

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

YEAR ENDED DECEMBER 31, 2013

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

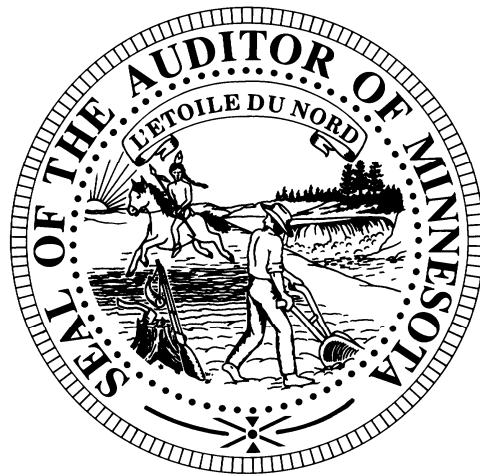
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

Year Ended December 31, 2013



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

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

ORGANIZATION
2013

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

*Patrick Rohland was appointed as District Court Judge effective September 9, 2013, to fill the remaining term of David Peterson, who retired effective April 30, 2013.

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REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Redwood County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2014, on our consideration of Redwood County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Redwood County's internal control over financial reporting and compliance.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 25, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(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, 2013. 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 \$91,625,116, of which \$72,306,888 is the net investment in capital assets, and \$4,129,574 is restricted to specific purposes. The \$15,188,654 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$2,599,118 for the year ended December 31, 2013. 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 \$5,236,971. The net cost was funded by general revenues totaling \$11,369,997.
- Fund balances of the governmental funds decreased by \$394,960. Most of the decrease was due to the transfer of the Human Services and Public Health operations to Southwest Health and Human Services in January 2013.
- For the year ended December 31, 2013, the assigned and unassigned fund balance of the General Fund was \$9,764,320, or 92.0 percent of the total General Fund expenditures for the year, an increase of 6.1 percent. The increase was due to the Public Health Services Special Revenue Fund being incorporated into the General Fund for the 2013 year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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 7.

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 31 through 71 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$91,625,116 at the close of 2013. The largest portion of the net position (78.9 percent) reflects its net investment in capital assets (for example: land, buildings, equipment, and infrastructure such as roads and bridges). However, it should be noted that these assets are not available for future spending. Comparative data with 2012 is presented.

	Governmental Activities Net Position (in thousands)	
	2013	2012
Assets		
Current and other assets	\$ 25,137	\$ 25,553
Capital assets	78,354	69,841
Total Assets	\$ 103,491	\$ 95,394

	<u>2013</u>	<u>2012</u>
Liabilities		
Long-term liabilities	\$ 9,217	\$ 4,627
Other liabilities	<u>2,540</u>	<u>1,741</u>
Total Liabilities	<u>\$ 11,757</u>	<u>\$ 6,368</u>
Deferred Inflows of Resources		
Advance from other governments	<u>\$ 109</u>	<u>\$ -</u>
Net Position		
Net investment in capital assets	\$ 72,307	\$ 66,635
Restricted	4,129	4,495
Unrestricted	<u>15,189</u>	<u>17,896</u>
Total Net Position	<u>\$ 91,625</u>	<u>\$ 89,026</u>

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 16.6 percent of net position.

Governmental Activities

The County's activities increased net position by 2.9 percent (\$89,025,998 for 2012 compared to \$91,625,116 for 2013). Key elements in this increase in net position are as follows for 2013, with comparative data for 2012.

Governmental Activities Changes in Net Position (in thousands)

	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues		
Charges for services	\$ 2,719	\$ 2,984
Operating grants and contributions	6,202	8,883
Capital grants and contributions	1,643	562
General revenues		
Property taxes	10,267	10,235
Other	<u>1,103</u>	<u>1,331</u>
Total Revenues	<u>\$ 21,934</u>	<u>\$ 23,995</u>

	<u>2013</u>	<u>2012</u>
Expenses		
General government	\$ 3,260	\$ 3,060
Public safety	3,074	3,542
Highways and streets	4,537	5,329
Sanitation	618	558
Human services	2,215	4,939
Health	442	1,142
Culture and recreation	342	393
Conservation of natural resources	943	1,168
Economic development	138	81
Interest	232	175
	<hr/>	<hr/>
Total Expenses	\$ 15,801	\$ 20,387
	<hr/>	<hr/>
Change in net position before special items	\$ 6,133	\$ 3,608
	<hr/>	<hr/>
Special items	(3,534)	-
	<hr/>	<hr/>
Change in Net Position	\$ 2,599	\$ 3,608
	<hr/>	<hr/>
Net Position - January 1	89,026	85,418
	<hr/>	<hr/>
Net Position - December 31	<u>\$ 91,625</u>	<u>\$ 89,026</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$22,320,240, a decrease of \$394,960 in comparison with the prior year. Of the combined ending fund balances, \$14,216,023 represents assigned and unassigned fund balance which is available for spending at the County's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, bond covenants or is nonspendable or committed.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an assigned and unassigned fund balance of \$9,764,320. 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 92.0 percent of total General Fund expenditures. During 2013, the Public Health Services Special Revenue Fund was combined with the General Fund, increasing the fund balance by \$1,714,830. Another reason the fund balance increased was due to the selling of bonds for the remodel and construction of the Law Enforcement Center of which that money has not all been spent.

