

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Redwood County Redwood Falls, Minnesota

Year Ended December 31, 2022

Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than \$40 billion in annual financial activity by local governments and approximately \$20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice:** Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.
- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information:** Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.
- **Legal/Special Investigations:** Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.
- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.
- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.
- **Tax Increment Financing (TIF):** Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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www.osa.state.mn.us

Redwood County Redwood Falls, Minnesota

Year Ended December 31, 2022



Office of the State Auditor

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

Redwood County
Redwood Falls, Minnesota

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Redwood Falls, Minnesota

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Introductory Section

Redwood County Redwood Falls, Minnesota

Organization 2022

Office	Name	Term Expires
Commissioners		
1st District	Rick Wakefield	January 2025
2nd District	Jim Salfer, Chair	January 2027
3rd District	Dennis Groebner, Vice Chair	January 2027
4th District	Robert Van Hee	January 2025
5th District	David Forkrud	January 2025
County Officers		
Elected		
Attorney	Jenna Peterson	January 2027
Auditor-Treasurer	Jean Price	January 2027
District Court Judge	Patrick R. Rohland	January 2027
Recorder	Joyce Anderson	January 2027
Sheriff	Randy Hanson	January 2023
Appointed		
Administrator	Vicki Kletscher	Indefinite
Assessor	Jesse Jacobson*	Indefinite
Director of Planning and Environmental Services	Scott Wold	Indefinite
Highway Engineer	Anthony Sellner	April 2024
License Center Supervisor	Amy Serbus	Indefinite
Maintenance Supervisor	Loren Gewerth	Indefinite
Medical Examiner	Dr. Kelly Mills	December 2023
Veterans Service Officer	Roger Zollner	Indefinite

* John Thompson's appointment terminated on September 21, 2022 and Jesse Jacobson was appointed on November 30, 2022

Financial Section



Independent Auditor's Report

Board of County Commissioners
Redwood County
Redwood Falls, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position, and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern

for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Budgetary Comparison Schedules for the General Fund and the major special revenue funds; Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits; PERA retirement plan schedules; and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, 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 Debt Service Fund Budgetary Comparison Schedule, combining statements for fiduciary funds, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 **Supplementary Information** as identified above 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 July 3, 2023, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

July 3, 2023

Management's Discussion and Analysis

Redwood County

Redwood Falls, Minnesota

Management's Discussion and Analysis

December 31, 2022

(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, 2022. 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 \$136,358,179, of which \$119,547,640 is the net investment in capital assets, and \$5,423,493 is restricted to specific purposes. The \$11,387,046 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$8,527,246 for the year ended December 31, 2022. 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 \$8,961,054. The net cost was funded by general revenues totaling \$17,488,300.
- Fund balances of the governmental funds decreased by \$11,032,087. Most of the decrease was due to spending the Series 2021A General Obligation Bonds.
- For the year ended December 31, 2022, the assigned and unassigned fund balance of the General Fund was \$13,225,541, or 81.2 percent of the total General Fund expenditures for the year, an increase of 3.2 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, deferred outflows of resources, liabilities, and deferred inflows of resources of the County using the full accrual basis of accounting, with the difference (assets plus deferred outflows of resources, less liabilities and deferred inflows of resources) 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. Budgetary comparison schedules have 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, Statement of Changes in Fiduciary Net Position on Exhibit 11, and the Custodial Funds Combining Statements are shown on Exhibits C-1 and C-2.

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 33 through 71 of this report.

Other Information

Other information is provided as supplementary information regarding Redwood County's intergovernmental revenue and federal awards programs.

Government-Wide Financial Analysis

Over time, net position serves as a useful indicator of the County's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$136,358,179 at the close of 2022. The largest portion of the net position (87.7 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 acquire 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 2021 is presented.

Net Position		Governmental Activities	
		2022	2021
Assets			
Current and other assets	\$	33,244,803	\$ 42,554,168
Capital assets		137,344,295	120,942,375
Total Assets	\$	170,589,098	\$ 163,496,543
Deferred Outflows of Resources			
Deferred other postemployment benefits outflows	\$	200,869	\$ 258,814
Deferred pension outflows		5,385,660	3,693,083
Total Deferred Outflows of Resources	\$	5,586,529	\$ 3,951,897
Liabilities			
Long-term liabilities	\$	31,918,757	\$ 28,275,498
Other liabilities		5,873,951	5,761,653
Total Liabilities	\$	37,792,708	\$ 34,037,151
Deferred Inflows of Resources			
Prepaid property taxes	\$	52	\$ 18,427
Deferred other postemployment benefits inflows		155,841	92,296
Deferred pension inflows		260,455	4,677,250
Deferred lease inflows		985,889	-
Advance from other governments		622,503	792,383
Total Deferred Inflows of Resources	\$	2,024,740	\$ 5,580,356
Net Position			
Net investment in capital assets	\$	119,547,640	\$ 110,890,394
Restricted		5,423,493	2,593,282
Unrestricted		11,387,046	14,347,257
Total Net Position	\$	136,358,179	\$ 127,830,933

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 8.4 percent of net position.

Governmental Activities

The County’s activities increased net position by 6.7 percent (\$127,830,933 for 2021, compared to \$136,358,179 for 2022). Key elements in this increase in net position are as follows for 2022, with comparative data for 2021.

	Net Position	
	Governmental Activities	
	2022	2021
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 3,499,319	\$ 3,665,618
Operating grants and contributions	13,864,407	10,993,576
Capital grants and contributions	7,150,243	1,152,488
General revenues		
Property taxes	13,932,445	13,166,305
Other	3,555,855	3,311,569
Total Revenues	<u>\$ 42,002,269</u>	<u>\$ 32,289,556</u>
Expenses		
General government	\$ 5,697,183	\$ 4,464,856
Public safety	5,467,785	4,433,852
Highways and streets	11,400,028	11,559,042
Sanitation	719,462	726,982
Human services	3,066,456	2,847,310
Health	228,841	228,841
Culture and recreation	445,646	417,009
Conservation of natural resources	5,694,852	3,127,512
Economic development	161,751	507,894
Interest	593,019	76,632
Total Expenses	<u>\$ 33,475,023</u>	<u>\$ 28,389,930</u>
Change in Net Position	\$ 8,527,246	\$ 3,899,626
Net Position – January 1	<u>127,830,933</u>	<u>123,931,307</u>
Net Position – December 31	<u>\$ 136,358,179</u>	<u>\$ 127,830,933</u>

Financial Analysis of the Government’s Funds

Governmental Funds

The focus of the County’s governmental funds is to provide information on short-term inflows, outflows, and the balances left at year-end 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 2022, governmental funds reported combined ending fund balances of \$20,445,151, a decrease of \$11,032,087 in comparison with the prior year. Of the combined ending fund balances, \$14,855,594 represents committed, 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 \$13,225,541. 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 81.2 percent of total General Fund expenditures. The ending fund balance decreased by \$4,720,338 during 2022, primarily due to the Series 2021A General Obligation Bonds being spent.

The Road and Bridge Special Revenue Fund had an assigned fund balance of \$799,044 at fiscal year-end, representing 3.3 percent of its annual expenditures. The ending fund balance decreased \$3,673,595 during 2022, primarily due to the Series 2021A General Obligation Bonds being spent.

The Solid Waste Special Revenue Fund had an assigned fund balance of \$45,360 at fiscal year-end.

The Ditch Special Revenue Fund had restricted fund balance of \$26,875 at fiscal year-end. The ending fund balance decreased \$267,159 during 2022.

The Debt Service Fund had restricted fund balance of \$878,061 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. In 2016, the sale of a refunding bond occurred which was used to crossover refund \$1,170,000 of the \$3,920,000 General Obligation Improvement Bond, Series 2008A, called on February 1, 2019. In 2021, General Obligation Bonds in the amount of \$9,185,000 were sold for the construction of the Justice Center and \$1,285,000 to refund the 2013A Law Enforcement Center bonds.

Governmental Activities

The County’s total revenues were \$42,002,269. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2022.

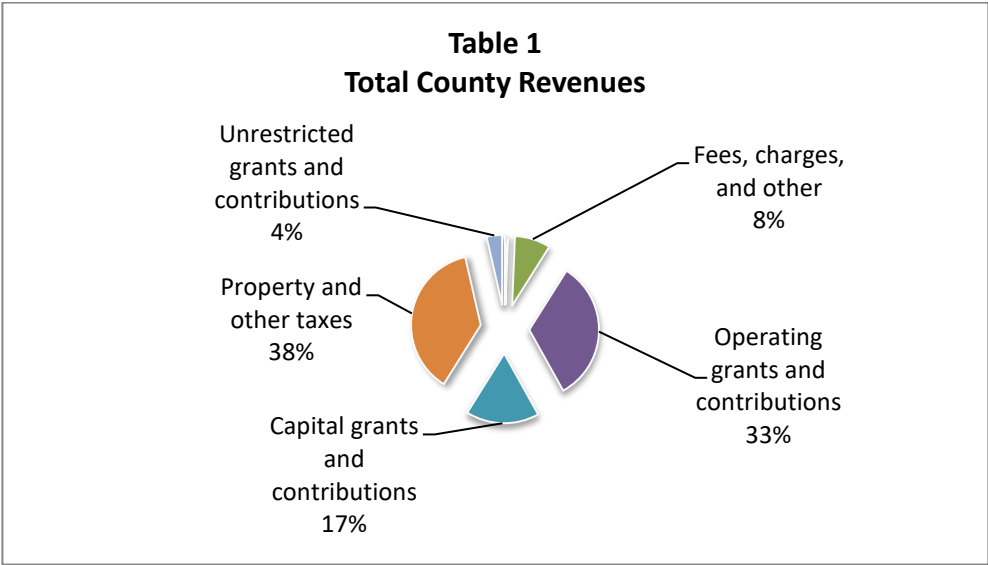
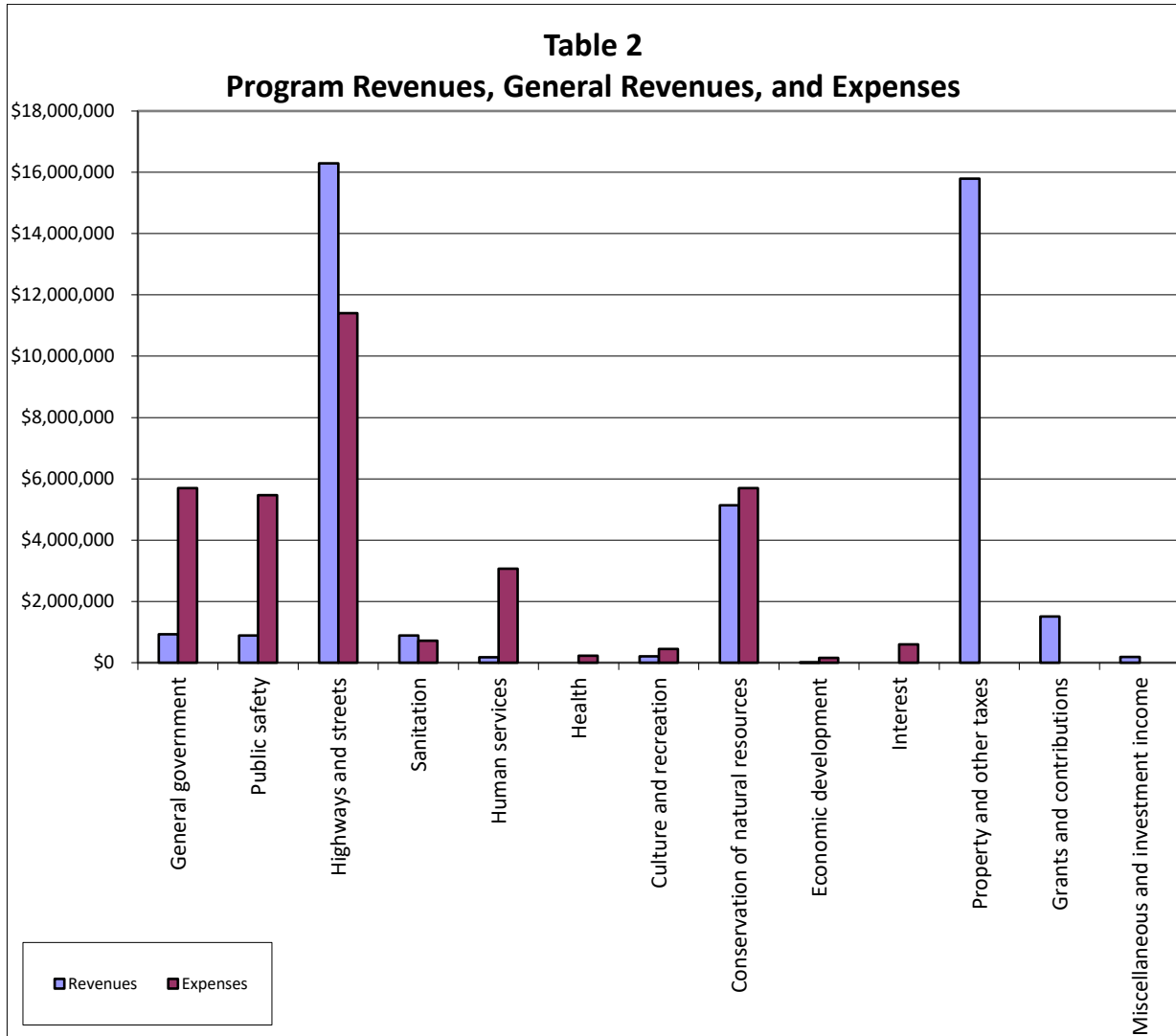


Table 2 presents the cost and revenue of each program, as well as the County's general revenues.

Total program and general revenues for the County were \$42,002,269, while total expenses were \$33,475,023, reflecting an \$8,527,246 increase in net position for the year ended December 31, 2022.



