufort County South Carolina GO Bond	AA+	S&P	<5%	03/01/15	\$ 50,408
Maine State Municipal Bond Bank	AA+	S&P	<5%	11/01/17	\$ 49,958
Madison Wisconsin - GO Bond	AAA	S&P	<5%	10/01/15	\$ 50,575

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Minnnetonka Minnesota - GO Bond	AAA	S&P	<5%	02/01/15	\$ 49,992
Georgia State - GO Bond	AAA	S&P	<5%	10/01/19	\$ 26,163
Carrboro North Carolina - GO Bond	AAA	S&P	<5%	02/01/18	\$ 51,295
Greenwood Indiana Cmnty Sch Corp School Dist	AA+	S&P	<5%	07/15/15	\$ 25,276
Montgomery County Tennessee - GO Bond	AA+	S&P	<5%	05/01/18	\$ 29,605
Olathe Kansas - GO Bond	AA+	S&P	<5%	10/01/17	\$ 26,520
Cambridge Minnesota Ind School Dist - GO Bond	AA	S&P	<5%	04/01/15	\$ 50,606
Lino Lakes Minnesota - GO Bond	AA	S&P	<5%	02/01/16	\$ 30,199
St. Louis Cnty Missouri Facilities Revenue	AA	S&P	<5%	12/01/15	\$ 10,126
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	>5%	N/A	\$ 12,767,964
Money Market GOTXX	N/R	N/A	<5%	N/A	21,295
Total investment pools/mutual funds					\$ 12,789,259
Negotiable certificates of deposit	N/A	N/A	>5%	Varies	\$ 2,804,798
Repurchase agreement	N/A	N/A	<5%	N/A	\$ 617,262
Total investments					\$ 19,586,104
Checking					(31,420)
Savings					1,683,500
Certificates of deposit					733,000
Petty cash and change funds					1,390
Total Cash and Investments					\$ 21,972,574

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, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 466,485	\$ -	\$ -	\$ 466,485
Right-of-way	1,427,041	164,826	-	1,591,867
Construction in progress	6,342,381	2,749,356	3,297,203	5,794,534
Total capital assets not depreciated	<u>\$ 8,235,907</u>	<u>\$ 2,914,182</u>	<u>\$ 3,297,203</u>	<u>\$ 7,852,886</u>
Capital assets depreciated				
Buildings	\$ 9,473,903	\$ 319,258	\$ -	\$ 9,793,161
Improvements other than building	542,842	-	-	542,842
Machinery and equipment	8,448,247	836,249	403,331	8,881,165
Infrastructure	84,072,843	4,186,584	-	88,259,427
Total capital assets depreciated	<u>\$ 102,537,835</u>	<u>\$ 5,342,091</u>	<u>\$ 403,331</u>	<u>\$ 107,476,595</u>
Less: accumulated depreciation for				
Buildings	\$ 4,099,730	\$ 204,439	\$ -	\$ 4,304,169
Improvements other than building	128,802	26,036	-	154,838
Machinery and equipment	5,833,412	469,360	375,779	5,926,993
Infrastructure	22,357,933	1,707,960	-	24,065,893
Total accumulated depreciation	<u>\$ 32,419,877</u>	<u>\$ 2,407,795</u>	<u>\$ 375,779</u>	<u>\$ 34,451,893</u>
Total capital assets depreciated, net	<u>\$ 70,117,958</u>	<u>\$ 2,934,296</u>	<u>\$ 27,552</u>	<u>\$ 73,024,702</u>
Governmental Activities Capital Assets, Net	<u>\$ 78,353,865</u>	<u>\$ 5,848,478</u>	<u>\$ 3,324,755</u>	<u>\$ 80,877,588</u>

Construction in progress consists of amounts completed on open road projects, building remodel projects, and equipment construction projects.

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

General government	\$ 300,142
Public safety	264,766
Highways and streets, including depreciation of infrastructure assets	1,786,451
Sanitation	20,471
Culture and recreation	7,232
Conservation of natural resources	28,733
Total Depreciation Expense - Governmental Activities	<u>\$ 2,407,795</u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

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, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
Road and Bridge Special Revenue Fund	General Fund Ditch Special Revenue Fund Solid Waste Special Revenue Fund	\$ 1,688 238 165
Total Due To/From Other Funds		\$ 2,091

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

No interfund transfers occurred for the year ended December 31, 2014.

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Commitments

The government has active construction projects and other commitments as of December 31, 2014. The projects and commitments include the following:

	Spent-to-Date	Remaining Commitment
Pictometry	\$ 57,829	\$ 142,675

The remaining commitment for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2014.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of special assessments, taxes, state grants, interest and other receivables not collected soon enough after year-end to pay liabilities of the current period, and state grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2014, are summarized below by fund:

	Special Assessments	Taxes	Grants	Interest	Other	Total
Major governmental funds						
General	\$ 172,221	\$ 34,853	\$ 104,577	\$ 12,090	\$ 8,782	\$ 332,523
Road and Bridge	-	8,080	948,369	-	-	956,449
Human Services	-	12,895	-	-	-	12,895
Solid Waste	32,614	-	-	-	-	32,614
Ditch	367,880	-	-	928	-	368,808
Springdale Watershed	-	21	-	-	-	21
Debt Service	-	3,659	-	-	-	3,659
Total	<u>\$ 572,715</u>	<u>\$ 59,508</u>	<u>\$ 1,052,946</u>	<u>\$ 13,018</u>	<u>\$ 8,782</u>	<u>\$ 1,706,969</u>
Liability						
Unearned revenue	\$ -	\$ -	\$ 80,589	\$ -	\$ 8,782	\$ 89,371
Deferred inflows of resources						
Unavailable revenue	<u>572,715</u>	<u>59,508</u>	<u>972,357</u>	<u>13,018</u>	<u>-</u>	<u>1,617,598</u>
Total	<u>\$ 572,715</u>	<u>\$ 59,508</u>	<u>\$ 1,052,946</u>	<u>\$ 13,018</u>	<u>\$ 8,782</u>	<u>\$ 1,706,969</u>

3. Long-Term Debt

Loans Payable

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Long-Term Debt

Loans Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
Clean water loans					
Cottonwood River Restoration/ Continuation	2017	\$ 15,172	2.00	\$ 434,219	\$ 62,681
Redwood River Watershed Project Continuation	2017	6,326	2.00	127,675	36,663
Cottonwood River Watershed Phosphorus TMDL	2022	2,033	2.00	100,000	29,917
Middle Minnesota Continuation	-	-	-	210,000	11,587
Redwood-Cottonwood River Septic Loan Program 2013	-	-	-	310,000	36,378
Total					<u>\$ 177,226</u>

The Middle Minnesota Continuation and the Redwood-Cottonwood River Septic water loans do not have a fixed amortization schedule.