The Road and Bridge Special Revenue Fund had an assigned fund balance of \$2,023,862 at fiscal year-end, representing 19.6 percent of its annual expenditures. The ending fund balance decreased \$1,399,326 during 2013, primarily due to completing state aid projects whereas the revenue had been received in the previous year.

The Human Services Special Revenue Fund had an assigned fund balance of \$1,010,965 at fiscal year-end. The ending fund balance decreased \$1,301,940 during 2013, due to the transfer of Human Services operations to Southwest Health and Human Services.

The Solid Waste Special Revenue Fund had an assigned fund balance of \$514,991 at fiscal year-end, representing 87.4 percent of its annual expenditures. The ending fund balance increased \$97,436 during 2013, primarily due to spending less than was budgeted in 2013.

The Ditch Special Revenue Fund had restricted fund balance of \$1,769,808 at fiscal year-end. The ending fund balance increased \$150,828 during 2013, primarily due to collecting more assessments on the ditch systems than was spent.

The Springdale Watershed Special Revenue Fund had restricted fund balance of \$24,427 at fiscal year-end. The Springdale Watershed Special Revenue Fund was new in 2013 and created to account for restricted property tax revenues to be used to improve the watershed district in Springdale Township.

The Debt Service Fund had restricted fund balance of \$1,062,281 at fiscal year-end. The Debt Service Fund was created in 2008 due to the issuance of bonds for the renovation of the Government Center, remodeling of the Courthouse, and the purchase of equipment. In 2013, new bonds were sold for the construction and remodeling of the Law Enforcement Center.

Governmental Activities

The County's total revenues were \$21,933,654. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2013.

Table 1
Total County Revenues

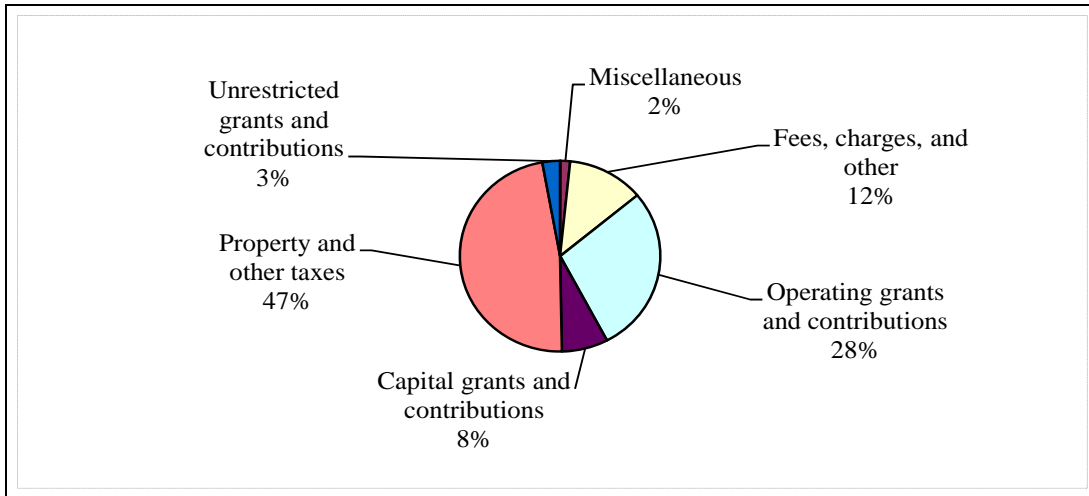
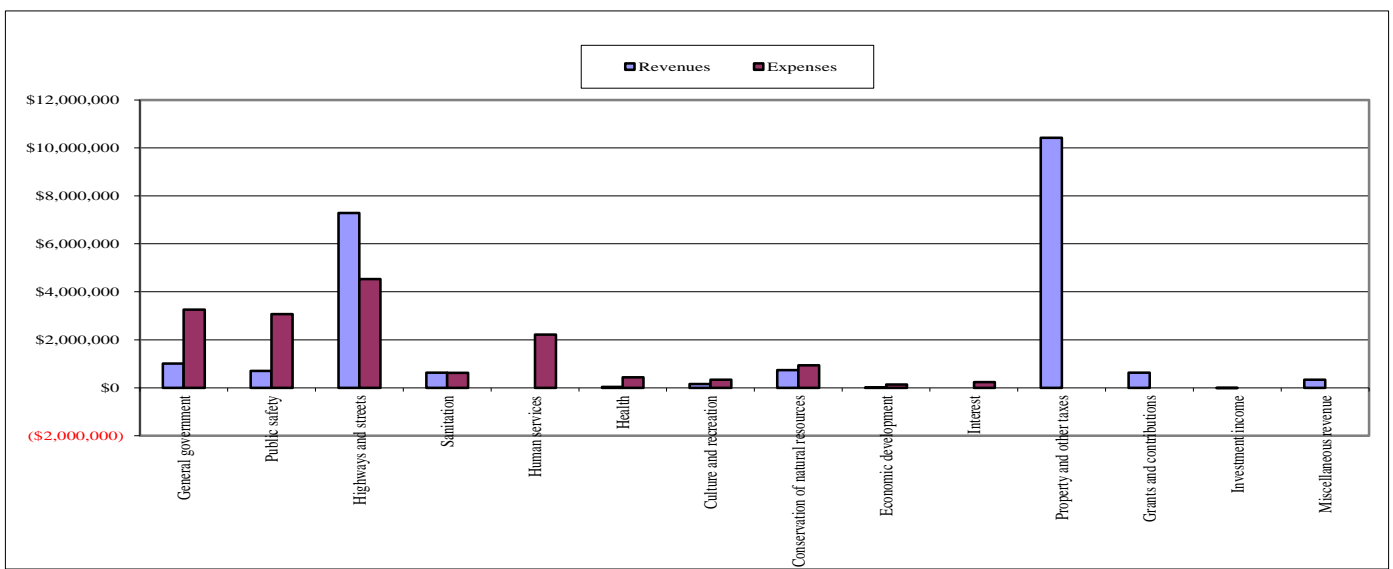