The cost of all governmental activities this year was \$33,475,023. 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 \$13,932,445, because some of the cost was paid by those who directly benefited from the programs (\$3,499,319) or by other governments and organizations that subsidized certain programs with grants and contributions (\$21,014,650). 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 six 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 2022	Net Cost (Revenue) of Services 2022
Highways and streets	\$ 11,400,028	\$ (4,889,439)
General government	5,697,183	4,774,104
Conservation of natural resources	5,694,852	555,345
Public safety	5,467,785	4,580,378
Human services	3,066,456	2,890,993
Sanitation	719,462	(165,670)
All others	1,429,257	1,215,343
Totals	<u>\$ 33,475,023</u>	<u>\$ 8,961,054</u>

General Fund Budgetary Highlights

There were no changes made to the budget during 2022. Actual expenditures were less than budgeted expenditures by \$3,420,197. Two significant positive variances of \$1,153,389 occurred in County Administration and \$2,359,675 in Buildings and Plant, where the actual expenditures were less than the amount budgeted.

Capital Assets and Debt Administration

Capital Assets

The County's capital assets for its governmental activities at December 31, 2022, totaled \$137,344,295 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure and leased equipment. The investment in capital assets increased \$16,401,920, or 13.6 percent, from the previous year. The increase was due to the \$10,594,836 in infrastructure and the \$4,487,109 building increase for the Justice Center.

Table 4
Capital Assets at Year End
(Net of Accumulated Depreciation and Amortization)

	2022	2021
Land and right of way	\$ 2,542,341	\$ 2,531,417
Infrastructure	98,001,235	90,011,129
Buildings	25,372,083	15,468,579
Improvements other than buildings	573,229	636,993
Machinery and equipment	5,357,000	5,120,913
Leased equipment	219,155	383,275
Construction in progress	5,279,252	6,790,069
Totals	<u>\$ 137,344,295</u>	<u>\$ 120,942,375</u>

Additional information about the County's capital assets can be found in the notes to the financial statements of this report.

Long-Term Liabilities

The County has long-term liabilities at December 31, 2022, of \$19,637,957.

(Unaudited)

Debt includes, Series 2016A, General Obligation Capital Improvement Plan Refunding Bonds, used to crossover refund \$1,170,000 of the \$3,920,000 General Obligation Improvement Bond, Series 2008A, called on February 1, 2019. Series 2016A, General Obligation Capital Improvement Plan Refunding Bonds will mature on February 1, 2024.

The County issued Series 2021A, General Obligation Law Enforcement Center Refunding Bonds in the amount of \$1,285,000 to refund \$1,500,000 of the \$3,375,000 Series 2013A, General Obligation Law Enforcement Center Bonds, to be called on February 1, 2022. Series 2021A, General Obligation Law Enforcement Center Refunding Bonds will mature on April 1, 2028.

The County issued Series 2021A, General Obligation Recycling Facility Refunding Bonds in the amount of \$770,000 to refund \$900,000 of the \$2,040,000 Series 2013A, General Obligation Recycling Facility Bonds, to be called on February 1, 2022. This bond is paid by Redwood/Renville Regional Solid Waste Authority. Series 2021A, General Obligation Recycling Facility Refunding Bonds will mature on April 1, 2028.

The County issued Series 2021A, General Obligation Justice Center Bonds in the amount of \$9,185,000 for the construction of the Justice Center. Series 2021A, General Obligation Justice Center Bonds will mature on April 1, 2042.

The County issued Series 2021A, General Obligation CSAH Bonds in the amount of \$6,095,000. Series 2021A, General Obligation CSAH Bonds will mature on April 1, 2037.

Table 5
Outstanding Bonded Debt

	2022	2021
General Obligation Law Enforcement Center Bonds, Series 2013A	\$ -	\$ 1,730,000
General Obligation Recycling Facility Bonds, Series 2013A	-	1,030,000
General Obligation Crossover Refunding Bonds, Series 2016A	495,569	731,140
General Obligation Law Enforcement Center Refunding Bonds, Series 2021A	1,454,814	1,483,117
General Obligation Recycling Facility Refunding Bonds, Series 2021A	871,931	888,920
General Obligation Justice Center Bonds, Series 2021A	9,922,921	9,959,817
General Obligation Justice CSAH Bonds, Series 2021A	6,892,722	6,945,903
Totals	<u>\$ 19,637,957</u>	<u>\$ 22,768,897</u>

Minnesota statutes limit the amount of debt a county may levy to 3.0 percent of its total market value. At the end of 2022, the County's outstanding debt was 0.4 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 2023 budget, tax rates, and fees that will be charged for the year.

- The average unemployment rate for Redwood County at the end of 2022 was 3.1 percent, an increase of 0.5 percentage points from one year ago. The state unemployment rate was 3.2 percent. The 2021 County population (last known year) was 15,313, a decrease of 112 from the 2020 census of 15,425.
- At the end of 2022, Redwood County set its 2023 revenue and expenditure budgets.
- The 2023 property tax levy for the County increased to \$15,365,685, compared to \$14,277,930 in 2022.

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, PO Box 130, Redwood Falls, Minnesota 56283.

Basic Financial Statements

Government-Wide Financial Statements

**Redwood County
Redwood Falls, Minnesota**

Exhibit 1

**Statement of Net Position
Governmental Activities
December 31, 2022**

Assets

Current assets

Cash and pooled investments	\$ 16,861,822
Investments	9,161,016
Taxes receivable	
Delinquent	61,255
Special assessments receivable	
Noncurrent	560,252
Delinquent	33,252
Accounts receivable – net	93,724
Accrued interest receivable	31,220
Due from other governments	3,931,866
Loans receivable	35,543
Leases receivable	170,669
Inventories	170,830
Prepaid items	38,014

Noncurrent assets

Loans receivable	1,230,482
Leases receivable	817,784
Special assessments receivable	47,074

Capital assets

Non-depreciable or amortizable	7,821,593
Depreciable or amortizable – net of accumulated depreciation and amortization	<u>129,522,702</u>

Total Assets

\$ 170,589,098

Deferred Outflows of Resources

Deferred other postemployment benefits outflows	\$ 200,869
Deferred pension outflows	<u>5,385,660</u>
Total Deferred Outflows of Resources	<u>\$ 5,586,529</u>

**Redwood County
Redwood Falls, Minnesota**

Exhibit 1
(Continued)

**Statement of Net Position
Governmental Activities
December 31, 2022**

Liabilities

Current liabilities

Accounts payable	\$ 132,674
Salaries payable	539,313
Claims payable	121,629
Contracts payable	1,497,437
Due to other governments	223,302
Accrued interest payable	155,632
Unearned revenue	3,203,964
Compensated absences payable – current	168,972
General obligation bonds payable – current	475,000
General obligation crossover refunding bonds payable – current	240,000
Leases payable – current	111,470
Loans payable – current	9,733

Noncurrent liabilities

Compensated absences payable	606,483
Other postemployment benefits liability	842,302
Net pension liability	10,435,477
Leases payable	69,208
General obligation bonds payable – net	18,667,388
General obligation crossover refunding bonds payable – net	255,569
Loans payable	37,155

Total Liabilities

\$ 37,792,708

Deferred Inflows of Resources

Prepaid property taxes	\$ 52
Deferred other postemployment benefits inflows	155,841
Deferred pension inflows	260,455
Deferred lease inflows	985,889
Advance from other governments	622,503

Total Deferred Inflows of Resources

\$ 2,024,740

Net Position

Net investment in capital assets	\$ 119,547,640
Restricted for	
General government	369,903
Public safety	530,027
Conservation of natural resources	2,687,894
Highways and streets	1,835,669
Unrestricted	11,387,046

Total Net Position

\$ 136,358,179

**Redwood County
Redwood Falls, Minnesota**

Exhibit 2

**Statement of Activities
For the Year Ended December 31, 2022**

	Program Revenues				Net (Expense)
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 5,697,183	\$ 853,203	\$ 15,478	\$ 54,398	\$ (4,774,104)
Public safety	5,467,785	150,074	737,333	-	(4,580,378)
Highways and streets	11,400,028	196,408	8,997,214	7,095,845	4,889,439
Sanitation	719,462	631,871	253,261	-	165,670
Human services	3,066,456	-	175,463	-	(2,890,993)
Health	228,841	-	-	-	(228,841)
Culture and recreation	445,646	104,319	99,095	-	(242,232)
Conservation of natural resources	5,694,852	1,562,944	3,576,563	-	(555,345)
Economic development	161,751	500	10,000	-	(151,251)
Interest	593,019	-	-	-	(593,019)
Total Governmental Activities	\$ 33,475,023	\$ 3,499,319	\$ 13,864,407	\$ 7,150,243	\$ (8,961,054)
General Revenues					
Property taxes					\$ 13,932,445
Wheelage tax					353,485
County local option sales tax					1,191,590
Other taxes					21,576
Payments in lieu of tax					289,142
Grants and contributions not restricted to specific programs					1,508,822
Unrestricted investment income					(39,967)
Miscellaneous					231,207
Total general revenues					\$ 17,488,300
Change in net position					\$ 8,527,246
Net Position – Beginning					127,830,933
Net Position – Ending					\$ 136,358,179

Fund Financial Statements

Governmental Funds

**Redwood County
Redwood Falls, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>
<u>Assets</u>		
Cash and pooled investments	\$ 12,022,280	\$ 3,870,892
Petty cash and change funds	1,700	-
Investments	6,363,996	1,697,077
Taxes receivable		
Delinquent	36,638	8,715
Special assessments receivable		
Delinquent	-	-
Noncurrent	31,929	-
Accounts receivable – net	45,252	4,554
Accrued interest receivable	20,927	6,806
Due from other funds	-	6,240
Due from other governments	93,247	2,182,322
Loans receivable	1,266,025	-
Leases receivable	988,355	-
Inventories	-	170,830
Prepaid items	37,500	514
Total Assets	<u>\$ 20,907,849</u>	<u>\$ 7,947,950</u>

Exhibit 3

<u>Human Services</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ 151,954	\$ 96,832	\$ -	\$ 528,184	\$ 16,670,142
-	-	-	-	1,700
-	-	-	349,880	8,410,953
12,560	-	-	3,342	61,255
-	32,694	558	-	33,252
-	-	575,397	-	607,326
-	-	8,195	-	58,001
-	-	-	153	27,886
-	-	197	-	6,437
-	-	1,652,107	-	3,927,676
-	-	-	-	1,266,025
-	98	-	-	988,453
-	-	-	-	170,830
-	-	-	-	38,014
<u>\$ 164,514</u>	<u>\$ 129,624</u>	<u>\$ 2,236,454</u>	<u>\$ 881,559</u>	<u>\$ 32,267,950</u>

**Redwood County
Redwood Falls, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 93,663	\$ 28,765
Salaries payable	384,643	141,317
Contracts payable	390,981	928,864
Due to other funds	6,047	197
Due to other governments	58,652	6,409
Unearned revenue	2,504,556	699,408
Total Liabilities	\$ 3,438,542	\$ 1,804,960
Deferred Inflows of Resources		
Unavailable revenue	\$ 1,379,767	\$ 993,210
Prepaid property taxes	30	10
Deferred lease inflows	985,791	-
Advance from other governments	-	622,503
Total Deferred Inflows of Resources	\$ 2,365,588	\$ 1,615,723
Fund Balances		
Nonspendable	\$ 37,950	\$ 171,344
Restricted	1,325,451	3,104,876
Committed	514,777	452,003
Assigned	5,630,320	799,044
Unassigned	7,595,221	-
Total Fund Balances	\$ 15,103,719	\$ 4,527,267
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,907,849	\$ 7,947,950

Exhibit 3
(Continued)

<u>Human Services</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ 125	\$ 9,122	\$ -	\$ 131,675
-	50	13,303	-	539,313
-	-	177,592	-	1,497,437
-	-	193	-	6,437
151,944	6,297	-	-	223,302
-	-	-	-	3,203,964
<u>\$ 151,944</u>	<u>\$ 6,472</u>	<u>\$ 200,210</u>	<u>\$ -</u>	<u>\$ 5,602,128</u>
\$ 12,560	\$ 32,694	\$ 2,190,500	\$ 3,496	\$ 4,612,227
10	-	-	2	52
-	98	-	-	985,889
-	-	-	-	622,503
<u>\$ 12,570</u>	<u>\$ 32,792</u>	<u>\$ 2,190,500</u>	<u>\$ 3,498</u>	<u>\$ 6,220,671</u>
\$ -	\$ -	\$ -	\$ -	\$ 209,294
-	45,000	26,875	878,061	5,380,263
-	-	-	-	966,780
-	45,360	-	-	6,474,724
-	-	(181,131)	-	7,414,090
<u>\$ -</u>	<u>\$ 90,360</u>	<u>\$ (154,256)</u>	<u>\$ 878,061</u>	<u>\$ 20,445,151</u>
<u>\$ 164,514</u>	<u>\$ 129,624</u>	<u>\$ 2,236,454</u>	<u>\$ 881,559</u>	<u>\$ 32,267,950</u>

**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, 2022**

Fund balance – total governmental funds (Exhibit 3)	\$ 20,445,151
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	137,344,295
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in the governmental funds.	200,869
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.	5,385,660
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.	860,662
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources—unavailable revenue in the governmental funds.	4,612,227
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	\$ (17,825,000)
Unamortized premium on bonds	(1,812,957)
Leases payable	(180,678)
Loans payable	(46,888)
Compensated absences	(775,455)
Other postemployment benefits liability	(842,302)
Net pension liability	(10,435,477)
Accrued interest payable	<u>(155,632)</u>
	(32,074,389)
Deferred inflows of resources resulting from the other postemployment benefits liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(155,841)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(260,455)</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 136,358,179</u>