Bonds and Certificates of Indebtedness

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 2013, Redwood County issued a Law Enforcement Center (LEC) Bond (Series 2013A) for \$3,375,000 to finance the renovation and remodel of the LEC. Also in 2013, Redwood County issued a Recycling Facility Bond for \$2,040,000 (Series 2013A) for both Redwood and Renville Counties, with

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Long-Term Debt

Bonds and Certificates of Indebtedness (Continued)

Renville County paying Redwood County for half of the bond. Payments on the 2008 issue and the 2013 LEC issue are made from the Debt Service Fund. Solid Waste assessments pay for Redwood County's portion of the Recycling Bond.

<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, 2014</u>
2013 General Obligation Law Enforcement Center Bond, Series 2013A	2028	\$170,000 - \$265,000	2.00 - 3.20	\$ 3,375,000	\$ 3,205,000
Add: unamortized premium					<u>36,253</u>
Law Enforcement Center Bond					<u>\$ 3,241,253</u>
2013 General Obligation Recycling Facility Bond, Series 2013A	2028	\$70,000 - \$80,000	2.00 - 3.20	\$ 2,040,000	\$ 1,900,000
Add: unamortized premium					<u>21,656</u>
Recycling Facility Bond					<u>\$ 1,921,656</u>
2008 General Obligation Improvement Bond, Series 2008A	2024	\$170,000 - \$355,000	3.00 - 4.50	\$ 3,920,000	\$ 2,890,000
Less: unamortized discount					<u>(17,169)</u>
Improvement Bond					<u>\$ 2,872,831</u>
Total GO Bonds, Net					<u><u>\$ 8,035,740</u></u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 555,000	\$ 240,613
2016	565,000	225,807
2017	580,000	210,103
2018	595,000	193,408
2019	625,000	175,617
2020 - 2024	3,430,000	563,866
2025 - 2028	1,645,000	106,565
Total	<u>\$ 7,995,000</u>	<u>\$ 1,715,979</u>

<u>Year Ending December 31</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 44,699	\$ 2,363
2016	45,598	1,464
2017	19,711	663
2018	3,699	367
2019	3,773	292
2020 - 2022	11,781	416
Total	<u>\$ 129,261</u>	<u>\$ 5,565</u>

The clean water loans of \$11,587 for the Middle Minnesota Continuation and \$36,378 for the Redwood-Cottonwood River Septic is not included in the debt service requirements because fixed repayment schedules are not available.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of squad cars for the Sheriff's Department, copier leases for various departments, and a postage machine. 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.

Capital leases consist of the following at December 31, 2014:

Lease	Final Maturity	Installments	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2014
2011 Crown Victoria	2015	Monthly	\$ 648	\$ 25,786	\$ 644
2012 Crown Victoria	2016	Monthly	659	33,723	11,096
2013 Ford Interceptor Utility	2017	Monthly	662	35,350	14,888
2013 Ford Interceptor Sedan	2017	Monthly	601	32,433	13,706
2013 Ford Interceptor Utility	2017	Monthly	562	31,261	17,148
2013 Chevrolet Tahoe	2017	Monthly	749	34,538	18,127
2014 Ford Interceptor	2018	Monthly	568	31,968	22,115
Admn. Sharp Copier	2019	Monthly	333	10,687	9,944
Sheriff Sharp Copier	2019	Monthly	195	9,066	7,905
License Center Copier	2017	Monthly	93	3,000	2,037
Attorney Copier	2017	Monthly	163	4,693	3,280
Extension Copier	2019	Monthly	89	4,495	3,871
A/T Neopost postage machine	2018	Quarterly	455	5,987	4,842
Total Capital Leases					<u>\$ 129,603</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014, were as follows:

Year Ending December 31	Governmental Activities
2015	\$ 58,553
2016	53,950
2017	25,374
2018	10,896
2019	1,853
Total minimum lease payments	\$ 150,626
Less: amount representing interest	(21,023)
Present Value of Minimum Lease Payments	<u>\$ 129,603</u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation certificates	\$ 155,000	\$ -	\$ 155,000	\$ -	\$ -
General obligation bond 2008A	3,115,000	-	225,000	2,890,000	235,000
General obligation bond 2013A Law Enforcement Center	3,375,000	-	170,000	3,205,000	200,000
General obligation bond 2013A Recycling Facility	2,040,000	-	140,000	1,900,000	120,000
Add: unamortized premiums	62,363	-	4,454	57,909	-
Less: unamortized discounts	(19,077)	-	(1,908)	(17,169)	-
Total bonds and notes payable	\$ 8,728,286	\$ -	\$ 692,546	\$ 8,035,740	\$ 555,000
Clean water loans payable	203,891	36,377	63,042	177,226	44,700
Compensated absences	779,652	548,813	543,530	784,935	115,542
Other postemployment benefits	282,771	90,598	71,450	301,919	57,907
Capital leases	135,472	56,216	62,085	129,603	47,896
Governmental Activities Long-Term Liabilities	\$ 10,130,072	\$ 732,004	\$ 1,432,653	\$ 9,429,423	\$ 821,045

D. Fund Balances

The summary of fund balance classifications is as follows:

	General Fund	Road and Bridge	Human Services	Solid Waste	Ditch	Springdale Watershed	Debt Service	Total
Nonspendable								
Inventories	\$ -	\$ 188,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,645
Loans receivable	114,833	-	-	1,000,000	-	-	-	1,114,833
Missing heirs	1,552	-	-	-	-	-	-	1,552
Prepaid items	13,071	4,383	-	60	-	-	-	17,514
Total nonspendable	\$ 129,456	\$ 193,028	\$ -	\$ 1,000,060	\$ -	\$ -	\$ -	\$ 1,322,544
Restricted								
Attorney's forfeited property	\$ 21,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,856
Broadband grant study	11,970	-	-	-	-	-	-	11,970
Child advocacy center contribution	94	-	-	-	-	-	-	94
Debt service	-	-	-	-	-	-	975,728	975,728
Ditch maintenance, repair, and other	-	-	-	-	1,716,563	-	-	1,716,563
Enhanced 911	238,394	-	-	-	-	-	-	238,394
Gun permit fees	59,387	-	-	-	-	-	-	59,387
Highway allotments	-	1,828,449	-	-	-	-	-	1,828,449
Invasive species	9,418	-	-	-	-	-	-	9,418
Law library	29,127	-	-	-	-	-	-	29,127
Recorder's compliance	129,151	-	-	-	-	-	-	129,151

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

2. Detailed Notes on All Funds

D. Fund Balances (Continued)

	General Fund	Road and Bridge	Human Services	Solid Waste	Ditch	Springdale Watershed	Debt Service	Total
Restricted (Continued)								
Recorder's technology Fund	136,346	-	-	-	-	-	-	136,346
Septic/sewer loans	5,004	-	-	-	-	-	-	5,004
Sheriff's contingency	6,115	-	-	-	-	-	-	6,115
Sheriff's DWI assessment	15,877	-	-	-	-	-	-	15,877
Sheriff's forfeited property	25,527	-	-	-	-	-	-	25,527
Springdale watershed project	-	-	-	-	-	49,076	-	49,076
Victim assistance	12,531	-	-	-	-	-	-	12,531
Veteran's service office	5,640	-	-	-	-	-	-	5,640
Waste to energy contribution	-	-	-	45,000	-	-	-	45,000
Total restricted	\$ 706,437	\$ 1,828,449	\$ -	\$ 45,000	\$ 1,716,563	\$ 49,076	\$ 975,728	\$ 5,321,253
Committed								
Pictometry contract	\$ 142,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,676
RCEDA revolving loan - 2008	128,079	-	-	-	-	-	-	128,079
RCEDA revolving loan - 2011	125,010	-	-	-	-	-	-	125,010
Retiree health insurance	1,277	-	-	-	-	-	-	1,277
Sheriff canteen	16,395	-	-	-	-	-	-	16,395
WESCAP valley area transit	7,200	-	-	-	-	-	-	7,200
Total committed	\$ 420,637	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 420,637
Assigned								
AS400 computer	\$ 20,947	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,947
Assessor tax court	60,000	-	-	-	-	-	-	60,000
Child advocacy center grant match	5,000	-	-	-	-	-	-	5,000
Compensated absences	506,247	241,287	-	24,010	13,391	-	-	784,935
Comprehensive environment	3,000	-	-	-	-	-	-	3,000
Courthouse car	25,000	-	-	-	-	-	-	25,000
Election	89,868	-	-	-	-	-	-	89,868
Employee flu shots	2,000	-	-	-	-	-	-	2,000
Flood coverage	740	-	-	-	-	-	-	740
Forfeited tax	71,508	-	-	-	-	-	-	71,508
Future ditch loans	-	-	-	-	917,731	-	-	917,731
Grand jury	74,787	-	-	-	-	-	-	74,787
Highways and streets	-	1,960,952	-	-	-	-	-	1,960,952
Human services	-	-	719,063	-	-	-	-	719,063
Implementation of GASB	8,298	-	-	-	-	-	-	8,298
L.E. dog fund	1,732	-	-	-	-	-	-	1,732
Maintenance equipment	25,000	-	-	-	-	-	-	25,000
OPEB actuary	3,500	-	-	-	-	-	-	3,500
Park improvements	4,171	-	-	-	-	-	-	4,171
Postemployment benefits	500,000	19,350	-	-	-	-	-	519,350
Public health	1,302,214	-	-	-	-	-	-	1,302,214
Safety committee	1,572	-	-	-	-	-	-	1,572
Sand creek staff training	3,000	-	-	-	-	-	-	3,000
ServSafe classes	390	-	-	-	-	-	-	390
Solid waste	-	-	-	547,391	-	-	-	547,391
Staff development	5,750	-	-	-	-	-	-	5,750
Veteran cemetery	1,000,000	-	-	-	-	-	-	1,000,000
VSO van purchase	10,717	-	-	-	-	-	-	10,717
Workers comp/property casualty insurance	518,066	-	-	-	-	-	-	518,066
Total assigned	\$ 4,243,507	\$ 2,221,589	\$ 719,063	\$ 571,401	\$ 931,122	\$ -	\$ -	\$ 8,686,682
Total unassigned	\$ 6,205,757	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,205,757
Total Fund Balances	\$ 11,705,794	\$ 4,243,066	\$ 719,063	\$ 1,616,461	\$ 2,647,685	\$ 49,076	\$ 975,728	\$ 21,956,873

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

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 General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years.

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. 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 General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2).

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description (Continued)

Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. 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 remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent for each year of service.

For General 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 General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General 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; 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.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan (Continued)

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. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Employees Retirement Fund	\$ 254,830	\$ 251,125	\$ 412,743
Public Employees Police and Fire Fund	107,002	100,776	96,171
Public Employees Correctional Fund	43,362	41,071	38,987

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,791	\$ 5,791
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

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 and 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. On November 30, 2010, the Board took action to change the health insurance benefits for elected officials. For those elected officials taking office on or before January 4, 2011, the following provisions apply as above, except the County will not exceed the actual cost of the County's \$500 deductible plan for the "Retiree and Spouse, both 65 years of age or over" rate. For those elected officials taking office after January 4, 2011, the following provisions apply. The elected official who retires between age 55 and 65, with at least 10 years of service with Redwood County, qualifies for health insurance benefits.