Table 2 presents the cost and revenue of each program, as well as the County's general revenues.

Total program and general revenues for the County were \$21,933,654, while total expenses were \$15,800,628. Along with net special items of \$(3,533,908), this reflects a \$2,599,118 increase in net position for the year ended December 31, 2013.

Table 2
Program Revenues, General Revenues, and Expenses



The cost of all governmental activities this year was \$15,800,628. However, as shown on the Statement of Activities on Exhibit 2, the amount that taxpayers ultimately financed for these activities through County taxes was only \$10,267,404, because some of the cost was paid by those who directly benefited from the programs \$(2,719,267) or by other governments and organizations that subsidized certain programs with grants and contributions \$(7,844,390). 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.

Table 3 presents the cost of each of the County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013
Highways and streets	\$ 4,537,329	\$ (2,752,109)
General government	3,259,965	2,244,502
Public safety	3,073,546	2,373,296
Human services	2,215,241	2,215,241
Conservation of natural resources	942,961	207,673
All others	1,771,586	948,368
Totals	\$ 15,800,628	\$ 5,236,971

General Fund Budgetary Highlights

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

The actual charges to appropriations (expenditures) were \$1,757,562 less than the final budget amounts. One of the most significant positive variances of \$1,734,898 occurred in buildings and plant, where the actual expenditures were less than the amount budgeted. Another significant positive variance of \$197,766 occurred in the Sheriff’s Department, where the actual expenditures were also less than the amount budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2013, totaled \$78,353,865 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, and infrastructure. The investment in capital assets increased \$8,513,306, or 12.2 percent, from the previous year. The major capital asset events were:

Construction of highways and streets	\$ 5,479,552
Construction in progress	5,527,087

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

	2013	2012
Land	\$ 1,894	\$ 1,878
Infrastructure	61,715	57,836
Buildings	5,374	5,323
Improvements other than building	414	440
Machinery and equipment	2,615	2,522
Construction in progress	6,342	1,842
Totals	<u>\$ 78,354</u>	<u>\$ 69,841</u>

Additional information about the County's capital assets can be found in the Note 3.A.2. to the financial statements.

Long-Term Debt

The County has net debt at December 31, 2013, of \$8,863,758. The debt is for financing the renovation of the Government Center and remodeling of the Courthouse (15-year term with final payment February 1, 2024) and the purchase of equipment (5-year term with final payment February 1, 2014). In 2013, the County issued a bond for the construction and remodel of the Law Enforcement Center (15-year term with final payment February 1, 2028) and a bond shared with Renville County for the construction of the joint Recycling Facility (15-year term with final payment February 1, 2028). Other debt is lease agreements for financing squad cars for the Sheriff's Department, copiers for various departments, and a postage machine.

**Table 5
Outstanding Debt**

	2013	2012
General obligation improvement bonds, 2008A	\$ 3,095,923	\$ 3,314,015
General obligation law enforcement center bonds, 2013A	3,414,042	-
General obligation recycling facility bonds, 2013A	2,063,321	-
General obligation certificates of indebtedness, 2008B	155,000	303,848
Leased squad cars	122,853	92,391
Leased copiers and postage machine	12,619	12,616
Totals	\$ 8,863,758	\$ 3,722,870

Minnesota statutes limit the amount of debt a county may levy to 3 percent of its total market value. At the end of 2013, the County's outstanding debt was 0.19 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 2014 budget, tax rates, and fees that will be charged for the year.