**Redwood County
Redwood Falls, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Property taxes	\$ 8,342,813	\$ 1,974,744
Other taxes	21,576	1,548,106
Special assessments	82,444	-
Licenses and permits	55,345	23,600
Intergovernmental	3,158,885	16,460,860
Settlements	-	-
Charges for services	790,460	13,850
Gifts and contributions	4,000	-
Investment earnings	(59,669)	12,840
Miscellaneous	532,719	159,008
Total Revenues	\$ 12,928,573	\$ 20,193,008
Expenditures		
Current		
General government	\$ 9,396,744	\$ -
Public safety	4,647,800	-
Highways and streets	-	23,170,611
Sanitation	-	-
Culture and recreation	427,068	-
Conservation of natural resources	1,168,861	-
Economic development	157,427	-
Intergovernmental		
General government	109,323	-
Highways and streets	-	890,527
Sanitation	-	-
Human services	-	-
Health	228,841	-
Debt service		
Principal	149,092	-
Interest	8,845	209,280
Administrative (fiscal) charges	-	180
Total Expenditures	\$ 16,294,001	\$ 24,270,598
Excess of Revenues Over (Under) Expenditures	\$ (3,365,428)	\$ (4,077,590)
Other Financing Sources (Uses)		
Leases issued	\$ 31,020	\$ -
Transfers in	-	393,559
Transfers out	(1,385,930)	-
Total Other Financing Sources (Uses)	\$ (1,354,910)	\$ 393,559

Exhibit 5

Human Services	Solid Waste	Ditch	Debt Service	Total
\$ 2,801,670	\$ -	\$ -	\$ 804,311	\$ 13,923,538
-	-	-	-	1,569,682
-	632,630	1,588,804	-	2,303,878
-	2,200	-	-	81,145
142,779	253,261	1,626,857	30,352	21,672,994
122,007	-	-	-	122,007
-	-	-	-	804,310
-	-	-	-	4,000
-	3	4,519	3,529	(38,778)
-	448	4,233	-	696,408
\$ 3,066,456	\$ 888,542	\$ 3,224,413	\$ 838,192	\$ 41,139,184
\$ -	\$ -	\$ -	\$ -	\$ 9,396,744
-	-	-	-	4,647,800
-	-	-	-	23,170,611
-	3,521	-	-	3,521
-	-	-	-	427,068
-	-	4,483,943	-	5,652,804
-	-	-	-	157,427
-	-	-	-	109,323
-	-	-	-	890,527
-	704,181	-	-	704,181
3,066,456	-	-	-	3,066,456
-	-	-	-	228,841
-	1,030,000	-	1,960,000	3,139,092
-	50,216	-	344,036	612,377
-	605	-	5,170	5,955
\$ 3,066,456	\$ 1,788,523	\$ 4,483,943	\$ 2,309,206	\$ 52,212,727
\$ -	\$ (899,981)	\$ (1,259,530)	\$ (1,471,014)	\$ (11,073,543)
\$ -	\$ -	\$ -	\$ -	\$ 31,020
-	-	992,371	-	1,385,930
-	-	-	-	(1,385,930)
\$ -	\$ -	\$ 992,371	\$ -	\$ 31,020

**Redwood County
Redwood Falls, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>
Net Change in Fund Balance	\$ (4,720,338)	\$ (3,684,031)
Fund Balance – January 1	19,824,057	8,200,862
Increase (decrease) in inventories	<u>-</u>	<u>10,436</u>
Fund Balance – December 31	<u>\$ 15,103,719</u>	<u>\$ 4,527,267</u>

Exhibit 5
(Continued)

<u>Human Services</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ (899,981)	\$ (267,159)	\$ (1,471,014)	\$ (11,042,523)
-	990,341	112,903	2,349,075	31,477,238
-	-	-	-	10,436
<u>\$ -</u>	<u>\$ 90,360</u>	<u>\$ (154,256)</u>	<u>\$ 878,061</u>	<u>\$ 20,445,151</u>

**Redwood County
Redwood Falls, Minnesota**

Exhibit 6

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Funds to the
Government-Wide Statement of Activities—Governmental Activities
For the Year Ended December 31, 2022**

Net change in fund balance – total governmental funds (Exhibit 5) **\$ (11,042,523)**

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

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

Unavailable revenue – December 31	\$ 4,612,227	
Unavailable revenue – January 1	<u>(3,750,629)</u>	861,598

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 and amortization 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	\$ 20,708,256	
Net book value of assets disposed of	(339,012)	
Current year depreciation and amortization	<u>(3,967,324)</u>	16,401,920

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	\$ 2,990,000	
Loans payable	9,541	
Amortization of discounts and premiums	<u>140,940</u>	3,140,481

**Redwood County
Redwood Falls, Minnesota**

Exhibit 6
(Continued)

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Funds to the
Government-Wide Statement of Activities—Governmental Activities
For the Year Ended December 31, 2022**

Some capital asset additions were financed through leases. In governmental funds, a lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Principal payments on leases	\$ 139,551	
Leases issued	<u>(31,020)</u>	108,531

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 the governmental funds.

Change in accrued interest payable	\$ (115,627)	
Change in deferred other postemployment benefits outflows	(57,945)	
Change in deferred pension outflows	1,692,577	
Change in compensated absences	45,545	
Change in other postemployment benefits liability	62,783	
Change in net pension asset	(57,679)	
Change in net pension liability	(7,000,599)	
Change in deferred other postemployment benefits inflows	(63,545)	
Change in deferred pension inflows	4,416,795	
Change in inventories	<u>10,436</u>	(1,067,259)

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.

124,498

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 8,527,246

Proprietary Fund

**Redwood County
Redwood Falls, Minnesota**

Exhibit 7

**Statement of Net Position
Proprietary Fund
December 31, 2022**

	<u>Governmental Activities Internal Service Fund</u>
<u>Assets</u>	
Current assets	
Cash and pooled investments	\$ 189,980
Investments	750,063
Accounts receivable	35,723
Accrued interest receivable	3,334
Due from other governments	4,190
Total Assets	\$ 983,290
<u>Liabilities</u>	
Current liabilities	
Accounts payable	\$ 999
Claims payable	121,629
Total Liabilities	\$ 122,628
<u>Net Position</u>	
Unrestricted	\$ 860,662

**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, 2022**

	<u>Governmental Activities Internal Service Fund</u>
Operating Revenues	
Charges for services	\$ 1,695,994
Operating Expenses	
Cost of service	<u>1,575,471</u>
Operating Income (Loss)	\$ 120,523
Nonoperating Revenues (Expenses)	
Investment earnings	<u>3,975</u>
Change in net position	\$ 124,498
Net Position – January 1	<u>736,164</u>
Net Position – December 31	<u>\$ 860,662</u>

**Redwood County
Redwood Falls, Minnesota**

Exhibit 9

**Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2022
Increase (Decrease) in Cash and Cash Equivalents**

	Governmental Activities Internal Service Fund
Cash Flows from Operating Activities	
Receipts from internal services provided	\$ 1,695,768
Payments to suppliers	(1,588,448)
Net cash provided by (used in) operating activities	\$ 107,320
Cash Flows from Investing Activities	
Investment earnings received	\$ 900
Purchase of investments	(750,062)
Sale of investments	500,000
Net cash provided by (used in) investing activities	\$ (249,162)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (141,842)
Cash and Cash Equivalents at January 1	331,822
Cash and Cash Equivalents at December 31	\$ 189,980
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ 120,523
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in accounts receivable	\$ (35,723)
(Increase) decrease in prepaid items	(4,190)
Increase (decrease) in accounts payable	979
Increase (decrease) in claims payable	25,731
Total adjustments	\$ (13,203)
Net Cash Provided by (Used in) Operating Activities	\$ 107,320

Fiduciary Funds

**Redwood County
Redwood Falls, Minnesota**

Exhibit 10

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022**

	<u>Custodial Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 500,708
Investments	499,155
Taxes receivable for other governments	<u>274,921</u>
Total Assets	\$ 1,274,784
<u>Liabilities</u>	
Due to other governments	<u>\$ 120,307</u>
<u>Deferred Inflows of Resources</u>	
Prepaid taxes	<u>\$ 454</u>
<u>Net Position</u>	
Restricted for individuals, organizations, and other governments	<u>\$ 1,154,023</u>

**Redwood County
Redwood Falls, Minnesota**

Exhibit 11

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022**

	<u>Custodial Funds</u>
<u>Additions</u>	
Appropriations from counties	\$ 144,859
Contributions from individuals	214,551
Interest earnings	90
Property tax collections for other governments	14,599,939
Fees collected for state	8,215,651
Fees collected for other governments	120
Property tax overpayments from individuals/entities	48,121
Property tax overpayments from state	7,860
Payment from state	689,125
Miscellaneous	10,195
Total Additions	<u>\$ 23,930,511</u>
<u>Deductions</u>	
Payments of property taxes to other governments	\$ 14,575,573
Payments of fees to other governments	38,749
Payments to state	8,309,274
Payments to other individuals/entities	397,783
Payments to other governments	401,313
Total Deductions	<u>\$ 23,722,692</u>
Change in Net Position	\$ 207,819
Net Position – January 1	<u>946,204</u>
Net Position – December 31	<u>\$ 1,154,023</u>

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Notes to the Financial Statements

As of and for the Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2022. 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.

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 Units of the County		
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 RCEDA Board members and is financially responsible for funding its projects.	Separate financial statements are not prepared.

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures and jointly-governed organizations, which are described in Note 5 - Summary of Significant Contingencies and Other Items.

Basic Financial Statements

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

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government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

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.

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, as follows.

- 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 and other 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 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.

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- Custodial funds account for monies held in a fiduciary capacity for property taxes collected for other governments, special districts that use the County as a depository, and individual inmate accounts from the County jail.

Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

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.

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

Cash and Cash Equivalents

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary fund. The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

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, 2022. A market approach is used to value all investments other than external investment pools, which are measured at net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings

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based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2022 were \$354,846.

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 investment in the pool is measured at the net asset value per share provided by the pool.

Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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 the General Fund 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 2017 through 2022 and noncurrent special assessments payable in 2023 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

Accounts receivable are shown net of an allowance for uncollectible accounts.

The County has no accounts receivable scheduled to be collected beyond one year.

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.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (such as roads, bridges, sidewalks, and similar items), and right-to-use assets acquired under leasing arrangements, are reported in the government-wide financial statements. Capital assets are defined by the County and its blended component unit 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 acquisition value (entry price) on the date of donation.

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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, while right-to-use assets are amortized over the shorter of the underlying assets estimated useful life or the lease term:

Estimated Useful Lives of Capital Assets

Assets	Years
Buildings	25 - 40
Building improvements	20 - 35
Improvements other than buildings	20 - 35
Public domain infrastructure	15 - 70
Furniture, equipment, and vehicles	3 - 20
Right-to-use equipment	3 - 5
Intangible assets	3 - 7

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 and proprietary 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. For the governmental activities, compensated absences are liquidated by the General Fund and other governmental funds that have personal services.

Long-Term Obligations

In the government-wide financial statements and the proprietary 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, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental 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. Acquisitions under leases are reported as an other financing source at the present value of the future minimum lease payments as of the inception date.

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Pension Plan

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with defined benefit pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, interest receivable, and grant monies receivable. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. Prepaid property taxes represent the County's share of tax collections collected prior to year-end that are not due until the following year. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amounts were levied. The County reports advanced allotments for state aid received by the County not yet appropriated by the State of Minnesota. Deferred inflows for leases represent the lease revenues per lease agreements the County expects to recognize in future periods. These amounts arise under both the modified and the full accrual basis of accounting and are reported in both the governmental funds balance sheet and the statement of net position. The County also reports deferred inflows of resources associated with defined benefit pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Unearned Revenue

Proprietary funds, governmental funds, and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

Classification of Net Position

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

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- Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation and amortization, 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.

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.
- 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 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.

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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 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, 2022, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

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, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principles

During the year ended December 31, 2022, Redwood County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) No. 87, *Leases*, which establishes criteria for accounting and financial reporting for leases. The implementation of this statement resulted in changing the presentation of the government-wide financial statements by increasing the beginning balances of the right-to-use capital assets and decreasing beginning balances of the depreciated capital assets by \$383,275.

Note 2 – Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

Each of the other governmental funds' budgets are discussed in the notes to the required supplementary information. For the Debt Service Fund, current year expenditures exceeded the final budget as follows:

Excess of Expenditures Over Budget		
Expenditures	Final Budget	Excess
\$ 2,309,206	\$ 2,294,663	\$ 14,543

Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance of \$154,256 at December 31, 2022. The deficit will be eliminated with anticipated FEMA funding and future special assessment levies against the benefited properties.

Summary of Ditch Systems	
16 ditches with positive fund balances	\$ 26,875
181 ditches with deficit fund balances	(181,131)
Total Fund Balance	<u>\$ (154,256)</u>

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Note 3 – Detailed Notes on All Funds

Assets and Deferred Outflows of Resources

Deposits and Investments

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

**Reconciliation of the County's Total Cash and Investments to the
Basic Financial Statements as of December 31, 2022**

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 16,861,822
Investments	9,161,016
Statement of fiduciary net position	
Cash and pooled investments	500,708
Investments	499,155
Total Cash and Investments	<u>\$ 27,022,701</u>

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 and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2022, the County's deposits were not exposed to custodial credit risk.

Investments

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

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

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: (1) 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; (2) investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and (3) limiting the average maturity in accordance with the County’s cash requirements.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County’s policy is to minimize investment custodial credit risk by permitting brokers that obtain investments for the County to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage is available. As of December 31, 2022, the County’s investments held by brokers were not subject to custodial credit risk.

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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.