Funding Policy

The amount paid by the County will not exceed the amount that the County contributes to employees pursuant to policy 6.16, as may be amended from time to time by the County Board. 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 and after a maximum of 6 years for elected officials. As of year-end December 31, 2014, the County has 6 eligible participants (3 elected officials and 3 employees). The County finances the plan on a pay-as-you-go basis. During 2014, the County expended \$43,318 for these benefits.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

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	\$	96,542
Interest on net OPEB obligation		8,483
Adjustment to ARC		(14,427)

Annual OPEB cost (expense)	\$	90,598
Contributions made during the year		(71,450)

Increase in net OPEB obligation	\$	19,148
Net OPEB Obligation - Beginning of Year		282,771

Net OPEB Obligation - End of Year	\$	301,919

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, 2012, 2013, and 2014, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	\$ 101,971	\$ 101,878	99.9%	\$ 272,261
December 31, 2013	101,970	91,460	89.7	282,771
December 31, 2014	90,598	71,450	78.9	301,919

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$788,652 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$788,652. The covered payroll (annual payroll of active employees covered by the plan) was \$4,582,346 and the ratio of the UAAL to the covered payroll was 17.2 percent.

Actuarial Methods and Assumptions

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.

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, 2014, actuarial valuation, the projected unit credit with linear proration to decrement actuarial cost method was used.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

The annual health care cost trend has been revised to an initial rate of 7.5 percent for fiscal year ending December 31, 2015, decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent. A 3.5 percent per year inflation rate is included. The UAAL is being amortized over 30 years using a 4.5 percent interest rate discount factor. The remaining amortization period at December 31, 2014, was 23 years.

4. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. 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). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group employee health benefits, the County has entered into a joint powers agreement, the Southwest/West Central Service Cooperative. Through December 31, 2013, the County participated in the Cooperative. For all other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$480,000 per claim in 2014 and \$490,000 in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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.

On October 15, 2013, Redwood County entered into a joint powers agreement with three local counties and Southwest Health and Human Services to self-insure health insurance as of January 1, 2014, in effect leaving the Southwest/West Central Service Cooperative. Premiums will be withheld from employees and transferred into an internal service fund. Claims will be managed and paid by a third party, and the County will be billed weekly, in aggregate, for claims incurred.

The County established a limited risk management program for health coverage in 2014. Premiums are paid into the Self-Insurance Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$50,000 stop-loss per person insured (employee and eligible dependent) per year (\$1,000,000 aggregate) for the health plan. Liabilities of the Self-Insurance Internal Service Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Liabilities generally include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The December 31, 2014, liability does not include IBNRs as sufficient claim history was not available. The INBR is expected to be included in future years as claim history becomes available. Changes in the balances of claims liabilities during the year are as follows:

Unpaid claims, January 1	\$	-
Incurred claims		944,755
Claims payments		<u>(887,611)</u>
Unpaid Claims, December 31, 2014	\$	<u>57,144</u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

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

B. Contingent Liabilities

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

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

Lincoln-Pipestone Rural Water System

At December 31, 2014, the Lincoln-Pipestone Rural Water System had \$33,742,008 of general obligation bonds and other loans outstanding through 2052. 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 (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 nine participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

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

C. 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 Rural 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 a Board appointed by the District Court. The Rural Water System's Board is solely responsible for the budgeting and financing of the Rural Water System.

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural 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, 2014, were \$33,742,008.

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.

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, Jackson, 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 cost of providing these services is recovered through user charges.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Red Rock Rural Water System (Continued)

The governing body is composed of nine members appointed to three-year terms 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 in the financial statements of the Red Rock Rural Water System.

Complete financial information can be obtained from the Red Rock Rural Water System, 305 West Whited Street, Jeffers, Minnesota 56145.

Southwest Minnesota Regional Emergency Communications Joint Powers Board

As of August 23, 2013, the Southwest Minnesota Regional Radio Board changed its name to the Southwest Minnesota Regional Emergency Communications Joint Powers Board. The Southwest Minnesota Regional Emergency Communications Joint Powers Board was established April 22, 2008, between Redwood County, the City of Marshall, the City of Worthington, and 12 other counties under the 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.

Financing is provided by the appropriations from member parties and by state and federal grants. During 2014, Redwood County did not contribute to the Joint Powers Board.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Redwood/Renville Regional Solid Waste Authority

The Redwood/Renville Regional Solid Waste Authority (RRRSWA) Joint Powers Agreement was established by an agreement between Redwood County and Renville County under the authority of Minn. Stat. § 471.59. The agreement was made to facilitate development and operation of an integrated solid waste management system to serve the Counties and to provide for a separate, free-standing public entity.

In 2013, Redwood County approved a resolution to financially support the RRRSWA. In addition to providing \$1,000,000 in funding, Redwood County agreed to bond an additional \$2,000,000 in support of the RRRSWA in an effort to reduce costs and facilitate effective use of resources on behalf of Redwood County and Renville County. During 2013, General Obligation Bonds, Series 2013A, were issued, and Redwood County transferred \$2,058,826 to the RRRSWA in August 2013.

Southwest Health and Human Services

Southwest Health and Human Services (SWHHS) was formed pursuant to Minn. Stat. ch. 145A and §§ 471.59 and 393.01, subd. 7, by Lincoln, Lyon, Murray, and Pipestone Counties. SWHHS began official operation on January 1, 2011, and performs human service and public health functions. Funding is provided by the member counties based on consideration of: (1) population based on the most recent national census; (2) tax capacity; and (3) the most recent three-year average Social Security Expenditure and Grant Reconciliation Report (SEAGR), each factor to be weighted equally.

In 2011, Rock County petitioned to join SWHHS. Rock County's health and human services functions were assumed by SWHHS as of January 1, 2012. In 2012, Pipestone County petitioned for its human services function to join SWHHS and joined as of January 1, 2013. In 2012, Redwood County petitioned to join SWHHS for its health and human services functions and joined as of January 1, 2013.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwest Health and Human Services (Continued)

SWHHS is governed by the:

- Joint Health and Human Services Board (“Joint Board”) - responsible for financial, personnel, budget and general administration of the agency and is made up of one County Commissioner (or alternate) from each County serving on the Community Health Board; and one County Commissioner (or alternate) serving on the Human Services Board.
- Human Services Board - responsible for duties set forth in Minn. Stat. ch. 393 and made up of two County Commissioners appointed annually and one layperson to be appointed consistent with the requirement of the Commissioner of Human Services.
- Community Health Board - responsible for all duties set forth in Minn. Stat. ch. 145A and made up of one County Commissioner and one alternate from each member county unless such County shall have a population in excess of twice that of any other member County, in which case it shall have two Commissioners and two alternates.