- The average unemployment rate for Redwood County at the end of 2013 was 5.0 percent and shows a decrease from the County's 5.4 percent rate of one year ago. The state unemployment rate was 4.6 percent. The 2010 County population was 16,059, a decrease of 756 from the 2000 census of 16,815.
- At the end of 2013, Redwood County set its 2014 revenue and expenditure budgets.
- The 2014 property tax levy for the County increased to \$10,655,680, compared to \$10,584,934 in 2013.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

Assets

Current assets

Cash and pooled investments	\$	15,634,706
Investments		6,711,602
Taxes receivable		
Prior		88,835
Special assessments receivable		
Current		47,242
Prior		31,699
Noncurrent		137,423
Accounts receivable		38,313
Accrued interest receivable		15,105
Due from other governments		1,025,680
Loans receivable		57,416
Inventories		224,635
Prepaid items		59,471

Noncurrent assets

Long-term receivables		1,065,260
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Capital assets

Non-depreciable		8,235,907
Depreciable - net of accumulated depreciation		70,117,958

Total Assets	\$	103,491,252
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Liabilities

Current liabilities

Accounts payable	\$	298,980
Salaries payable		381,599
Contracts payable		701,968
Due to other governments		72,417
Accrued interest payable		111,032
Unearned revenue		61,343
Compensated absences payable - current		86,229
Other postemployment benefits payable - current		43,318
General obligation bonds payable - current		535,000
General obligation certificates of indebtedness payable - current		155,000
Capital leases payable - current		49,060
Loans payable - current		43,819

Noncurrent liabilities

Compensated absences payable		693,423
Other postemployment benefits payable		239,453
Capital leases payable		86,412
General obligation bonds payable - net		8,038,286
Loans payable		160,072

Total Liabilities	\$	11,757,411
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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

Deferred Inflows of Resources

Advance from other governments	<u>\$ 108,725</u>
--------------------------------	--------------------------

Net Position

Net investment in capital assets	\$ 72,306,888
Restricted for	
Public safety	258,530
Conservation	1,770,892
Highways and streets	684,704
Debt service	979,241
Other purposes	436,207
Unrestricted	<u>15,188,654</u>
Total Net Position	<u>\$ 91,625,116</u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions		
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 3,259,965	\$ 947,785	\$ 67,678	\$ -	\$ (2,244,502)
Public safety	3,073,546	237,659	462,591	-	(2,373,296)
Highways and streets	4,537,329	161,984	5,485,139	1,642,315	2,752,109
Sanitation	618,287	572,324	55,950	-	9,987
Human services	2,215,241	-	-	-	(2,215,241)
Health	441,834	31,555	-	-	(410,279)
Culture and recreation	341,389	71,066	85,823	-	(184,500)
Conservation of natural resources	942,961	690,394	44,894	-	(207,673)
Economic development	137,743	6,500	-	-	(131,243)
Interest	232,333	-	-	-	(232,333)
Total Governmental Activities	<u>\$ 15,800,628</u>	<u>\$ 2,719,267</u>	<u>\$ 6,202,075</u>	<u>\$ 1,642,315</u>	<u>\$ (5,236,971)</u>
General Revenues					
Property taxes				\$ 10,267,404	
Other taxes				10,626	
Payments in lieu of tax				141,802	
Grants and contributions not restricted to specific programs				625,095	
Unrestricted investment income				(14,028)	
Miscellaneous				339,098	
Special Items					
Transfer of bonds to Redwood/Renville Regional Solid Waste Authority					(2,058,826)
Transfer of human service operation to Southwest Health and Human Services					(1,147,599)
Transfer of public health operation to Southwest Health and Human Services					(327,483)
Total general revenues and special items				<u>\$ 7,836,089</u>	
Change in net position				\$ 2,599,118	
Net Position - Beginning					<u>89,025,998</u>
Net Position - Ending					<u>\$ 91,625,116</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 9,426,894	\$ 3,183,756	\$ 968,283
Undistributed cash in agency fund	145,591	24,665	42,682
Petty cash and change funds	1,360	-	-
Investments	4,095,062	-	-
Taxes receivable			
Delinquent	52,207	11,386	19,775
Special assessments receivable			
Delinquent	-	-	-
Noncurrent	184,665	-	-
Accounts receivable	21,299	2,300	-
Accrued interest receivable	9,562	-	-
Due from other funds	-	5,078	-
Due from other governments	81,665	914,621	-
Loans receivable	122,676	-	-
Inventories	-	224,635	-
Prepaid items	39,384	20,031	-
	\$ 14,180,365	\$ 4,386,472	\$ 1,030,740
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 62,820	\$ 71,543	\$ -
Salaries payable	272,219	88,765	-
Contracts payable	498,267	203,701	-
Due to other funds	4,363	-	-
Due to other governments	63,599	6,978	-
Unearned revenue	61,343	-	-
	\$ 962,611	\$ 370,987	\$ -
Deferred Inflows of Resources			
Advance from other governments	\$ -	\$ 108,725	\$ -
Unavailable revenue	243,502	890,185	19,775
	\$ 243,502	\$ 998,910	\$ 19,775