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2022

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Home Loan Bank Bonds	AAA	Moody's		11/09/2023	\$ 2,002,540
Federal Home Loan Bank Bonds	AAA	Moody's		11/17/2023	499,155
Federal Home Loan Bank Bonds	AAA	Moody's		11/28/2023	500,050
Federal Home Loan Bank Bonds	AAA	Moody's		05/28/2024	250,013
Federal Home Loan Bank Bonds	AAA	Moody's		08/26/2024	499,220
Federal Home Loan Bank Bonds	AAA	Moody's		06/30/2026	439,231
Federal Home Loan Bank Bonds	AAA	Moody's		10/28/2026	899,200
Federal Home Loan Bank Bonds	AAA	Moody's		10/28/2026	891,400
Federal Home Loan Bank Bonds	AAA	Moody's		11/23/2026	680,640
Federal Home Loan Bank Bonds	AAA	Moody's		11/24/2026	906,350
Federal Home Loan Bank Bonds	AAA	Moody's		12/15/2026	455,120
Total Federal Home Loan Bank Bonds			>5%		\$ 8,022,919
Federal Farm Credit Bank Bonds	AAA	Moody's		01/11/2023	\$ 723,855
Federal Farm Credit Bank Bonds	AAA	Moody's		01/18/2023	474,003
Total Federal Farm Credit Bank Bonds			<5%		\$ 1,197,858
Federal Home Loan Mortgage Corporation Notes	AAA	Moody's	<5%	06/30/2026	\$ 222,807
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	>5%	N/A	\$ 17,157,456
Negotiable certificates of deposit	N/A	N/A	<5%	Varies	\$ 216,587
Total investments					\$ 26,817,627
Checking					141,547
Savings					61,827
Petty cash and change funds					1,700
Total Cash and Investments					<u>\$ 27,022,701</u>

N/A – Not Applicable

N/R – Not Rated

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

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

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The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

Recurring Fair Value Measurements as of December 31, 2022

	December 31, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. agencies	\$ 9,443,584	\$ -	\$ 9,443,584	\$ -
Negotiable certificates of deposit	216,587	-	216,587	-
Total Investments Included in the Fair Value Hierarchy	\$ 9,660,171	\$ -	\$ 9,660,171	\$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	<u>\$ 17,157,456</u>			

Debt securities classified in Level 2 are valued using the following approach:

- U.S. agencies, municipal bonds, negotiable certificates of deposit: matrix pricing based on the securities' relationship to benchmark quoted prices;

MAGIC is a local government investment pool which is quoted at the NAV. The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet its redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical.

Receivables

Net receivables are expected to be collected in the subsequent year.

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Governmental Activities' Receivables as of December 31, 2022

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Taxes receivable – delinquent	\$ 61,255	\$ -	\$ 61,255	-
Special assessments receivable				
Noncurrent	560,252	-	560,252	-
Delinquent	33,252	-	33,252	-
Accounts receivable	567,319	(473,595)	93,724	-
Accrued Interest	31,220	-	31,220	-
Due from other governments	3,931,866	-	3,931,866	-
Leases receivable	988,453	-	988,453	817,784
Total Governmental Activities	\$ 6,173,617	\$ (473,595)	\$ 5,700,022	\$ 817,784

The County has entered into lease agreements as a lessor and as of December 31, 2022, there are ten active lease receivable agreements for land, equipment, buildings, and infrastructure with various lessees. Fixed annual lease receipts range between \$100 and \$10,325 and extend to periods ending between December 31, 2024, through December 31, 2080. During 2022, the General Fund and the Solid Waste Special Revenue Fund received total principal and interest payments of \$181,395 and \$7,075, respectively.

Loans Receivable

On June 4, 2013, the County Board approved a \$1,000,000 loan to the Redwood/Renville Regional Solid Waste Authority (RRRSWA) to finance a Joint Regional Material Recovery Facility. The County is anticipating repayments to begin after the bonds are paid in full in 2028.

In 2009, the Redwood County Economic Development Authority (RCEDA) received a Rural Business Enterprise Grant through the United States Department of Agriculture with a match from the County to provide revolving loans to serve as a gap financing tool for new or existing businesses within the County. The County Board approves loans as recommended by the RCEDA. The County has three outstanding RCEDA loans as of December 31, 2022.

In 2020, the Board approved the COVID-19 Emergency Business Loan Program. The County has no outstanding COVID-19 loans as of December 31, 2022.

On April 4, 2017, the County Board approved to loan up to \$125,000 to the Redwood County Historical Society for installation of a broadband wireless network at the Gilfillan Farm Site at a zero percent interest rate. As of December 31, 2022, the outstanding balance was \$20,000.

On May 16, 2017, the County Board approved to expend loans up to \$200,000 to initially fund the Redwood County Low Interest Septic Loan Program. The County has 18 outstanding septic loans totaling \$161,944 as of December 31, 2022.

Redwood County

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Changes in Loans Receivable for the Year Ended December 31, 2022

	Beginning Balance	Increase	Decrease	Ending Balance
RRRSWA loan	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
RCEDA loans				
Scenic City Realty, LLC	18,930	-	4,824	14,106
South Forty Meat Market	25,665	-	2,073	23,592
Red Rock Chiropractic	50,000	-	3,617	46,383
COVID-19 Emergency Loans	25,000	-	25,000	-
Redwood County Historical Society	32,500	-	12,500	20,000
County septic loans	122,502	60,729	21,287	161,944
Total	\$ 1,274,597	\$ 60,729	\$ 69,301	\$ 1,266,025

Of the loans receivable at December 31, 2022, \$1,230,482 are not expected to be received within one year.

Capital Assets

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance, as Restated*	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 816,360	\$ -	\$ -	\$ 816,360
Right-of-way	1,715,057	10,924	-	1,725,981
Construction in progress	6,790,069	4,817,122	6,327,939	5,279,252
Total capital assets not depreciated	\$ 9,321,486	\$ 4,828,046	\$ 6,327,939	\$ 7,821,593
Capital assets depreciated				
Buildings	\$ 21,547,866	\$ 10,592,659	\$ 1,233,037	\$ 30,907,488
Improvements other than buildings	1,076,178	109,690	359,027	826,841
Machinery and equipment	11,900,265	884,783	382,344	12,402,704
Infrastructure	128,275,518	10,594,836	-	138,870,354
Total capital assets depreciated	\$ 162,799,827	\$ 22,181,968	\$ 1,974,408	\$ 183,007,387
Less: accumulated depreciation for				
Buildings	\$ 6,079,287	\$ 495,903	\$ 1,039,785	\$ 5,535,405
Improvements other than buildings	439,185	45,105	230,678	253,612
Machinery and equipment	6,779,352	631,562	365,210	7,045,704
Infrastructure	38,264,389	2,604,730	-	40,869,119
Total accumulated depreciation	\$ 51,562,213	\$ 3,777,300	\$ 1,635,673	\$ 53,703,840
Total capital assets depreciated, net	\$ 111,237,614	\$ 18,404,668	\$ 338,735	\$ 129,303,547
Capital assets amortized				
Leased equipment	\$ 383,275	\$ 26,181	\$ 16,575	\$ 392,881
Less: accumulated amortization for				
Leased equipment	\$ -	\$ 190,024	\$ 16,298	\$ 173,726
Total capital assets amortized, net	\$ 383,275	\$ (163,843)	\$ 277	\$ 219,155
Total Capital Assets, Net	\$ 120,942,375	\$ 23,068,871	\$ 6,666,951	\$ 137,344,295

* – See Change in Accounting Principles note in Note 1.

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Construction in progress consists of amounts completed on open road projects.

Depreciation and Amortization Expense Charged to Functions/Programs

General government	\$ 489,985
Public safety	295,122
Highways and streets, including depreciation of infrastructure assets	3,100,657
Sanitation	11,760
Culture and recreation	16,756
Conservation of natural resources	<u>53,044</u>
Total Depreciation and Amortization Expense – Governmental Activities	<u>\$ 3,967,324</u>

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

Interfund Balances as of December 31, 2022

Receivable Fund	Payable Fund	Amount
Road and Bridge Special Revenue Fund	General Fund	\$ 6,047
Road and Bridge Special Revenue Fund	Ditch Special Revenue Fund	193
Ditch Special Revenue Fund	Road and Bridge Special Revenue Fund	<u>197</u>
Total Due To/From Other Funds		<u>\$ 6,437</u>

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

Interfund transfers

Interfund Transfers for the Year Ended December 31, 2022

Transfer from General Fund to Road and Bridge Special Revenue Fund	\$ 393,559	Transfer funding for equipment purchases
Transfer from General Fund to Ditch Special Revenue Fund	<u>992,371</u>	Transfer due to low cash balance caused by outstanding FEMA reimbursement
Total Interfund Transfers	<u>\$ 1,385,930</u>	

Redwood County

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Liabilities and Deferred Inflows of Resources

Construction and Other Commitments

The County has active construction projects and other commitments as of December 31, 2022. The projects and commitments include the following:

Active Construction Projects and Other Commitments as of December 31, 2022

	Spent-to-Date	Remaining Commitment
Justice Center Building	\$ 10,592,659	\$ 20,059
GeoComm E-911 Software	17,244	4,116
Online GIS Services	13,548	27,096

Deferred Inflows of Resources – Unavailable Revenue/Prepaid Property Taxes/Advanced Allotments

Unavailable revenue consists of special assessments, taxes, state and federal grants, interest, and miscellaneous revenue not collected soon enough after year-end to pay liabilities of the current period. Prepaid property taxes consist of the County's share of 2023 property taxes collected in advance.

Deferred Inflows of Resources by Fund as of December 31, 2022

	Special Assessments	Taxes	Grants	Interest	Other	Total
Governmental funds						
General Fund	\$ 31,929	\$ 36,668	\$ -	\$ 6,193	\$ 2,290,798	\$ 2,365,588
Special Revenue Funds						
Road and Bridge	-	8,725	1,586,960	-	20,038	1,615,723
Human Services	-	12,570	-	-	-	12,570
Solid Waste	32,694	-	-	-	98	32,792
Ditch	575,955	-	1,560,160	-	54,385	2,190,500
Debt Service Fund	-	3,344	-	154	-	3,498
Total	\$ 640,578	\$ 61,307	\$ 3,147,120	\$ 6,347	\$ 2,365,319	\$ 6,220,671
Deferred inflows of resources						
Unavailable revenue	\$ 640,578	\$ 61,255	\$ 2,524,617	\$ 6,347	\$ 1,379,430	\$ 4,612,227
Prepaid property taxes	-	52	-	-	-	52
Leases	-	-	-	-	985,889	985,889
Advanced allotment	-	-	622,503	-	-	622,503
Total	\$ 640,578	\$ 61,307	\$ 3,147,120	\$ 6,347	\$ 2,365,319	\$ 6,220,671

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.

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Loans Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
Middle Minnesota Continuation	2024	\$ 746	2.00	\$ 13,469	\$ 2,912
Redwood-Cottonwood River Septic Loan Program 2013	2027	4,708	2.00	84,950	27,396
Middle Minnesota Watershed SSTS Loan Project	2029	3,662	2.00	66,090	16,580
Total					<u>\$ 46,888</u>

General Obligation Bonds

In 2016, the County issued \$1,170,000 General Obligation Capital Improvement Plan Refunding Bonds, Series 2016A. Proceeds from the sale of the bonds were used to crossover refund \$1,170,000 of the \$3,920,000 General Obligation Capital Improvement Plan Bonds, Series 2008A. Maturities 2020 through 2024, inclusive, were called for redemption on February 1, 2019, at a price of par plus accrued interest. The County refunded the Series 2008A bonds to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of \$77,764.

In 2021, the County issued \$17,335,000 General Obligation Bonds, Series 2021A; \$2,055,000 of the proceeds from the sale of the bonds were used to refund LEC Bonds, Series 2013A, and the Recycling Facility Bonds for both Redwood and Renville County, Series 2013A. Maturities 2023 through 2028 were called for redemption on February 1, 2022, at a price of par plus accrued interest. The County refunded the Series 2013A bonds to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of \$185,200.

Payments on bonds, other than the Recycling Facility and CSAH Bonds, are made from the Debt Service Fund. Solid waste assessments pay for Redwood County's portion of the Recycling Facility Bonds, for which payments are made from the Solid Waste Special Revenue Fund. Regular maintenance allotments pay the CSAH bonds, which are paid by the Road and Bridge Special Revenue Fund.

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General Obligation Bonds as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
2021 General Obligation Justice Center Bonds, Series 2021A	2042	\$180,000- \$695,000	2.00-5.00	\$ 9,185,000	\$ 9,185,000
Add: Unamortized premium					737,921
Total Justice Center Bonds					<u>\$ 9,922,921</u>
2021 General Obligation CSAH Bonds, Series 2021A	2037	\$205,000- \$520,000	2.00-5.00	6,095,000	\$ 6,095,000
Add: Unamortized premium					797,722
Total CSAH Bonds					<u>\$ 6,892,722</u>
2021 General Obligation Law Enforcement Center Refunding Bonds, Series 2021A	2028	\$170,000- \$245,000	5.00	1,285,000	\$ 1,285,000
Add: Unamortized premium					169,814
Total Law Enforcement Center Bonds					<u>\$ 1,454,814</u>
2021 General Obligation Recycling Facility Refunding Bonds, Series 2021A	2028	\$100,000- \$150,000	5.00	770,000	\$ 770,000
Add: Unamortized premium					101,931
Total Recycling Facility Bonds					<u>\$ 871,931</u>
2016 General Obligation Capital Improvement Plan Refunding Bonds, Series 2016A	2024	\$225,000- \$250,000	2.00	1,170,000	\$ 490,000
Add: Unamortized premium					5,569
Total Improvement Plan Refunding Bonds					<u>\$ 495,569</u>
Total General Obligation Bonds, Net					<u><u>\$ 19,637,957</u></u>

Debt Service Requirements

Debt Service Requirements as of December 31, 2022

Year Ending December 31	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2023	\$ 715,000	\$ 601,719	\$ 9,733	\$ 889
2024	880,000	569,194	9,928	694
2025	845,000	529,819	8,628	502
2026	880,000	486,694	8,801	328
2027	930,000	441,443	5,780	151
2028-2032	4,735,000	1,511,893	4,018	81
2033-2037	5,500,000	640,269	-	-
2038-2042	3,340,000	183,816	-	-
Total	<u>\$ 17,825,000</u>	<u>\$ 4,964,847</u>	<u>\$ 46,888</u>	<u>\$ 2,645</u>

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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. Leases range from three to five years and have been recorded at the present value of their future minimum lease payments as of the inception date. All lease payments are paid by the General Fund.