Financing is provided by state and federal grants and appropriations from member counties. Redwood County’s contribution in 2014 for the human services function was \$2,495,941, and its contribution to the health services function was \$321,180.

Complete financial statements of Southwest Health and Human Services can be obtained at 607 West Main, Marshall, Minnesota 56258.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; and Southwest Health and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

The Board shall take actions and enter into such agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves 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 state proceeds or appropriations for the development of the system of care.

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.

Advocate, Connect, Educate (A.C.E.) of Southwest Minnesota

Redwood County, in conjunction with Cottonwood, Lincoln, Lyon, Murray, Nobles, and Rock Counties and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, have formed an agreement to coordinate the delivery of volunteer services to non-profit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The entity known as Retired and Senior Volunteer Program of Southwest Minnesota (RSVP of Southwest Minnesota) changed its name to A.C.E. of Southwest Minnesota as of January 1, 2014. The Board comprises one voting member from each participating County and one voting member of the A.C.E. of Southwest Minnesota Advisory Council. In 2014, Redwood County made contributions of \$23,286 to the A.C.E. of Southwest Minnesota.

Brown-Lyon-Redwood Drug Task Force

The Brown-Lyon-Redwood Drug Task Force was established between Brown, Lyon, and Redwood Counties and the Cities of New Ulm, Redwood Falls, and Marshall pursuant to Minn. Stat. § 471.59. The Task Force was established to create a cooperative law enforcement effort that provides drug enforcement services for member organizations.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Brown-Lyon-Redwood Drug Task Force (Continued)

The Task Force is governed by an Advisory Board consisting of one appointed member from each party to the agreement. Fiscal agent responsibilities for the Task Force are with the City of New Ulm. During the year, Redwood County paid \$40,148 to the Task Force.

Southern Prairie Health Purchasing Alliance

Redwood County entered into a joint powers agreement on June 26, 2012, with Swift, Chippewa, Kandiyohi, Lyon, Lincoln, Murray, Cottonwood, Jackson, Nobles, Rock, and Yellow Medicine Counties to establish the Southern Prairie Health Purchasing Alliance pursuant to the provisions of Minn. Stat. § 471.59. The purpose of the Alliance is to plan, formulate, operate, and govern a rural care delivery system to improve the health and quality of life of the citizens of member counties. The Joint Powers Board is composed of one representative from each county.

Plum Creek Library System

Redwood County, along with 19 cities and 8 other counties participates in the Plum Creek Library System. The Plum Creek Library System was created as a public library service on May 29, 1974, by the act of contracting with various public libraries in its region to provide expanded library service, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without such services. The Plum Creek Library System is governed by a board of trustees which consists of two representatives from each county. One is appointed by the County Commissioners, the second from the board of the participating libraries. During 2014, Redwood County provided \$93,910 to the Plum Creek Library System.

Complete financial statements of the Plum Creek Library can be obtained at 290 South Lake Street, P. O. Box 697, Worthington, Minnesota 56187.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southwest Minnesota Private Industry Council, Inc.

The Southwest Minnesota Private Industry Council, Inc. (SW MN PIC) is a private nonprofit corporation which was created through a Joint Powers Agreement on October 1, 1983, and began operations in 1985 under the Job Training Partnership Act (JTPA) authorized by Congress to administer and operate job training programs in a 14-county area of southwestern Minnesota. These counties include Big Stone, Chippewa, Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, Swift, and Yellow Medicine.

SW MN PIC is governed by the Chief Elected Official Board which is composed of one representative from each member county. Redwood County provided \$3,100 to this organization in 2014.

Separate financial information can be obtained from the Lyon County Government Center, 607 West Main Street, Marshall, Minnesota 56258.

Southwest Regional Solid Waste Commission

Redwood County has entered into a joint powers agreement with 11 other counties to create and operate the Southwest Regional Solid Waste Commission under the authority of Minn. Stat. § 471.59. The Commission was formed to exercise the County's authority and obligation pursuant to Minn. Stat. chs. 400 and 115A; to provide for the management of solid waste in the respective counties; and provide the greatest public service benefit possible for the entire contiguous 12-county area encompassed by the counties in planning, management, and implementation of methods to deal with solid waste in southwest Minnesota.

The governing board is composed of one Board member from each of the participating counties. Financing of the Commission's solid waste management program is through appropriations from the participating counties, grants and loans from the Minnesota Office of Waste Management, or from the sale of bonds or other obligations secured by revenues of the Commission. Administration and planning costs of the Commission are assessed to the counties on equal shares. The current assessment is \$1,500.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwest Regional Solid Waste Commission (Continued)

The Commission is headquartered in Ivanhoe, Minnesota, where Lincoln County acts as fiscal host. A complete financial report of the Southwest Regional Solid Waste Commission can be obtained from the Lincoln County Auditor at 319 North Rebecca Street, P. O. Box 29, Ivanhoe, Minnesota 56142.

D. Jointly-Governed Organizations

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

Area II Minnesota River Basin Project

The Area II Minnesota River Basin Project provides cost-share and technical assistance for the implementation of flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, Redwood County contributed \$11,439 to the Project.

Region Five - Southwest Minnesota Homeland Security Emergency Management Organization

The Region Five - Southwest Minnesota Homeland Security Emergency Management Organization (SWRHSEM) was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the SWRHSEM region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Redwood County's responsibility does not extend beyond making this appointment.

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Redwood-Cottonwood Rivers Control Area

The Redwood-Cottonwood Rivers Control Area (RCRCA) works to improve water quality, reduce erosion, and enhance recreational opportunities by providing education, outreach, monitoring, and technical assistance within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. RCRA consists of Brown, Cottonwood, Lincoln, Lyon, Murray, Pipestone, Redwood, and Yellow Medicine Counties. During 2014, Redwood County contributed \$24,825 to the RCRCA.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use. During 2014, Redwood County paid \$1,000 to the Board.