EXHIBIT 3

<u>Solid Waste</u>	<u>Ditch</u>	<u>Springdale Watershed</u>	<u>Debt Service</u>	<u>Total</u>
\$ 550,128	\$ 657,443	\$ 24,099	\$ 562,182	\$ 15,372,785
29,389	6,750	328	11,126	260,531
30	-	-	-	1,390
-	2,127,567	-	488,973	6,711,602
-	-	101	5,366	88,835
30,732	967	-	-	31,699
-	-	-	-	184,665
14,714	-	-	-	38,313
-	4,173	-	1,370	15,105
-	-	-	-	5,078
-	29,394	-	-	1,025,680
1,000,000	-	-	-	1,122,676
-	-	-	-	224,635
56	-	-	-	59,471
<u>\$ 1,625,049</u>	<u>\$ 2,826,294</u>	<u>\$ 24,528</u>	<u>\$ 1,069,017</u>	<u>\$ 25,142,465</u>
\$ 18,393	\$ 146,224	\$ -	\$ -	\$ 298,980
15,197	5,418	-	-	381,599
-	-	-	-	701,968
534	181	-	-	5,078
146	1,694	-	-	72,417
-	-	-	-	61,343
<u>\$ 34,270</u>	<u>\$ 153,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,521,385</u>
\$ -	\$ -	\$ -	\$ -	\$ 108,725
30,732	1,084	101	6,736	1,192,115
<u>\$ 30,732</u>	<u>\$ 1,084</u>	<u>\$ 101</u>	<u>\$ 6,736</u>	<u>\$ 1,300,840</u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
(Continued)			
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ 224,635	\$ -
Loans receivable	122,676	-	-
Prepaid items	39,384	20,031	-
Restricted for			
Attorney's forfeited property	16,848	-	-
Broadband grant study	12,091	-	-
Enhanced 911	197,318	-	-
Gun permit fees	48,272	-	-
Law library	20,461	-	-
Highway allotments	-	748,047	-
Debt service	-	-	-
Ditch maintenance, repair, and other	-	-	-
Missing heirs	1,552	-	-
Recorder's equipment	181,321	-	-
Recorder's technology fund	141,355	-	-
Restricted contributions	2,000	-	-
Septic/sewer loans	19,226	-	-
Sheriff's contingency	4,558	-	-
Sheriff's DWI assessment	15,427	-	-
Sheriff's forfeited property	22,285	-	-
Springdale watershed project	-	-	-
Unspent grant monies	94	-	-
Victim assistance	15,111	-	-
VSO grants	10,000	-	-
Committed for			
Law enforcement remodel contract	1,856,452	-	-
GIS mapping contract	8,200	-	-
Pictometry contract	171,590	-	-
PHS building remodel contracts	3,522	-	-
RCEDA revolving loan - 2008	133,521	-	-
RCEDA revolving loan - 2011	125,010	-	-
Restorative justice	16,724	-	-
Retiree health insurance	3,232	-	-
Sheriff's canteen	17,495	-	-
WESCAP valley area transit	4,207	-	-

EXHIBIT 3
(Continued)

<u>Solid Waste</u>	<u>Ditch</u>	<u>Springdale Watershed</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 224,635
1,000,000	-	-	-	1,122,676
56	-	-	-	59,471
-	-	-	-	16,848
-	-	-	-	12,091
-	-	-	-	197,318
-	-	-	-	48,272
-	-	-	-	20,461
-	-	-	-	748,047
-	-	-	1,062,281	1,062,281
-	1,769,808	-	-	1,769,808
-	-	-	-	1,552
-	-	-	-	181,321
-	-	-	-	141,355
-	-	-	-	2,000
-	-	-	-	19,226
-	-	-	-	4,558
-	-	-	-	15,427
-	-	-	-	22,285
-	-	24,427	-	24,427
45,000	-	-	-	45,094
-	-	-	-	15,111
-	-	-	-	10,000
-	-	-	-	1,856,452
-	-	-	-	8,200
-	-	-	-	171,590
-	-	-	-	3,522
-	-	-	-	133,521
-	-	-	-	125,010
-	-	-	-	16,724
-	-	-	-	3,232
-	-	-	-	17,495
-	-	-	-	4,207

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Fund Balances (Continued)			
Assigned for			
AS400 computer	20,947	-	-
Assessor tax court	50,000	-	-
Child Advocacy Center Grant match	5,000	-	-
Compensated absences	513,211	233,008	-
Comprehensive environment	3,000	-	-
Courthouse car	25,000	-	-
Election	74,868	-	-
Employee flu shots	2,000	-	-
Flood coverage	740	-	-
Forfeited tax	300,000	-	-
Future ditch loans	-	-	-
Future law enforcement project	345,942	-	-
Grand jury	74,787	-	-
Highways and streets	-	1,771,504	-
Human services	-	-	1,010,965
Implementation of GASB	8,298	-	-
L.E. dog fund	1,188	-	-
Maintenance equipment	25,000	-	-
Park improvements	4,171	-	-
Postemployment benefits	500,000	19,350	-
Public health	1,302,513	-	-
Safety committee	2,749	-	-
Sand creek staff training	3,000	-	-
ServSafe classes	390	-	-
Solid waste	-	-	-
Staff development	6,500	-	-
Veteran cemetery	1,000,000	-	-
VSO van purchase	34,131	-	-
Workers comp/property casualty insurance	491,109	-	-
Unassigned	4,969,776	-	-
Total Fund Balances	\$ 12,974,252	\$ 3,016,575	\$ 1,010,965
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,180,365	\$ 4,386,472	\$ 1,030,740