Future Minimum Lease Obligations and Present Value of Minimum Lease Payments as of December 31, 2022

Year Ending December 31	Principal	Interest
2023	\$ 111,470	\$ 3,016
2024	50,499	939
2025	7,693	431
2026	6,630	194
2027	4,386	42
Total governmental activities lease payments	<u>\$ 180,678</u>	<u>\$ 4,622</u>

Changes in Long-Term Liabilities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds					
Series 2013A Law Enforcement Center	\$ 1,730,000	\$ -	\$ 1,730,000	\$ -	\$ -
Series 2013A Recycling Facility	1,030,000	-	1,030,000	-	-
Series 2016A Crossover Refunding	720,000	-	230,000	490,000	240,000
Series 2021A LEC Refunding	1,285,000	-	-	1,285,000	170,000
Series 2021A Recycling Refunding	770,000	-	-	770,000	100,000
Series 2021A Justice Center	9,185,000	-	-	9,185,000	-
Series 2021A CSAH	6,095,000	-	-	6,095,000	205,000
Add: Unamortized premiums	1,953,897	-	140,940	1,812,957	-
Total bonds payable	\$ 22,768,897	\$ -	\$ 3,130,940	\$ 19,637,957	\$ 715,000
Clean water loans payable	56,429	-	9,541	46,888	9,733
Compensated absences	821,000	653,268	698,813	775,455	168,972
Leases	289,209	31,020	139,551	180,678	111,470
Total Long-Term Liabilities	<u>\$ 23,935,535</u>	<u>\$ 684,288</u>	<u>\$ 3,978,845</u>	<u>\$ 20,640,978</u>	<u>\$ 1,005,175</u>

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Fund Balances

At year-end, the County has fund balance in the following classifications.

Fund Balance Classifications as of December 31, 2022

	Special Revenue						Total
	General	Road and Bridge	Human Services	Solid Waste	Ditch	Debt Service	
Nonspendable							
Inventories	\$ -	\$ 170,830	\$ -	\$ -	\$ -	\$ -	\$ 170,830
Missing heirs	450	-	-	-	-	-	450
Prepaid items	37,500	514	-	-	-	-	38,014
Total nonspendable	\$ 37,950	\$ 171,344	\$ -	\$ -	\$ -	\$ -	\$ 209,294
Restricted							
Attorney's forfeited property	\$ 41,583	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,583
Broadband grant study	1,421	-	-	-	-	-	1,421
Combating Sexual Exploitation of Youth	1,200	-	-	-	-	-	1,200
County road projects (local sales tax and wheelage tax)	-	596,498	-	-	-	-	596,498
County state aid highway Construction	-	2,317,769	-	-	-	-	2,317,769
Debt service	-	-	-	-	-	878,061	878,061
Ditch maintenance, repair, and other	-	-	-	-	26,875	-	26,875
Enhanced 911	378,204	-	-	-	-	-	378,204
Gun permit fees	63,551	-	-	-	-	-	63,551
Highway allotments	-	190,609	-	-	-	-	190,609
Invasive species	27,205	-	-	-	-	-	27,205
Law library	108,277	-	-	-	-	-	108,277
Recorder's compliance	98,886	-	-	-	-	-	98,886
Recorder's technology fund	111,809	-	-	-	-	-	111,809
Buffer administration	393,461	-	-	-	-	-	393,461
Septic system grant	34,893	-	-	-	-	-	34,893
Septic/sewer loans	14,960	-	-	-	-	-	14,960
Sheriff's contingency	10,018	-	-	-	-	-	10,018
Sheriff's contributions	4,662	-	-	-	-	-	4,662
Sheriff's DWI	2,870	-	-	-	-	-	2,870
Sheriff's forfeited property	13,148	-	-	-	-	-	13,148
Veterans service office	4,510	-	-	-	-	-	4,510
Victim assistance	14,793	-	-	-	-	-	14,793
Waste to energy	-	-	-	45,000	-	-	45,000
Total restricted	\$ 1,325,451	\$ 3,104,876	\$ -	\$ 45,000	\$ 26,875	\$ 878,061	\$ 5,380,263
Committed							
Outstanding contracts	\$ 51,271	\$ 452,003	\$ -	\$ -	\$ -	\$ -	\$ 503,274
RCEDA revolving loan 2008	168,780	-	-	-	-	-	168,780
Retiree health insurance	1,840	-	-	-	-	-	1,840
County septic system revolving loan	57,613	-	-	-	-	-	57,613
Sheriff canteen	68,273	-	-	-	-	-	68,273
WESCAP Valley Area Transit	17,000	-	-	-	-	-	17,000
Westlake properties loan	150,000	-	-	-	-	-	150,000
Total committed	\$ 514,777	\$ 452,003	\$ -	\$ -	\$ -	\$ -	\$ 966,780

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Fund Balance Classifications as of December 31, 2022

	Special Revenue								Total
	General	Road and Bridge	Human Services	Solid Waste	Ditch	Debt Service			
Assigned									
Assessor tax court	\$ 85,930	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,930	
Attorney driving diversion program	247	-	-	-	-	-	-	247	
Broadband	13,212	-	-	-	-	-	-	13,212	
Building projects	2,535,573	-	-	-	-	-	-	2,535,573	
Computer miscellaneous	30,000	-	-	-	-	-	-	30,000	
Computer voice-over IP (VOIP)	92,329	-	-	-	-	-	-	92,329	
Courthouse car	30,000	-	-	-	-	-	-	30,000	
EDA development grant program	2,919	-	-	-	-	-	-	2,919	
Election	230,109	-	-	-	-	-	-	230,109	
Emergency Management vehicle	18,500	-	-	-	-	-	-	18,500	
Forfeited tax	173,896	-	-	-	-	-	-	173,896	
Grand jury	74,787	-	-	-	-	-	-	74,787	
Highways and streets	-	799,044	-	-	-	-	-	799,044	
Law enforcement dog fund	2,465	-	-	-	-	-	-	2,465	
Maintenance equipment	25,000	-	-	-	-	-	-	25,000	
Park equipment	7,000	-	-	-	-	-	-	7,000	
PrimeWest county-based purchasing health plan	389,886	-	-	-	-	-	-	389,886	
Public health	112,669	-	-	-	-	-	-	112,669	
Road and bridge equipment	314,000	-	-	-	-	-	-	314,000	
Sheriff vehicle	44,947	-	-	-	-	-	-	44,947	
Solid waste	-	-	-	45,360	-	-	-	45,360	
Staff development	4,406	-	-	-	-	-	-	4,406	
Veterans service office van purchase	23,202	-	-	-	-	-	-	23,202	
Water quality loans	978,473	-	-	-	-	-	-	978,473	
Workers' compensation/property casualty insurance	440,770	-	-	-	-	-	-	440,770	
Total assigned	\$ 5,630,320	\$ 799,044	\$ -	\$ 45,360	\$ -	\$ -	\$ -	\$ 6,474,724	
Unassigned	\$ 7,595,221	\$ -	\$ -	\$ -	\$ (181,131)	\$ -	\$ -	\$ 7,414,090	
Total Fund Balances	\$ 15,103,719	\$ 4,527,267	\$ -	\$ 90,360	\$ (154,256)	\$ 878,061	\$ -	\$ 20,445,151	

Other Postemployment Benefits (OPEB)

Plan Description

Redwood County administers an OPEB plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents.

Redwood 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 ten years of service with Redwood County, qualify for health insurance benefits. Elected officials qualify if they serve a minimum of two 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 two years of service to Redwood County. Additional years, not a multiple of two, are prorated. A maximum of six years of paid insurance is available to elected officials. Elected officials taking office on or before January 4, 2011, qualify for health insurance benefits when

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retiring between age 55 and 65, with at least ten years of service with Redwood County.

The County also provides health insurance benefits for eligible retired employees and their dependents as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

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 six years for elected officials.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB 75. The OPEB plan does not issue a stand-alone financial report.

Employees Covered by the OPEB Benefit Terms As of the December 31, 2022, Actuarial Valuation

Active plan participants	104
Inactive employees or beneficiaries currently receiving benefit payments	10
Total	<u>114</u>

Total OPEB Liability

The County's total OPEB liability of \$842,302 was measured as of December 31, 2022, and was determined by an actuarial valuation as of December 31, 2022. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

The total OPEB liability in the fiscal year-end December 31, 2022, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Actuarial cost method	Entry Age Normal Percent of Salary
Inflation	2.25 percent
Salary increases	Follow most recent PERA of Minnesota Actuarial Valuations
Health care cost trend	7.5 percent, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent

The current year discount rate is 4.31 percent. The discount rate was selected from a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates are based on SOA Pub-2010 General Headcount Weighted Mortality Table, SOA Pub-2010 Public Safety Headcount Weighted Mortality Table, on SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021.

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation for PERA as of July 1, 2021.

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Changes in the Total OPEB Liability

Changes in the Total OPEB Liability For the Year Ended December 31, 2022

Total OPEB liability, balance at December 31, 2021	\$ 905,085
Changes for the year	
Service cost	\$ 71,668
Interest	21,308
Differences between expected and actual experience	(22,421)
Changes in assumptions	(73,515)
Benefit payments	(59,823)
Net change	\$ (62,783)
Total OPEB liability, balance at December 31, 2022	\$ 842,302

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of the Total OPEB Liability to Changes In the Discount Rate as of December 31, 2022

	Discount Rate	Total OPEB Liability
1% Decrease	3.31%	\$ 891,109
Current	4.31%	842,302
1% Increase	5.31%	794,904

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate.

Sensitivity of the Total OPEB Liability to Changes In the Health Care Trend Rates as of December 31, 2022

	Health Care Trend Rates	Total OPEB Liability
1% Decrease	6.50% Decreasing to 3.50%	\$ 768,978
Current	7.50% Decreasing to 4.50%	842,302
1% Increase	8.50% Decreasing to 5.50%	925,919

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OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the County recognized OPEB expense of \$118,530.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience of the plan	\$ 134,936	\$ 87,476
Changes in actuarial assumptions	65,933	68,365
Total	<u>\$ 200,869</u>	<u>\$ 155,841</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows And Inflows of Resources Related to OPEB As of December 31, 2022

Year Ended December 31	OPEB Expense Amount
2023	\$ 25,554
2024	25,552
2025	26,522
2026	(11,487)
2027	(7,407)
Thereafter	(13,706)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2022:

- Mortality tables have been updated from MP-2020 to MP-2021.
- The salary scale rate assumptions have been updated to follow the PERA General Employees and Police and Fire plans from July 1, 2020, to July 1, 2021.
- The discount rate used changed from 2.25 percent to 4.31 percent.

Pension Plans

Defined Benefit Pension Plans

Plan Description

All full-time and certain part-time employees of Redwood County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General

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Employees Retirement Plan (the General Employees Plan), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and the Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Redwood County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

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

Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated

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increase.

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years, or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2021.

Member and Employer Required Contribution Rates

	Member Required Contribution	Employer Required Contribution
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80%	17.70%
Correctional Plan	5.83%	8.75%

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Employer Contributions for the Year Ended December 31, 2022

General Employees Plan	\$	373,653
Police and Fire Plan		202,340
Correctional Plan		74,569

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

[Pension Costs](#)

[General Employees Plan](#)

At December 31, 2022, the County reported a liability of \$5,076,741 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0659 percent. It was 0.0682 percent measured as of June 30, 2021. The County recognized pension expense of \$776,078 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional \$22,313 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2022

The County's proportionate share of the net pension liability	\$	5,076,741
State of Minnesota's proportionate share of the net pension liability associated with the County		148,656
Total	\$	5,225,397

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

**General Employees Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 42,405	\$ 55,735
Changes in actuarial assumptions	1,183,724	20,487
Difference between projected and actual investment earnings	25,836	-
Changes in proportion	106,734	64,057
Contributions paid to PERA subsequent to the measurement date	188,591	-
Total	<u>\$ 1,547,290</u>	<u>\$ 140,279</u>

The \$188,591 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**General Employees Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022**

Year Ended December 31	Pension Expense Amount
2023	\$ 487,284
2024	475,331
2025	(203,311)
2026	459,116

Police and Fire Plan

At December 31, 2022, the County reported a liability of \$4,107,915 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0944 percent. It was 0.0793 percent measured as of June 30, 2021. The County recognized pension expense of \$418,632 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

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Legislation requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$34,837 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Police and Fire Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2022

The County's proportionate share of the net pension liability	\$ 4,107,915
State of Minnesota's proportionate share of the net pension liability associated with the County	179,595
Total	<u>\$ 4,287,510</u>

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$8,496 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

Police and Fire Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 235,518	\$ -
Changes in actuarial assumptions	2,281,096	22,128
Difference between projected and actual investment earnings	223,813	-
Changes in proportion	110,856	53,830
Contributions paid to PERA subsequent to the measurement date	97,227	-
Total	<u>\$ 2,948,510</u>	<u>\$ 75,958</u>

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The \$97,227 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	\$ 552,548
2024	545,504
2025	495,538
2026	820,522
2027	361,213

Correctional Plan

At December 31, 2022, the County reported a liability of \$1,250,821 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.3763 percent. It was 0.3511 percent measured as of June 30, 2021. The County recognized pension expense of \$435,467 for its proportionate share of the Correctional Plan's pension expense.

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

Correctional Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 39,761
Changes in actuarial assumptions	792,791	1,697
Difference between projected and actual investment earnings	58,377	-
Changes in proportion	1,726	2,760
Contributions paid to PERA subsequent to the measurement date	36,966	-
Total	<u>\$ 889,860</u>	<u>\$ 44,218</u>

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The \$36,966 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	\$ 361,306
2024	372,269
2025	(25,385)
2026	100,486

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was \$1,630,177.

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2022

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	6.50%	6.50%	6.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan per year through December 31, 2054, and 1.50 percent per year thereafter. For the Police and Fire Plan, cost-of-living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2022, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated July 12, 2022, was utilized.