Southwest Minnesota Public Safety Board

The Southwest Minnesota Public Safety Board was established June 29, 2012, by a joint powers agreement between Lyon, Murray, Nobles, Pipestone, Redwood, and Yellow Medicine Counties, and the City of Marshall and City of Worthington under authority of Minn. Stat. §§ 471.59. The purpose of the agreement is to formulate regional and local emergency communications recording and logging services between the parties.

Control is vested in a Joint Powers Board consisting of one County Commissioner or one City Council member for each party to the agreement and the Sheriff or Chief of Police from 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. During the year, Redwood County made payments of \$4,000 to the Southwest Minnesota Public Safety Board.

REQUIRED SUPPLEMENTARY INFORMATION

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,005,395	\$ 6,019,797	\$ 6,092,990	\$ 73,193
Special assessments	54,615	54,615	55,398	783
Licenses and permits	49,915	49,915	56,294	6,379
Intergovernmental	1,150,930	1,170,913	1,304,025	133,112
Charges for services	765,215	762,215	731,617	(30,598)
Gifts and contributions	12,000	12,000	11,465	(535)
Investment earnings	41,246	41,246	103,436	62,190
Miscellaneous	412,727	420,689	447,317	26,628
Total Revenues	\$ 8,492,043	\$ 8,531,390	\$ 8,802,542	\$ 271,152
Expenditures				
Current				
General government				
Commissioners	\$ 245,493	\$ 245,493	\$ 244,483	\$ 1,010
Law library	9,000	9,000	9,810	(810)
County administration	391,064	625,949	513,323	112,626
Administrator	288,298	288,298	284,160	4,138
Auditor-Treasurer	355,817	355,817	352,314	3,503
License center	183,047	184,147	154,481	29,666
Assessor	338,254	338,254	342,564	(4,310)
Elections	67,419	67,419	57,462	9,957
Computer	280,198	280,198	281,338	(1,140)
Attorney	454,614	454,614	422,414	32,200
Recorder	279,563	279,563	272,463	7,100
Buildings and plant	2,888,640	2,888,640	2,500,364	388,276
Veterans service officer	193,836	193,836	201,125	(7,289)
Other general government	-	-	3,039	(3,039)
Total general government	\$ 5,975,243	\$ 6,211,228	\$ 5,639,340	\$ 571,888
Public safety				
Sheriff	\$ 2,647,271	\$ 2,664,475	\$ 2,584,605	\$ 79,870
Coroner	15,000	15,000	13,990	1,010
E-911 system	45,000	45,000	50,680	(5,680)
Probation and parole	262,688	262,688	249,068	13,620
Restorative justice	73,469	73,469	59,947	13,522
Sentence to Serve	57,223	57,223	43,355	13,868
Emergency management	73,547	73,547	68,488	5,059
Other public safety	25,600	25,600	21,991	3,609
Total public safety	\$ 3,199,798	\$ 3,217,002	\$ 3,092,124	\$ 124,878

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Health				
Community health	\$ -	\$ -	\$ 2,231	\$ (2,231)
Culture and recreation				
Museum	\$ 3,200	\$ 3,200	\$ 2,749	\$ 451
Parks	109,830	109,830	109,741	89
Minnesota trails	87,331	87,331	98,032	(10,701)
Other	48,500	48,500	48,249	251
Total culture and recreation	\$ 248,861	\$ 248,861	\$ 258,771	\$ (9,910)
Conservation of natural resources				
Extension	\$ 102,022	\$ 102,022	\$ 91,883	\$ 10,139
Agricultural inspection	237,043	237,043	227,714	9,329
Water quality loan program	30,000	30,000	36,377	(6,377)
Other	171,660	171,660	170,790	870
Total conservation of natural resources	\$ 540,725	\$ 540,725	\$ 526,764	\$ 13,961
Economic development				
Other	\$ 90,403	\$ 90,403	\$ 80,796	\$ 9,607
Intergovernmental				
Health	\$ 321,180	\$ 321,180	\$ 321,180	\$ -
Library	94,438	94,438	93,910	528
Total intergovernmental	\$ 415,618	\$ 415,618	\$ 415,090	\$ 528
Debt service				
Principal	\$ 43,819	\$ 43,819	\$ 125,130	\$ (81,311)
Interest	3,244	3,244	17,147	(13,903)
Administrative (fiscal) charges	-	-	6,200	(6,200)
Total debt service	\$ 47,063	\$ 47,063	\$ 148,477	\$ (101,414)
Total Expenditures	\$ 10,517,711	\$ 10,770,900	\$ 10,163,593	\$ 607,307

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

***EXHIBIT A-1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ (2,025,668)	\$ (2,239,510)	\$ (1,361,051)	\$ 878,459
Other Financing Sources (Uses)				
Capital lease/installment purchase	\$ -	\$ -	\$ 56,216	\$ 56,216
Loans issued	30,000	30,000	36,377	6,377
Total Other Financing Sources (Uses)	\$ 30,000	\$ 30,000	\$ 92,593	\$ 62,593
Net Change in Fund Balance	\$ (1,995,668)	\$ (2,209,510)	\$ (1,268,458)	\$ 941,052
Fund Balance - January 1	12,974,252	12,974,252	12,974,252	-
Fund Balance - December 31	\$ 10,978,584	\$ 10,764,742	\$ 11,705,794	\$ 941,052

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,510,725	\$ 1,510,725	\$ 1,515,369	\$ 4,644
Intergovernmental	4,620,275	4,620,275	6,185,791	1,565,516
Charges for services	2,000	2,000	35,695	33,695
Investment earnings	2,000	2,000	1,302	(698)
Miscellaneous	45,000	45,000	130,368	85,368
Total Revenues	\$ 6,180,000	\$ 6,180,000	\$ 7,868,525	\$ 1,688,525
Expenditures				
Current				
Highways and streets				
Administration	\$ 491,000	\$ 491,000	\$ 414,948	\$ 76,052
Maintenance	1,647,000	1,647,000	2,093,857	(446,857)
Construction	3,015,000	3,015,000	2,833,328	181,672
Equipment and maintenance shops	682,000	682,000	774,589	(92,589)
Total highways and streets	\$ 5,835,000	\$ 5,835,000	\$ 6,116,722	\$ (281,722)
Intergovernmental				
Highways and streets	375,000	375,000	489,322	(114,322)
Total Expenditures	\$ 6,210,000	\$ 6,210,000	\$ 6,606,044	\$ (396,044)
Net Change in Fund Balance	\$ (30,000)	\$ (30,000)	\$ 1,262,481	\$ 1,292,481
Fund Balance - January 1	3,016,575	3,016,575	3,016,575	-
Increase (decrease) in inventories	-	-	(35,990)	(35,990)
Fund Balance - December 31	\$ 2,986,575	\$ 2,986,575	\$ 4,243,066	\$ 1,256,491