EXHIBIT 3
(Continued)

<u>Solid Waste</u>	<u>Ditch</u>	<u>Springdale Watershed</u>	<u>Debt Service</u>	<u>Total</u>
-	-	-	-	20,947
-	-	-	-	50,000
-	-	-	-	5,000
17,695	15,738	-	-	779,652
-	-	-	-	3,000
-	-	-	-	25,000
-	-	-	-	74,868
-	-	-	-	2,000
-	-	-	-	740
-	-	-	-	300,000
-	886,147	-	-	886,147
-	-	-	-	345,942
-	-	-	-	74,787
-	-	-	-	1,771,504
-	-	-	-	1,010,965
-	-	-	-	8,298
-	-	-	-	1,188
-	-	-	-	25,000
-	-	-	-	4,171
-	-	-	-	519,350
-	-	-	-	1,302,513
-	-	-	-	2,749
-	-	-	-	3,000
-	-	-	-	390
497,296	-	-	-	497,296
-	-	-	-	6,500
-	-	-	-	1,000,000
-	-	-	-	34,131
-	-	-	-	491,109
-	-	-	-	4,969,776
<u>\$ 1,560,047</u>	<u>\$ 2,671,693</u>	<u>\$ 24,427</u>	<u>\$ 1,062,281</u>	<u>\$ 22,320,240</u>
<u>\$ 1,625,049</u>	<u>\$ 2,826,294</u>	<u>\$ 24,528</u>	<u>\$ 1,069,017</u>	<u>\$ 25,142,465</u>

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

Fund balance - total governmental funds (Exhibit 3)		\$	22,320,240
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			78,353,865
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.			1,192,115
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Notes payable	\$	(155,000)	
Bonds payable		(8,530,000)	
Leases payable		(135,472)	
Other postemployment benefits		(282,771)	
Compensated absences		(779,652)	
Loans payable		(203,891)	
Unamortized premium on notes		(62,363)	
Unamortized discount on notes		19,077	
Accrued interest payable		(111,032)	
		<u>(111,032)</u>	<u>(10,241,104)</u>
Net Position of Governmental Activities (Exhibit 1)			<u>\$ 91,625,116</u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 6,117,807	\$ 1,320,288	\$ 2,144,015
Special assessments	85,877	-	-
Licenses and permits	65,209	-	-
Intergovernmental	1,362,412	7,497,968	61,867
Charges for services	835,148	16,881	-
Gifts and contributions	13,830	-	-
Investment earnings	30,821	1,484	-
Miscellaneous	606,656	145,103	-
Total Revenues	\$ 9,117,760	\$ 8,981,724	\$ 2,205,882
Expenditures			
Current			
General government	\$ 5,685,869	\$ -	\$ -
Public safety	3,266,501	-	-
Highways and streets	-	9,854,841	-
Sanitation	-	-	-
Health	71,440	-	-
Culture and recreation	243,866	-	-
Conservation of natural resources	476,820	-	-
Economic development	137,743	-	-
Intergovernmental	447,736	472,452	2,195,023
Debt service			
Principal	218,698	-	6,661
Interest	17,821	-	-
Administrative (fiscal) charges	-	-	-
Bond issuance costs	48,923	-	-
Total Expenditures	\$ 10,615,417	\$ 10,327,293	\$ 2,201,684
Excess of Revenues Over (Under) Expenditures	\$ (1,497,657)	\$ (1,345,569)	\$ 4,198
Other Financing Sources (Uses)			
Capital lease/installment purchase	\$ 139,569	\$ -	\$ -
Bonds issued	3,375,000	-	-
Premium on bonds	41,830	-	-
Proceeds from the sale of capital assets	132,000	-	-
Total Other Financing Sources (Uses)	\$ 3,688,399	\$ -	\$ -

EXHIBIT 5

<u>Solid Waste</u>	<u>Ditch</u>	<u>Springdale Watershed</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ 24,427	\$ 705,415	\$ 10,311,952
377,026	639,177	-	-	1,102,080
1,750	-	-	-	66,959
55,955	183	-	18,381	8,996,766
-	-	-	-	852,029
-	-	-	-	13,830
3,093	(42,984)	-	361	(7,225)
242,443	3,209	-	-	997,411
\$ 680,267	\$ 599,585	\$ 24,427	\$ 724,157	\$ 22,333,802
\$ -	\$ -	\$ -	\$ -	\$ 5,685,869
-	-	-	-	3,266,501
-	-	-	-	9,854,841
559,421	-	-	-	559,421
-	-	-	-	71,440
-	-	-	-	243,866
-	448,757	-	-	925,577
-	-	-	-	137,743
-	-	-	-	3,115,211
-	-	-	370,000	595,359
-	-	-	136,578	154,399
-	-	-	850	850
29,571	-	-	-	78,494
\$ 588,992	\$ 448,757	\$ -	\$ 507,428	\$ 24,689,571
\$ 91,275	\$ 150,828	\$ 24,427	\$ 216,729	\$ (2,355,769)
\$ -	\$ -	\$ -	\$ -	\$ 139,569
2,040,000	-	-	-	5,415,000
24,987	-	-	-	66,817
-	-	-	-	132,000
\$ 2,064,987	\$ -	\$ -	\$ -	\$ 5,753,386