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The long-term expected rate of return on pension plan investments is 6.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33.50%	5.10%
International equities	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%

[Discount Rate](#)

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Plan and Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Plan and June 30, 2062, for the Correctional Plan, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent, based on the weekly rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index. An equivalent single discount rate of 5.40 percent for the Police and Fire Plan and 5.42 percent for the Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits to the point of asset depletion and 3.69 percent thereafter.

[Changes in Actuarial Assumptions and Plan Provisions](#)

The following changes in actuarial assumptions occurred in 2022:

[General Employees Plan](#)

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

[Police and Fire Plan](#)

- The single discount rate changed from 6.50 percent to 5.40 percent.

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- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Correctional Plan

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2022

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	5.50%	\$ 8,018,979	4.40%	\$ 6,216,803	4.42%	\$ 2,203,259
Current	6.50%	5,076,741	5.40%	4,107,915	5.42%	1,250,821
1% Increase	7.50%	2,663,652	6.40%	2,403,006	6.42%	501,992

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

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 five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental

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Investment Fund. For administering the plan, PERA receives two 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 Employer
For the Year Ended December 31, 2022**

	Employee	Employer
Contribution amount	\$ 5,845	\$ 5,845
Percentage of covered payroll	5.00%	5.00%

Note 4 – 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 all other risk, other than pertaining to health insurance, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2022 and 2023. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

On October 15, 2013, Redwood County entered into a joint powers agreement with three local counties (Lyon, Murray, and Swift) and Southwest Health and Human Services to form the Minnesota Public Sector Collaborative to self-insure health insurance as of January 1, 2014. Premiums are withheld from employees and transferred into an internal service fund. Claims are 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 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 \$60,000 stop-loss per person insured (employee and eligible dependent) per year (\$1,000,000 aggregate) for the health plan. Liabilities of the Internal Service Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

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The December 31, 2022, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through March 31, 2023.

Changes in Claims Liabilities For the Years Ended December 31, 2021, and 2022

	2021	2022
Unpaid claims, January 1	\$ 184,295	\$ 95,897
Incurred claims	1,369,051	1,709,063
Claims payments	(1,457,449)	(1,683,331)
Unpaid Claims, December 31	<u>\$ 95,897</u>	<u>\$ 121,629</u>

Note 5 – Summary of Significant Contingencies and Other Items

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 County.

Lincoln-Pipestone Rural Water System

At December 31, 2022, the Lincoln-Pipestone Rural Water System had \$31,842,000 of general obligation bonds and other loans outstanding through 2059. 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 specifically 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 taxing powers are pledged. The participating counties (Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted Board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn. Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the ten participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

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Joint Ventures

Redwood County has an ongoing financial interest or responsibility in the following 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, 2022, were \$31,842,000.

Complete financial statements of the Lincoln-Pipestone Rural Water System can be obtained at 415 East Benton Street, PO 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, Martin, Murray, Nobles, Redwood, and Watonwan Counties have agreed to guarantee their shares 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.

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 the county. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System.

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

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. The governing board is composed of seven members. Three members are appointed by the Redwood County Board of Commissioners, three members are appointed by the Renville County Board of Commissioners, and one at-large member is jointly

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appointed by the two counties.

In June 2013, Redwood and Renville Counties each loaned the RRRSWA \$1,000,000, with a 2.0 percent interest rate, having only interest paid in the first three years of operation. In March 2017, Redwood and Renville Counties approved to not charge interest on the loans as of January 1, 2017. These loans are expected to start being paid back to the counties in 2028, after the bonded debt is paid in full.

In August 2013, Redwood County issued \$2,040,000 General Obligation Recycling Facility Bonds, Series 2013A, which were paid to the RRRSWA. In 2021, General Obligation Recycling Facility Refunding Bonds, Series 2021A were issued in the amount of \$770,000 to refund the Series 2013A. Renville County pays Redwood County for its share of the principal and interest payments on the general obligation bonds. Redwood County's portion of the bonds is paid from solid waste assessments.

Renville County is the fiscal host and includes the RRRSWA as a fiduciary fund in its financial statements.

Complete financial statements of the Redwood/Renville Regional Solid Waste Authority can be obtained from the fiscal agent, Renville County Administrator's Office, Renville County Government Services Center, 105 Fifth Street, Suite 315, Olivia, Minnesota 56277.

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 Services Expenditure and Grant Reconciliation Report (SEAGR), each factor to be weighted equally.

Rock County's health and human services functions were assumed by SWHHS as of January 1, 2012. Redwood County's health and human services functions and Pipestone County's human services function joined SWHHS as of January 1, 2013.

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; and
- 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 has a population in excess of twice that of any other member county, in which case, it shall have two Commissioners and two alternates.

Redwood County Redwood Falls, Minnesota

Financing is provided by state and federal grants and appropriations from member counties. Redwood County's contribution in 2022 for the human services function was \$2,953,932, and its contribution to the health services function was \$228,841.

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

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 nonprofit 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 the 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 2022, Redwood County made contributions of \$32,747 to A.C.E. of Southwest Minnesota.

Brown-Lyon-Redwood-Renville Gang and Drug Task Force

The Brown-Lyon-Redwood-Renville Gang and Drug Task Force was established between Brown, Lyon, Redwood, and Renville Counties and the Cities of Marshall, New Ulm, and Redwood Falls, 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.

The Task Force is governed by an Advisory Board consisting of one appointed member from each party to the agreement. Financing is provided through contributions of the participating counties, grants, and forfeitures. During 2022, Redwood County paid \$61,127 to the Task Force.

Fiscal agent responsibilities for the Task Force are with the City of New Ulm. The Task Force is reported as a fiduciary fund in the City of New Ulm's financial statements.

Plum Creek Library System

Redwood County, along with 19 cities and eight 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, and the second from the board of the participating libraries. During 2022, Redwood County provided \$109,323 to the Plum Creek Library System.

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

Redwood County

Redwood Falls, Minnesota

Counties Providing Technology

Counties Providing Technology (CPT) was established in 2018, under the authority conferred upon by member parties by Minn. Stat. § 471.59, for the purpose of purchasing the former software vendor, Computer Professionals Unlimited, Inc., (CPUI) and to provide for the development, operation, and maintenance of technology applications and systems. Redwood County and 23 other counties are members of CPT. Each member county provided an initial contribution to start up CPT and provide funds for the purchase of CPUI. CPT purchased CPUI in September 2018 for a purchase price of \$3,600,000. In March 2022, Pope County made a contribution to join CPT.

Control is vested in the CPT Board, which consists of one individual appointed by each member county's Board of Commissioners. The joint powers agreement provides that initial operating capital contributed by each member is to be repaid from any excess in fund balance at the end of the fiscal year, in proportion to the initial contribution. Once the initial contribution is repaid, there is no remaining equity interest for the member counties.

Financing is primarily from county member contributions. During 2022, Redwood County did not provide any contributions to CPT.

Current financial information can be obtained from the Stevens County Auditor/Treasurer, 400 Colorado Avenue, Suite 303, Morris, Minnesota 56267.

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 \$24,053 to the Project.

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. The RCRCA consists of Brown, Cottonwood, Lincoln, Lyon, Murray, Pipestone, Redwood, and Yellow Medicine Counties. During 2022, Redwood County contributed \$26,480 to the RCRCA.

Required Supplementary Information

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-1

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Property taxes	\$ 8,296,918	\$ 8,296,918	\$ 8,342,813	\$ 45,895
Other taxes	11,000	11,000	21,576	10,576
Special assessments	24,877	24,877	82,444	57,567
Licenses and permits	62,700	62,700	55,345	(7,355)
Intergovernmental	4,164,947	4,164,947	3,158,885	(1,006,062)
Charges for services	797,800	797,800	790,460	(7,340)
Gifts and contributions	-	-	4,000	4,000
Investment earnings	23,979	23,979	(59,669)	(83,648)
Miscellaneous	403,879	403,879	532,719	128,840
Total Revenues	\$ 13,786,100	\$ 13,786,100	\$ 12,928,573	\$ (857,527)
Expenditures				
Current				
General government				
Commissioners	\$ 255,327	\$ 255,327	\$ 248,952	\$ 6,375
Law library	58,500	58,500	8,904	49,596
County administration	1,597,997	1,597,997	444,608	1,153,389
Administrator	412,820	412,820	407,647	5,173
Auditor-Treasurer	425,609	425,609	417,119	8,490
License center	179,893	179,893	183,789	(3,896)
Assessor	501,252	501,252	480,219	21,033
Elections	93,950	93,950	134,680	(40,730)
Computer	493,814	493,814	440,057	53,757
Attorney	875,689	875,689	987,678	(111,989)
Recorder	320,477	320,477	307,291	13,186
Buildings and plant	7,550,856	7,550,856	5,191,181	2,359,675
Veterans service officer	180,345	180,345	139,587	40,758
Other general government	-	-	5,032	(5,032)
Total general government	\$ 12,946,529	\$ 12,946,529	\$ 9,396,744	\$ 3,549,785
Public safety				
Sheriff	\$ 4,271,238	\$ 4,271,238	\$ 4,049,323	\$ 221,915
Coroner	23,000	23,000	31,491	(8,491)
E-911 system	73,000	73,000	99,952	(26,952)
Probation and parole	255,757	255,757	182,174	73,583
Restorative justice	93,923	93,923	92,020	1,903
Sentencing to Service	83,631	83,631	80,652	2,979
Emergency management	97,856	97,856	91,041	6,815
Other public safety	13,000	13,000	21,147	(8,147)
Total public safety	\$ 4,911,405	\$ 4,911,405	\$ 4,647,800	\$ 263,605

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Culture and recreation				
Museum	\$ 2,435	\$ 2,435	\$ 3,155	\$ (720)
Parks	145,347	145,347	271,718	(126,371)
Minnesota trails	95,633	95,633	95,095	538
Other culture and recreation	57,500	57,500	57,100	400
Total culture and recreation	\$ 300,915	\$ 300,915	\$ 427,068	\$ (126,153)
Conservation of natural resources				
Extension	\$ 146,602	\$ 146,602	\$ 128,615	\$ 17,987
Agricultural inspection	318,320	318,320	356,937	(38,617)
Soil and water conservation	535,618	535,618	518,041	17,577
Water quality loan program	-	-	121,865	(121,865)
Other conservation of natural resources	41,104	41,104	43,403	(2,299)
Total conservation of natural resources	\$ 1,041,644	\$ 1,041,644	\$ 1,168,861	\$ (127,217)
Economic development				
Other economic development	\$ 164,919	\$ 164,919	\$ 157,427	\$ 7,492
Intergovernmental				
Health	\$ 228,841	\$ 228,841	\$ 228,841	\$ -
Library	109,323	109,323	109,323	-
Total intergovernmental	\$ 338,164	\$ 338,164	\$ 338,164	\$ -
Debt service				
Principal	\$ 9,541	\$ 9,541	\$ 149,092	\$ (139,551)
Interest	1,081	1,081	8,845	(7,764)
Total debt service	\$ 10,622	\$ 10,622	\$ 157,937	\$ (147,315)
Total Expenditures	\$ 19,714,198	\$ 19,714,198	\$ 16,294,001	\$ 3,420,197

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (5,928,098)	\$ (5,928,098)	\$ (3,365,428)	\$ 2,562,670
Other Financing Sources (Uses)				
Leases issued	\$ -	\$ -	\$ 31,020	\$ 31,020
Transfers out	\$ -	\$ -	(1,385,930)	(1,385,930)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (1,354,910)	\$ (1,354,910)
Special Item				
Transfer public health operation to buy in to PrimeWest	\$ (1,665,015)	\$ (1,665,015)	\$ -	\$ 1,665,015
Net Change in Fund Balance	\$ (7,593,113)	\$ (7,593,113)	\$ (4,720,338)	\$ 2,872,775
Fund Balance – January 1	<u>19,824,057</u>	<u>19,824,057</u>	<u>19,824,057</u>	<u>-</u>
Fund Balance – December 31	<u>\$ 12,230,944</u>	<u>\$ 12,230,944</u>	<u>\$ 15,103,719</u>	<u>\$ 2,872,775</u>

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-2

**Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Property taxes	\$ 1,977,984	\$ 1,977,984	\$ 1,974,744	\$ (3,240)
Other taxes	1,310,000	1,310,000	1,548,106	238,106
Licenses and permits	11,000	11,000	23,600	12,600
Intergovernmental	10,783,048	10,783,048	16,460,860	5,677,812
Charges for services	6,000	6,000	13,850	7,850
Investment earnings	20,000	20,000	12,840	(7,160)
Miscellaneous	50,050	50,050	159,008	108,958
Total Revenues	\$ 14,158,082	\$ 14,158,082	\$ 20,193,008	\$ 6,034,926
Expenditures				
Current				
Highways and streets				
Administration	\$ 584,189	\$ 584,189	\$ 588,716	\$ (4,527)
Maintenance	3,123,052	3,123,052	2,860,664	262,388
Construction	14,310,751	14,310,751	18,584,301	(4,273,550)
Equipment and maintenance shops	854,606	854,606	1,136,930	(282,324)
Total highways and streets	\$ 18,872,598	\$ 18,872,598	\$ 23,170,611	\$ (4,298,013)
Intergovernmental				
Highways and streets	\$ 602,755	\$ 602,755	\$ 890,527	\$ (287,772)
Debt service				
Interest	\$ 209,280	\$ 209,280	\$ 209,280	\$ -
Administrative (fiscal) charges	-	-	180	(180)
Total debt service	\$ 209,280	\$ 209,280	\$ 209,460	\$ (180)
Total Expenditures	\$ 19,684,633	\$ 19,684,633	\$ 24,270,598	\$ (4,585,965)
Excess of Revenues Over (Under)				
Expenditures	\$ (5,526,551)	\$ (5,526,551)	\$ (4,077,590)	\$ 1,448,961
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 393,559	\$ 393,559
Proceeds from sale of capital assets	35,000	35,000	-	(35,000)
Total Other Financing Sources (Uses)	\$ 35,000	\$ 35,000	\$ 393,559	\$ 358,559
Net Change in Fund Balance	\$ (5,491,551)	\$ (5,491,551)	\$ (3,684,031)	\$ 1,807,520
Fund Balance – January 1	8,200,862	8,200,862	8,200,862	-
Increase (decrease) in inventories	-	-	10,436	10,436
Fund Balance – December 31	\$ 2,709,311	\$ 2,709,311	\$ 4,527,267	\$ 1,817,956