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,134,700	\$ 2,134,700	\$ 2,143,344	\$ 8,644
Intergovernmental	61,241	61,241	61,057	(184)
Total Revenues	\$ 2,195,941	\$ 2,195,941	\$ 2,204,401	\$ 8,460
Expenditures				
Intergovernmental				
Human services	<u>2,195,941</u>	<u>2,195,941</u>	<u>2,196,303</u>	<u>(362)</u>
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 8,098	\$ 8,098
Special Item				
Transfer human service operation to Southwest Health and Human Services	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Net Change in Fund Balance	\$ (300,000)	\$ (300,000)	\$ (291,902)	\$ 8,098
Fund Balance - January 1	<u>1,010,965</u>	<u>1,010,965</u>	<u>1,010,965</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 710,965</u></u>	<u><u>\$ 710,965</u></u>	<u><u>\$ 719,063</u></u>	<u><u>\$ 8,098</u></u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 364,400	\$ 364,400	\$ 376,384	\$ 11,984
Licenses and permits	850	850	1,200	350
Intergovernmental	55,950	55,950	253,636	197,686
Investment earnings	2,000	2,000	31,726	29,726
Miscellaneous	284,664	284,664	299,210	14,546
Total Revenues	\$ 707,864	\$ 707,864	\$ 962,156	\$ 254,292
Expenditures				
Current				
Sanitation				
Solid waste	\$ 325,001	\$ 325,001	\$ 332,618	\$ (7,617)
Recycling	281,500	281,500	279,190	2,310
Hazardous waste	10,000	10,000	9,298	702
Total sanitation	\$ 616,501	\$ 616,501	\$ 621,106	\$ (4,605)
Intergovernmental				
Solid waste	\$ -	\$ -	\$ 94,808	\$ (94,808)
Debt service				
Principal	\$ -	\$ -	\$ 140,000	\$ (140,000)
Interest	-	-	49,615	(49,615)
Administrative (fiscal) charges	-	-	213	(213)
Total debt service	\$ -	\$ -	\$ 189,828	\$ (189,828)
Total Expenditures	\$ 616,501	\$ 616,501	\$ 905,742	\$ (289,241)
Net Change in Fund Balance	\$ 91,363	\$ 91,363	\$ 56,414	\$ (34,949)
Fund Balance - January 1	1,560,047	1,560,047	1,560,047	-
Fund Balance - December 31	\$ 1,651,410	\$ 1,651,410	\$ 1,616,461	\$ (34,949)

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-5

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 497,936	\$ 497,936	\$ 417,708	\$ (80,228)
Intergovernmental	-	-	183	183
Investment earnings	5,000	5,000	82,485	77,485
Miscellaneous	-	-	151	151
Total Revenues	\$ 502,936	\$ 502,936	\$ 500,527	\$ (2,409)
Expenditures				
Current				
Conservation of natural resources				
Other	<u>463,447</u>	<u>463,447</u>	<u>524,535</u>	<u>(61,088)</u>
Net Change in Fund Balance	\$ 39,489	\$ 39,489	\$ (24,008)	\$ (63,497)
Fund Balance - January 1	<u>2,671,693</u>	<u>2,671,693</u>	<u>2,671,693</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 2,711,182</u></u>	<u><u>\$ 2,711,182</u></u>	<u><u>\$ 2,647,685</u></u>	<u><u>\$ (63,497)</u></u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014**

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%
January 1, 2011	-	1,100,130	1,100,130	0.0	7,009,082	15.7
January 1, 2014	-	788,652	788,652	0.0	4,582,346	17.2

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund and special revenue funds, except the Springdale Watershed Special Revenue 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. Budget Amendments

Revenue budgets were amended in the following funds:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 8,492,043	\$ 39,347	\$ 8,531,390

Expenditure budgets were amended in the following funds:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 10,517,711	\$ 253,189	\$ 10,770,900

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Excess of Expenditures Over Budget

The following individual major special revenue funds had expenditures in excess of budget for the year ended December 31, 2014:

	Expenditures	Budget	Excess
Special Revenue Funds			
Road and Bridge	\$ 6,606,044	\$ 6,210,000	\$ 396,044
Human Services	2,196,303	2,195,941	362
Solid Waste	905,742	616,501	289,241
Ditch	524,535	463,447	61,088

5. Other Postemployment Benefits Funded Status

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero.

See Note 3.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

5. Other Postemployment Benefits - Significant Actuarial Assumption Changes

2014

Actuarial Assumptions

- The methodology used to calculate retiree-appropriate per capita costs was changed. Previously, the retiree-appropriate rates were assumed to vary by age based on a 3.5 percent annual aging factor. Currently, the annual per capita costs are calculated based on the 2014 expected claims cost plus administrative expenses, actuarially increased using health index factors that vary by a 5-year age band and current enrollment. The methodology change creates a decrease in the liability.
- Mortality assumptions were updated to include future mortality improvement. This change caused an increase in the liability.
- Retirement rates were updated based on the County's historical retirement experience. This change caused a decrease in the liability.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

5. Other Postemployment Benefits - Significant Actuarial Assumption Changes (Continued)

- The percentage of active non-elected official employees assumed to elect spousal coverage at retirement was increased from zero to actual spousal coverage election (which is approximately 20.0 percent for male employees and 12.0 percent for female employees). All elected officials who currently have spousal coverage (approximately 33.0 percent) are assumed to elect spousal coverage at retirement. In the prior valuation, all elected officials were assumed to elect spousal coverage at retirement regardless of their current coverage election. This change caused a decrease in the liability.