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Special Items			
Transfer of human service operation to Southwest Health and Human Services	\$ -	\$ -	\$ (1,306,138)
Transfer of public health operation to Southwest Health and Human Services	(373,856)	-	-
Transfer of proceeds to Redwood/Renville Regional Solid Waste Authority	-	-	-
Total Special Items	<u>\$ (373,856)</u>	<u>\$ -</u>	<u>\$ (1,306,138)</u>
Net Change in Fund Balance	\$ 1,816,886	\$ (1,345,569)	\$ (1,301,940)
Fund Balance - January 1, as restated (Note 1.D.12.)	11,157,366	4,415,901	2,312,905
Increase (decrease) in inventories	<u>-</u>	<u>(53,757)</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 12,974,252</u></u>	<u><u>\$ 3,016,575</u></u>	<u><u>\$ 1,010,965</u></u>

EXHIBIT 5
(Continued)

<u>Solid Waste</u>	<u>Ditch</u>	<u>Springdale Watershed</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ (1,306,138)
-	-	-	-	(373,856)
<u>(2,058,826)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,058,826)</u>
<u>\$ (2,058,826)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,738,820)</u>
\$ 97,436	\$ 150,828	\$ 24,427	\$ 216,729	\$ (341,203)
1,462,611	2,520,865	-	845,552	22,715,200
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,757)</u>
<u><u>\$ 1,560,047</u></u>	<u><u>\$ 2,671,693</u></u>	<u><u>\$ 24,427</u></u>	<u><u>\$ 1,062,281</u></u>	<u><u>\$ 22,320,240</u></u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balance - total governmental funds (Exhibit 5) \$ (341,203)

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

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

Deferred inflows of resources - December 31	\$ 1,192,115	
Deferred inflows of resources - January 1	<u>(1,720,637)</u>	(528,522)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 10,865,653	
Net book value of assets disposed of	(51,938)	
Current year depreciation	<u>(2,300,409)</u>	8,513,306

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	\$ 220,000	
General obligation equipment certificates of indebtedness	150,000	
Loans payable	116,255	
Leases payable	109,104	
Amortization of discounts and debt issuance expenses	<u>(29,788)</u>	565,571
 New debt issued - net of discount or premium (see Note 3.C.5. for more information)		 (5,619,598)

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

Change in accrued interest payable	\$ (51,750)	
Change in compensated absences	125,581	
Change in other postemployment benefits	(10,510)	
Change in inventories	<u>(53,757)</u>	<u>9,564</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,599,118

FIDUCIARY FUNDS

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2013**

<u>Assets</u>	
Cash and pooled investments	<u><u>\$ 459,254</u></u>
 <u>Liabilities</u>	
Accounts payable	\$ 105
Due to other governments	<u>459,149</u>
Total Liabilities	<u><u>\$ 459,254</u></u>

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REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2013. 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.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of GASB Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.7. in the notes to the financial statements for additional information regarding the County's deferred outflows/inflows of resources.

Restatements of December 31, 2012, net position or fund balance were not required as a result of adopting these changes in accounting principles.

A. Financial Reporting Entity

Redwood County was established February 6, 1862, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. § 373.01. As required by accounting principles generally accepted in the United States of America, these financial statements present Redwood County. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator serves as the clerk of the Board of Commissioners but has no vote.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Blended Component Unit

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

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

Joint Ventures

The County participates in several joint ventures described in Note 5.D. The County also participates in jointly-governed organizations described in Note 5.E.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about Redwood County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately.

In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. The Public Health Services Special Revenue Fund was reported with the General Fund beginning in 2013.
- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as committed 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 committed property tax revenues used for economic assistance and community social services programs.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- The Solid Waste Special Revenue Fund accounts for restricted special assessment revenues, miscellaneous revenues, revenue resources from the state, and through an appropriation from the General Fund for the costs relating to disposal of the County's solid waste.
- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.
- The Springdale Watershed Special Revenue Fund accounts for restricted property tax revenues to be used to improve the watershed district in Springdale Township.
- 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 type:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Redwood County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2013 were \$7,912.

Redwood County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). The investment in the pool is measured at the net asset value per share provided by the pool.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

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

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

3. Inventories and Prepaid Items

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

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Building improvements	20 - 35
Public domain infrastructure	15 - 70
Furniture, equipment, and vehicles	3 - 20
Intangible assets	3 - 7

5. Compensated Absences

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences (Continued)

employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation and vested sick leave. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

6. Long-Term Obligations

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

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

7. Deferred Outflows/Inflows of Resources

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two such items that qualify for reporting in this category. The first item, unavailable revenue, arises only under the modified accrual basis of accounting; however, the second item, advance from other governments, arises under both the modified accrual and the full accrual basis of accounting. Unavailable revenue and the advance from other governments are reported in the governmental funds balance sheet, while only the advance from other governments is also reported in the statement of net position. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

8. Classification of Net Position

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

- Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law 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.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Classification of 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 that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Administrator, who has been delegated that authority by Board resolution.
- Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

1. Summary of Significant Accounting Policies

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

9. Classification of Fund Balances (Continued)

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.