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-3

**Budgetary Comparison Schedule
Human Services Special Revenue Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Property taxes	\$ 2,800,987	\$ 2,800,987	\$ 2,801,670	\$ 683
Intergovernmental	-	-	122,007	122,007
Settlements	142,987	142,987	142,779	(208)
Total Revenues	\$ 2,943,974	\$ 2,943,974	\$ 3,066,456	\$ 122,482
Expenditures				
Intergovernmental				
Human services	\$ 2,943,974	\$ 2,943,974	\$ 3,066,456	\$ (122,482)
Total Expenditures	\$ 2,943,974	\$ 2,943,974	\$ 3,066,456	\$ (122,482)
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance – January 1	-	-	-	-
Fund Balance – December 31	\$ -	\$ -	\$ -	\$ -

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-4

**Budgetary Comparison Schedule
Solid Waste Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	\$ 621,206	\$ 621,206	\$ 632,630	\$ 11,424
Licenses and permits	-	-	2,200	2,200
Intergovernmental	229,068	229,068	253,261	24,193
Investment earnings	-	-	3	3
Miscellaneous	-	-	448	448
Total Revenues	\$ 850,274	\$ 850,274	\$ 888,542	\$ 38,268
Expenditures				
Current				
Sanitation				
Solid waste	\$ 1,900	\$ 1,900	\$ 2,247	\$ (347)
Hazardous waste	1,200	1,200	1,274	(74)
Total sanitation	\$ 3,100	\$ 3,100	\$ 3,521	\$ (421)
Intergovernmental				
Solid waste	\$ 690,898	\$ 690,898	\$ 704,181	\$ (13,283)
Debt service				
Principal	\$ 1,030,000	\$ 1,030,000	\$ 1,030,000	\$ -
Interest	28,865	28,865	50,216	(21,351)
Administrative (fiscal) charges	511	511	605	(94)
Total debt service	\$ 1,059,376	\$ 1,059,376	\$ 1,080,821	\$ (21,445)
Total Expenditures	\$ 1,753,374	\$ 1,753,374	\$ 1,788,523	\$ (35,149)
Net Change in Fund Balance	\$ (903,100)	\$ (903,100)	\$ (899,981)	\$ 3,119
Fund Balance – January 1	990,341	990,341	990,341	-
Fund Balance – December 31	\$ 87,241	\$ 87,241	\$ 90,360	\$ 3,119

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-5

**Budgetary Comparison Schedule
Ditch Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	\$ 578,122	\$ 578,122	\$ 1,588,804	\$ 1,010,682
Intergovernmental	3,750,000	3,750,000	1,626,857	(2,123,143)
Investment earnings	-	-	4,519	4,519
Miscellaneous	-	-	4,233	4,233
Total Revenues	\$ 4,328,122	\$ 4,328,122	\$ 3,224,413	\$ (1,103,709)
Expenditures				
Current				
Conservation of natural resources				
Other	\$ 3,344,130	\$ 3,344,130	\$ 4,483,943	\$ (1,139,813)
Excess of Revenues Over (Under)				
Expenditures	\$ 983,992	\$ 983,992	\$ (1,259,530)	\$ (2,243,522)
Other Financing Sources (Uses)				
Transfers In	\$ -	\$ -	\$ 992,371	\$ 992,371
Net Change in Fund Balance	\$ 983,992	\$ 983,992	\$ (267,159)	\$ (1,251,151)
Fund Balance – January 1	112,903	112,903	112,903	-
Fund Balance – December 31	\$ 1,096,895	\$ 1,096,895	\$ (154,256)	\$ (1,251,151)

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-6

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 71,668	\$ 67,757	\$ 62,065	\$ 39,517	\$ 33,825
Interest	21,308	18,346	27,525	21,927	18,003
Differences between expected and actual experience	(22,421)	49,679	(118,446)	232,051	(2,005)
Changes of assumption or other inputs	(73,515)	(5,587)	89,885	33,999	(4,766)
Benefit payments	<u>(59,823)</u>	<u>(45,191)</u>	<u>(46,073)</u>	<u>(32,379)</u>	<u>(48,746)</u>
Net change in total OPEB liability	\$ (62,783)	\$ 85,004	\$ 14,956	\$ 295,115	\$ (3,689)
Total OPEB Liability – Beginning	<u>905,085</u>	<u>820,081</u>	<u>805,125</u>	<u>510,010</u>	<u>513,699</u>
Total OPEB Liability – Ending	<u>\$ 842,302</u>	<u>\$ 905,085</u>	<u>\$ 820,081</u>	<u>\$ 805,125</u>	<u>\$ 510,010</u>
 Covered-employee payroll	 \$ 6,604,853	 \$ 6,648,867	 \$ 6,189,706	 \$ 5,996,804	 \$ 5,935,946
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 12.75%	 13.61%	 13.25%	 13.43%	 8.59%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-7

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2022**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Redwood County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.0659 %	\$ 5,076,741	\$ 148,656	\$ 5,225,397	\$ 4,797,750	105.82 %	76.67 %
2021	0.0682	2,822,766	86,304	2,909,070	4,762,149	59.28	87.00
2020	0.0636	3,813,111	117,473	3,930,584	4,534,093	84.10	79.06
2019	0.0613	3,389,140	105,329	3,494,469	4,334,873	78.18	80.23
2018	0.0587	3,256,435	106,772	3,363,207	3,944,996	82.55	79.53
2017	0.0611	3,900,584	49,037	3,949,621	3,935,467	99.11	75.90
2016	0.0587	4,766,149	32,178	4,798,327	3,640,899	130.91	68.91
2015	0.0615	3,187,249	N/A	3,187,249	3,615,230	88.16	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available

The measurement date for each year is June 30.

N/A – Not Applicable

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-8

**Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2022**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	\$ 373,653	\$ 373,653	\$ -	\$ 4,982,752	7.50 %
2021	355,143	355,143	-	473,527	75.00
2020	349,737	349,737	-	4,662,177	7.50
2019	339,683	339,683	-	4,528,280	7.50
2018	304,275	304,275	-	4,057,508	7.50
2017	288,156	288,156	-	3,842,075	7.50
2016	279,393	279,393	-	3,725,245	7.50
2015	284,372	284,372	-	3,791,632	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available
The County's year-end is December 31.

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-9

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2022**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Redwood County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.0944 %	\$ 4,107,915	\$ 179,595	\$ 4,287,510	\$ 1,147,106	358.11 %	70.53 %
2021	0.0793	612,112	27,530	639,642	957,651	63.92	93.66
2020	0.0830	1,094,029	25,787	1,119,816	936,431	116.83	87.19
2019	0.0870	926,203	N/A	926,203	917,918	100.90	89.26
2018	0.0851	907,078	N/A	907,078	897,325	101.09	88.84
2017	0.0820	1,107,098	N/A	1,107,098	843,180	131.30	85.43
2016	0.0780	3,130,276	N/A	3,130,276	751,672	416.44	63.88
2015	0.0780	886,263	N/A	886,263	714,664	124.01	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available
The measurement date for each year is June 30.

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-10

**Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2022**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	\$ 202,340	\$ 202,340	\$ -	\$ 1,143,165	17.70 %
2021	181,718	181,718	-	1,026,657	17.70
2020	166,709	166,709	-	941,856	17.70
2019	154,918	154,918	-	913,969	16.95
2018	148,964	148,964	-	919,531	16.20
2017	139,165	139,165	-	859,114	16.20
2016	126,981	126,981	-	783,830	16.20
2015	122,845	122,845	-	758,302	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available
The County's year-end is December 31.

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-11

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.3673 %	\$ 1,250,821	\$ 826,668	151.31 %	74.58 %
2021	0.3511	(57,679)	761,435	(7.58)	101.61
2020	0.3433	93,151	746,977	12.47	96.67
2019	0.3240	44,858	691,091	6.49	98.17
2018	0.3218	52,926	657,220	8.05	97.64
2017	0.3100	883,503	615,745	143.49	67.89
2016	0.3000	1,095,942	565,304	193.87	58.16
2015	0.2900	44,834	526,289	8.52	96.95

This schedule is intended to show information for ten years. Additional years will be displayed as they become available
The measurement date for each year is June 30.

**Redwood County
Redwood Falls, Minnesota**

Exhibit A-12

**Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	\$ 74,569	\$ 74,569	\$ -	\$ 852,215	8.75 %
2021	68,159	68,159	-	778,955	8.75
2020	66,410	66,410	-	758,856	8.75
2019	62,624	62,624	-	715,515	8.75
2018	59,540	59,540	-	680,366	8.75
2017	55,347	55,347	-	632,539	8.75
2016	49,708	49,708	-	568,085	8.75
2015	50,141	50,141	-	573,044	8.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available
The County's year-end is December 31.

Redwood County

Redwood Falls, Minnesota

Notes to the Required Supplementary Information For the Year Ended December 31, 2022

Note 1 – General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund and special revenue funds. The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is 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.

Note 2 – Budget Basis of Accounting

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

Note 3 – Excess of Expenditures Over Budget

The following individual major special revenue funds had expenditures in excess of budget for the year ended December 31, 2022:

	Expenditures	Final Budget	Excess
Road and Bridge Special Revenue Fund	\$ 24,270,598	\$ 19,684,633	\$ 4,585,965
Human Services Special Revenue Fund	3,066,456	2,943,974	122,482
Solid Waste Special Revenue Fund	1,788,523	1,753,374	35,149
Ditch Special Revenue Fund	4,483,943	3,344,130	1,139,813

Note 4 – Employer Contributions to Other Postemployment Benefits

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB 75 to pay related benefits.

The following changes in actuarial assumptions occurred in 2022:

- Mortality tables have been updated from MP-2020 to MP-2021.
- The salary scale rate assumptions have been updated to follow the PERA General Employees and Police and Fire plans from July 1, 2020, to July 1, 2021.
- The discount rate used changed from 2.25 percent to 4.31 percent.

The following changes in actuarial assumptions occurred in 2021:

- Health care trend rates have been revised to an initial rate of 7.50 percent for 2021, decreasing 0.50 percent

Redwood County Redwood Falls, Minnesota

annually to an ultimate rate of 4.50 percent.

- The discount rate used changed from 2.12 percent to 2.25 percent.

The following changes in actuarial assumptions occurred in 2020:

- Mortality tables have been updated from SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 to SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2020 for general employees.
- Mortality tables have been updated from SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 to SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using scale MP-2020 for sheriff employees.
- Mortality tables have been updated from SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 to SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using scale MP-2020 for surviving spouses.
- Salary scale assumptions have been updated to follow the most recent actuarial valuations for the Public Employees Retirement Association (PERA) as of July 1, 2019.
- Health care trend rates have been revised to an initial rate of 8.00 percent for fiscal 2020, decreasing 0.50 percent annually to an ultimate rate of 4.50 percent.
- The discount rate used changed from 3.26 percent to 2.12 percent.

The following change in actuarial assumptions occurred in 2019:

- The discount rate used changed from 4.11 percent to 3.26 percent.

The following changes in actuarial methods and assumptions occurred in 2018:

- The actuarial cost method used changed from the Projected Unit Credit with Linear Proration to Decrement to the Entry Age Normal Percent of Salary.
- The discount rate used changed from 3.44 percent to 4.11 percent.
- Salary increase rates have been updated to follow the most recent actuarial valuations for the General Employees and Police and Fire Plans as of July 1, 2017.
- Mortality tables have been updated from SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 to SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018.
- Health care trend rates have been revised to an initial rate of 8.00 percent for fiscal 2019, decreasing 0.50 percent annually to an ultimate rate of 4.50 percent.

Redwood County Redwood Falls, Minnesota

Note 5 – Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

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

General Employees Retirement Plan

2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the

Redwood County Redwood Falls, Minnesota

100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

- The mortality projection scale was changed from Scale MP-2017 to Scale MP-2018.

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to

Redwood County Redwood Falls, Minnesota

\$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

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

Public Employees Police and Fire Plan

2022

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

Redwood County Redwood Falls, Minnesota

- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020

- The mortality projection scale was changed from Scale MP-2018 to Scale MP-2019.

2019

- The mortality projection scale was changed from Scale MP-2017 to Scale MP-2018.

2018

- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

Redwood County Redwood Falls, Minnesota

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

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

Public Employees Local Government Correctional Service Retirement Plan

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.

Redwood County Redwood Falls, Minnesota

- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

2020

- The mortality projection scale was changed from Scale MP-2018 to Scale MP-2019.

2019

- The mortality projection scale was changed from Scale MP-2017 to Scale MP-2018.

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If

Redwood County Redwood Falls, Minnesota

the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

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

Supplementary Information

Governmental Fund

**Redwood County
Redwood Falls, Minnesota**

Exhibit B-1

**Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Property taxes	\$ 803,617	\$ 803,617	\$ 804,311	\$ 694
Intergovernmental	30,414	30,414	30,352	(62)
Investment earnings	-	-	3,529	3,529
Total Revenues	\$ 834,031	\$ 834,031	\$ 838,192	\$ 4,161
Expenditures				
Debt service				
Principal	\$ 1,960,000	\$ 1,960,000	\$ 1,960,000	\$ -
Interest	332,992	332,992	344,036	(11,044)
Administrative (fiscal) charges	1,671	1,671	5,170	(3,499)
Total Expenditures	\$ 2,294,663	\$ 2,294,663	\$ 2,309,206	\$ (14,543)
Net Change in Fund Balance	\$ (1,460,632)	\$ (1,460,632)	\$ (1,471,014)	\$ (10,382)
Fund Balance – January 1	2,349,075	2,349,075	2,349,075	-
Fund Balance – December 31	\$ 888,443	\$ 888,443	\$ 878,061	\$ (10,382)

Redwood County Redwood Falls, Minnesota

Fiduciary Funds

Taxes and Penalties Custodial Fund – to account for the collection and settlement of taxes and penalties to various governmental units.