- Health care trend rates were revised to an initial rate of 7.5 percent for fiscal year ending 2015 decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent. Actual premium increase from 2014 to 2015 was used for the fiscal year ending December 31, 2014, health care trend assumption. Previously, the initial health care trend rate was 8.0 percent, decreasing annually to an ultimate rate of 3.5 percent. This change caused an increase in the liability.

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SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 649,561	\$ 649,561	\$ 652,114	\$ 2,553
Intergovernmental	16,761	16,761	18,267	1,506
Investment earnings	-	-	1,656	1,656
Total Revenues	\$ 666,322	\$ 666,322	\$ 672,037	\$ 5,715
Expenditures				
Debt service				
Principal	\$ 550,000	\$ 550,000	\$ 550,000	\$ -
Interest	166,936	166,936	207,527	(40,591)
Administrative (fiscal) charges	1,275	1,275	1,063	212
Total Expenditures	\$ 718,211	\$ 718,211	\$ 758,590	\$ (40,379)
Net Change in Fund Balance	\$ (51,889)	\$ (51,889)	\$ (86,553)	\$ (34,664)
Fund Balance - January 1	1,062,281	1,062,281	1,062,281	-
Fund Balance - December 31	\$ 1,010,392	\$ 1,010,392	\$ 975,728	\$ (34,664)

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FIDUCIARY FUNDS

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

AGENCY FUNDS

Social Welfare - to account for the collection and disbursement of funds held on behalf of individuals in the Social Welfare program.

State Revenue - to account for the collection and disbursement of the state's share of fees, fines, and mortgage registry and state deed taxes collected by the County.

Taxes and Penalties - to account for the collection of taxes and penalties and their distribution to the various funds and governmental units.

Forfeited Tax Sale - to account for all funds received from the sale of lands forfeited for unpaid taxes and the subsequent disbursement to the various agencies.

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>SOCIAL WELFARE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 105	\$ 416	\$ 521	\$ -
<u>Liabilities</u>				
Accounts payable	\$ 105	\$ 416	\$ 521	\$ -
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 421,412	\$ 421,412	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 421,412	\$ 421,412	\$ -
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 364,464	\$ 23,583,882	\$ 23,652,574	\$ 295,772
<u>Liabilities</u>				
Due to other governments	\$ 364,464	\$ 23,583,882	\$ 23,652,574	\$ 295,772

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

***EXHIBIT C-1
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FORFEITED TAX SALE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 94,685</u>	<u>\$ 3,049</u>	<u>\$ 97,734</u>	<u>\$ -</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 94,685</u>	<u>\$ 3,049</u>	<u>\$ 97,734</u>	<u>\$ -</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 459,254</u>	<u>\$ 24,008,759</u>	<u>\$ 24,172,241</u>	<u>\$ 295,772</u>
<u>Liabilities</u>				
Accounts payable	\$ 105	\$ 416	\$ 521	\$ -
Due to other governments	<u>459,149</u>	<u>24,008,343</u>	<u>24,171,720</u>	<u>295,772</u>
Total Liabilities	<u>\$ 459,254</u>	<u>\$ 24,008,759</u>	<u>\$ 24,172,241</u>	<u>\$ 295,772</u>

OTHER SCHEDULE

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Shared Revenue

State

Highway users tax	\$ 4,903,603
County program aid	304,777
PERA rate reimbursement	27,660
Disparity reduction aid	43,774
Police aid	91,392
Enhanced 911	89,006
Market value credit	223,419
Casino credit	76,542
	76,542

Total shared revenue **\$ 5,760,173**

Reimbursement for Services

General government	\$ 3,030
Public safety	7,376
Highways and streets	91,383
City of Redwood Falls	1,569
Redwood Renville Regional Solid Waste Authority	189,828
	189,828

Total reimbursement for services **\$ 293,186**

Payments

Local

Payments in lieu of taxes	\$ 156,480
Local contributions	30,000
	30,000

Total payments **\$ 186,480**

Grants

State

Minnesota Department/Board of	
Corrections	\$ 58,188
Historical Society	3,200
Natural Resources	49,855
Public Safety	4,427
Revenue	3,529
Transportation	928,215
Veterans Affairs	10,000
Water and Soil Resources	46,074
Pollution Control Agency	63,803
Peace Officer Standards and Training Board	3,218
	3,218

Total state **\$ 1,170,509**

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

***EXHIBIT D-1
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Grants (Continued)

Federal

Department of Transportation	\$ 245,510
Health and Human Services	107,161
Homeland Security	<u>59,940</u>

Total federal **\$ 412,611**

Total state and federal grants **\$ 1,583,120**

Total Intergovernmental Revenue **\$ 7,822,959**

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

None.

II. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding 2014-001

Publishing Claims Paid

Criteria: Minnesota Statutes § 375.12 requires that County Board minutes be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over \$2,000. For claims \$2,000 or less, the total number of claims and total amount shall be stated. The County can publish summaries of the minutes, meeting the requirement of Minn. Stat. § 331A.01. However, the County must still publish claims as required by Minn. Stat. § 375.12.

Condition: Redwood County does not publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000 as provided by Minn. Stat. § 375.12. The publication provides only the total bills paid by the County Board-approved payments.

Context: The County is concerned that publishing an itemized list of County Board-approved payments over \$2,000 would add substantial cost and serve little public interest. The County has encouraged the Association of Minnesota Counties to pursue a change of the statutes.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County Board does not wish to incur the additional cost of publication and continues to make the information physically available at the County Government Center.

Recommendation: We recommend the County comply with the above-noted statute and publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000.

Client's Response:

Redwood County will continue to review options to bring the publication requirement into compliance with statute.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Redwood County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.

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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*

Independent Auditor's Report

Board of County Commissioners
Redwood County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 5, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Redwood County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Recommendations as item 2014-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

Also included in the Schedule of Findings and Recommendations is an other item for consideration. We believe this information to be of benefit to the County, and it is reported for that purpose.

Redwood County's Response to Finding

Redwood County's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Recommendations. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 5, 2015