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

Soil and Water Conservation District Custodial Fund – to account for the collections and payments of the Redwood Soil and Water Conservation District in accordance with the joint powers agreement between Redwood County and Redwood Soil and Water Conservation District.

Jail Canteen Custodial Fund – to account for inmate deposits, inmate canteen purchases, and fees paid to various agencies.

Sheriff Writ of Execution Custodial Fund – to account for the collection of writ of execution fees and payment of those fees.

**Redwood County
Redwood Falls, Minnesota**

**Combining Statement of Fiduciary Net Position
Fiduciary Funds – All Custodial Funds
December 31, 2022**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Assets</u>		
Cash and pooled investments	\$ 120,385	\$ 376
Investments	-	-
Taxes receivable for other governments	<u>274,921</u>	<u>-</u>
Total Assets	<u>\$ 395,306</u>	<u>\$ 376</u>
<u>Liabilities</u>		
Due to other governments	<u>\$ 119,931</u>	<u>\$ 376</u>
<u>Deferred Inflows of Resources</u>		
Prepaid taxes	<u>\$ 454</u>	<u>\$ -</u>
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	<u><u>\$ 274,921</u></u>	<u><u>\$ -</u></u>

Custodial Funds			
Soil and Water Conservation District	Jail Canteen	Sheriff Writ of Execution	Total Custodial Funds
\$ 353,361	\$ 21,705	\$ 4,881	\$ 500,708
499,155	-	-	499,155
-	-	-	274,921
\$ 852,516	\$ 21,705	\$ 4,881	\$ 1,274,784
\$ -	\$ -	\$ -	\$ 120,307
\$ -	\$ -	\$ -	\$ 454
\$ 852,516	\$ 21,705	\$ 4,881	\$ 1,154,023

**Redwood County
Redwood Falls, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – All Custodial Funds
For the Year Ended December 31, 2022**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Additions</u>		
Appropriations from counties	\$ -	\$ -
Contributions from individuals	-	-
Interest earnings	-	-
Property tax collections for other governments	14,599,939	-
Fees collected for state	1,390,209	6,825,442
Fees collected for other governments	-	120
Property tax overpayments from individuals/entities	48,121	-
Property tax overpayments from state	7,860	-
Payment from state	-	-
Miscellaneous	-	-
Total Additions	\$ 16,046,129	\$ 6,825,562
<u>Deductions</u>		
Payments of property taxes to other governments	\$ 14,575,573	\$ -
Payments of fees to other governments	-	120
Payments to state	1,394,359	6,825,442
Payments to other individuals/entities	48,121	-
Payments to other governments	-	-
Total Deductions	\$ 16,018,053	\$ 6,825,562
Change in Net Position	\$ 28,076	\$ -
Net Position – January 1	246,845	-
Net Position – December 31	\$ 274,921	\$ -

Custodial Funds			
Soil and Water Conservation District	Jail Canteen	Sheriff Writ of Execution	Total Custodial Funds
\$ 144,859	\$ -	\$ -	\$ 144,859
-	174,130	40,421	214,551
90	-	-	90
-	-	-	14,599,939
-	-	-	8,215,651
-	-	-	120
-	-	-	48,121
-	-	-	7,860
689,125	-	-	689,125
10,195	-	-	10,195
\$ 844,269	\$ 174,130	\$ 40,421	\$ 23,930,511
\$ -	\$ -	\$ -	\$ 14,575,573
-	38,629	-	38,749
-	89,473	-	8,309,274
258,280	47,863	43,519	397,783
401,313	-	-	401,313
\$ 659,593	\$ 175,965	\$ 43,519	\$ 23,722,692
\$ 184,676	\$ (1,835)	\$ (3,098)	\$ 207,819
667,840	23,540	7,979	946,204
\$ 852,516	\$ 21,705	\$ 4,881	\$ 1,154,023

Other Schedules

**Redwood County
Redwood Falls, Minnesota**

Exhibit D-1

**Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2022**

Appropriations and Shared Revenue

State

Highway users tax	\$ 9,716,115
County program aid	693,541
PERA state aid	27,536
Disparity reduction aid	44,858
Police aid	138,561
Enhanced 911	175,382
Market value credit	396,650
Casino credit	75,460
Select Committee on Recycling and the Environment (SCORE)	72,440
Aquatic invasive species aid	19,662
Out of home placement aid	53,456
Riparian protection aid	160,000

Total appropriations and shared revenue	\$ 11,573,661
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Reimbursement for Services

School districts	\$ 8,655
Counties	315,024
Cities	756,290
State	78,910
Soil and Water Conservation District	354,043
Redwood/Renville Regional Solid Waste Authority	180,821

Total reimbursement for services	\$ 1,693,743
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Payments

Local

Payments in lieu of taxes	\$ 289,142
Local contributions	17,000

Total payments	\$ 306,142
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Grants

State

Minnesota Department of Corrections	\$ 49,781
Natural Resources	95,095
Public Safety	352,348
Transportation	3,043,919
Veterans Affairs	7,500
Board of Water and Soil Resources	79,492
Peace Officer Standards and Training Board	17,252
Secretary of State	19,305

Total state	\$ 3,664,692
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**Redwood County
Redwood Falls, Minnesota**

Exhibit D-1
(Continued)

**Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2022**

Grants (Continued)

Federal

Department of Justice	\$ 74,660
Transportation	3,058,923
Treasury	267,604
Homeland Security	1,005,976
Election Assistance Commission	<u>27,593</u>
Total federal	<u>\$ 4,434,756</u>
Total state and federal grants	<u>\$ 8,099,448</u>
Total Intergovernmental Revenue	<u><u>\$ 21,672,994</u></u>

**Redwood County
Redwood Falls, Minnesota**

Exhibit D-2

**Schedule Of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607		\$ 4,368
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVS-2022-RCAO-9379	16,538
Crime Victim Assistance	16.575	F-CVS-2022-RCAO-9639	16,225
Crime Victim Assistance	16.575	F-CVS-2022-RCAO-10092	17,867
Crime Victim Assistance	16.575	F-CVS-2022-RCAO-10528	19,662
(Total Crime Victim Assistance 16.575 \$70,292)			
Total U.S. Department of Justice			\$ 74,660
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	6422149	\$ 3,420,034
Passed Through City of Marshall, Minnesota			
Highway Safety Cluster			
State and Community Highway Safety	20.600	F-ENFRC22-2022-MARSHAPD	1,118
National Priority Safety Programs	20.616	F-ENFRC22-2022-MARSHAPD	1,340
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC22-2022-MARSHAPD	1,466
Total U.S. Department of Transportation			\$ 3,423,958
U.S. Department of the Treasury			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 267,604
U.S. Department of Election Assistance Commission			
Passed Through Office of the Minnesota Secretary of State			
COVID-19 – 2018 HAVA Election Security Grants	90.404	None Provided	\$ 27,593
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Boating Safety Financial Assistance	97.012	REDWOOD SBG 08172022	\$ 2,072
		ID 127-UJNE1-00 FEMA-4390-DR-MN,	
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	GM PROJECT 75390-PW 615	629,124
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	PA-05-MN-4442-PW-01317(0)	1,524,871
(Total Disaster Grants – Public Assistance (Presidentially Declared Disasters) 97.036 \$2,153,995)			
Emergency Management Performance Grants	97.042	F-EMPG-2020-REDWOOCO-3943	20,029
Total U.S. Department of Homeland Security			\$ 2,176,096
Total Federal Awards			\$ 5,969,911

**Redwood County
Redwood Falls, Minnesota**

Exhibit D-2
(Continued)

**Schedule Of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
---	--	---------------------------------------	---------------------

The County did not pass on any federal awards through to subrecipients during the year ended December 31, 2022.

Totals by Cluster

Total expenditures for Highway Planning and Construction Cluster	\$ 3,420,034
Total expenditures for Highway Safety Cluster	2,458

Redwood County
Redwood Falls, Minnesota

Notes to the Schedule of Expenditure of Federal Awards
As of and for the Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

Report Entity

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Redwood County under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Redwood County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Redwood County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2 – De Minimis Cost Rate

Redwood County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

Notes 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue	
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 4,434,756
Grants received more than 60 days after year-end, considered unavailable revenue in 2022	
Highway Planning and Construction (AL No. 20.205)	365,035
Disaster Grants – Public Assistance (Presidentially Declared Disasters (AL No. 97.036))	1,170,120
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 5,969,911</u>

Management and Compliance Section



**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
Redwood Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 3, 2023.

Report on 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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by 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 or significant deficiencies may exist that were not identified.

Report on 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 financial

statements. 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

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 contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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 Counties* 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/Julie Blaha

Julie Blaha
State Auditor

July 3, 2023



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of County Commissioners
Redwood County
Redwood Falls, Minnesota

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Redwood County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Redwood County's major federal programs for the year ended December 31, 2022. Redwood County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on Disaster Grants – Public Assistance (Presidentially Declared Disasters)

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Redwood County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Disaster Grants – Public Assistance (Presidentially Declared Disasters) for the year ended December 31, 2022.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Redwood County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Redwood County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of Redwood County's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Disaster Grants – Public Assistance (Presidentially Declared Disasters)

As described in the accompanying Schedule of Findings and Questioned Costs, Redwood County did not comply with requirements regarding Assistance Listing No. 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters) as described in finding number 2022-001 for Reporting.

Compliance with such requirements is necessary, in our opinion, for Redwood County to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Redwood County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Redwood County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Redwood County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Redwood County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of Redwood County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Redwood County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on Redwood County's response to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Redwood County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Redwood County's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Redwood County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Julie Blaha

Julie Blaha
State Auditor

July 3, 2023

Redwood County

Redwood Falls, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor’s report issued on compliance for major federal programs: **Unmodified, except for Disaster Grants – Public Assistance (Presidentially Declared Disasters), which is qualified.**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

Identification of major federal programs:

Assistance Listing	
Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

The threshold used to distinguish between Type A and B programs was \$750,000.

Redwood County qualified as a low-risk auditee? **No**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

2022-001 Performance Reporting

Prior Year Finding Number: 2021-002

Repeat Finding Since: 2021

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Material Weakness and Modified Opinion

Redwood County

Redwood Falls, Minnesota

Federal Agency: U.S. Department of Homeland Security

Program: 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Award Number and Year: ID 127-UJNE1-00 FEMA-4390-DR-MN GM PROJECT 75390-PW 615, PA-05-MN-4442-PW-01317(0); 2021, 2022

Pass-Through Agency: Minnesota Department of Public Safety

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Quarterly performance reports (QPR) are due to the Minnesota Department of Public Safety-Homeland Security and Emergency Management (DPS-HSEM) no later than 15 days following the end of a quarter.

Condition: Two of the four quarterly performance reports tested did not have supporting documentation on file, therefore, auditor was unable to trace the reports to supporting data. In addition, two of the four reports tested were not submitted by the due date of 15 days following the end of the quarter. Finally, the County has not implemented control procedures over the reporting process, including review.

Questioned Costs: None.

Context: Quarterly performance reports are required for large projects. A project is considered large if the total cost is above a threshold that is annually reviewed and adjusted by FEMA.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Redwood County is not in compliance with performance reporting requirements.

Cause: County staff noted the individual responsible for preparing and submitting the reports resigned before the County was able to implement controls over the reporting process.

Recommendation: We recommend Redwood County maintain supporting documentation for and prepare and submit quarterly performance reports as scheduled. We also recommend the County implement a procedure to review the reports for accuracy by someone other than the preparer prior to submission.

View of Responsible Official: Acknowledge



**Representation of Redwood County
Redwood Falls, Minnesota**

Corrective Action Plan
For the Year Ended December 31, 2022

Finding Number: 2022-001

Finding Title: Performance Reporting

Program: 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Name of Contact Person Responsible for Corrective Action: Nick Brozek

Corrective Action Planned: FEMA reports will be submitted quarterly. Reports will be prepared and signed by the Ditch Inspector, and verified by the Director. Director will initial reports.

Anticipated Completion Date: 6/30/2023



**Representation of Redwood County
Redwood Falls, Minnesota**

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

Finding Number: 2021-001

Year of Finding Origination: 2021

Finding Title: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Program: 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Summary of Condition: In a sample of 11 transactions, five instances were noted where 2018 Federal Emergency Management Agency (FEMA) drainage costs relating to Major Disaster Declaration (DR) 4390 were included in the 2019 FEMA drainage expenditures relating to DR 4442 to be reported on the 2021 Schedule of Expenditures of Federal Awards (SEFA).

Summary of Corrective Action Previously Reported: All FEMA expenditure claim forms will have FEMA site numbers attached to them. This will be cross-referenced to the damage descriptions to ensure account codes are matching up to the correct FEMA event. The Ditch Inspector shall place the site numbers on the invoices, the Administrative Assistant will cross-reference and check this while preparing the claim form, and the Director will confirm the correct FEMA event upon signing.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-002

Year of Finding Origination: 2021

Finding Title: Performance Reporting

Program: 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Summary of Condition: Three quarterly performance reports were due to DPS-HSEM on Redwood County's large project in 2021, but only one report was prepared and submitted. Furthermore, the County has not implemented control procedures over the reporting process.

Summary of Corrective Action Previously Reported: FEMA reports will be submitted quarterly. Reports will be prepared and signed by the Ditch Inspector, and verified by the Director. Director will initial reports.



Status: Not Corrected. Due to staff turnover the County was unable to implement control procedures over the quarterly reports.

Corrective action taken was not significantly different than the action previously reported.