10. 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, 2013, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

11. Use of Estimates

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Restatement of Prior Year Fund Balance

For reporting purposes, the County closed the Public Health Services Special Revenue Fund and moved the remaining fund balance into the General Fund.

General Fund		
Fund Balance - January 1, as previously reported	\$	9,442,536
Restatement		1,714,830
Fund Balance - January 1, as restated	\$	11,157,366

13. Special Items

Redwood County approved a resolution seeking to join Southwest Health and Human Services (SWHHS) for both human services and community health functions, commencing January 1, 2013. In the approved resolution, Redwood County agreed to contribute \$934,642 to the human services and \$373,856 to the community health functions of SWHHS. In addition, Redwood County agreed to contribute an additional \$300,000 to the human services function, with another possible additional payment of \$300,000 in 2014.

2. Stewardship, Compliance, and Accountability

Expenditures in Excess of Budget

The Road and Bridge Special Revenue Fund and Human Services Special Revenue Fund had expenditures in excess of budget for the year ended December 31, 2013.

	Expenditures	Final Budget	Excess
Road and Bridge Special Revenue Fund	\$ 10,327,293	\$ 5,980,000	\$ 4,347,293
Human Services Special Revenue Fund	2,201,684	2,195,110	6,574

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 15,634,706
Investments	6,711,602
Statement of fiduciary net position	
Cash and pooled investments	<u>459,254</u>
Total Cash and Investments	<u><u>\$ 22,805,562</u></u>

Deposits	
Checking	\$ (29,070)
Money market savings	1,683,500
Certificates of deposit	733,000
Invested in MAGIC Fund	14,187,698
Invested in money market	18,907
Invested in Federal Home Loan Bank Bonds	2,010,299
Invested in Federal Farm Credit Bank	202,369
Invested in Federal National Mortgage Association Bonds	266,493
Invested in Federal Home Loan Mortgage Corporation Notes	122,711
Invested in municipal bonds	502,915
Invested in United States Treasury Notes	15,002
Invested in negotiable certificates of deposit	2,839,906
Invested in repurchase agreement	250,442
Petty cash and change funds	<u>1,390</u>
Total Deposits, Cash on Hand, and Investments	<u><u>\$ 22,805,562</u></u>

a. Deposits

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County’s policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2013, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage are available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31, 2013, \$1,244,102 of investments held by brokers was subject to custodial credit risk.

Concentration of Credit Risk

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's cash and investment balances at December 31, 2013, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government agency securities					
Federal Home Loan Bank Bonds	AA+	S&P		06/27/18	\$ 297,837
Federal Home Loan Bank Bonds	AA+	S&P		01/30/23	946,600
Federal Home Loan Bank Bonds	AA+	S&P		04/18/23	187,392
Federal Home Loan Bank Bonds	AA+	S&P		05/23/23	256,715
Federal Home Loan Bank Bonds	AA+	S&P		12/27/23	197,896
Federal Home Loan Bank Bonds	AA+	S&P		12/27/23	99,821
Federal Home Loan Bank Bonds	AAA	S&P		08/22/18	24,038
			>5%		
Total Federal Home Loan Bank Bonds					\$ 2,010,299
Federal Farm Credit Bank	AAA	S&P		09/12/16	\$ 39,865
Federal Farm Credit Bank	AAA	S&P		11/13/17	39,082
Federal Farm Credit Bank	AAA	S&P		11/13/17	63,495
Federal Farm Credit Bank	AAA	S&P		08/07/18	59,927
Total Federal Farm Credit Bank			<5%		\$ 202,369
Federal National Mortgage Association Bonds	AA+	S&P		08/28/18	\$ 158,774
Federal National Mortgage Association Bonds	AAA	S&P		04/01/17	15,493
Federal National Mortgage Association Bonds	AAA	S&P		10/01/40	27,902
Federal National Mortgage Association Bonds	AAA	S&P		01/01/41	32,108
Federal National Mortgage Association Bonds	AA+	S&P		09/25/41	32,216
Total Federal National Mortgage Association Bonds			<5%		\$ 266,493
Federal Home Loan Mortgage Corporation Notes	AAA	S&P		11/30/17	\$ 49,327
Federal Home Loan Mortgage Corporation Notes	AAA	S&P		10/10/18	30,239
Federal Home Loan Mortgage Corporation Notes	AAA	S&P		03/15/39	27,824
Federal Home Loan Mortgage Corporation Notes	AAA	S&P		10/01/41	15,321
Total Federal Home Loan Mortgage Corporation Notes			<5%		\$ 122,711
Beaufort County South Carolina GO Bond	AA+	S&P	<5%	03/01/15	\$ 52,775
Maine State Municipal Bond Bank	AA+	S&P	<5%	11/01/17	\$ 48,147
Madison Wisconsin - GO Bond	AAA	S&P	<5%	10/01/15	\$ 50,551

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Minnnetonka Minnesota - GO Bond	AAA	S&P	<5%	02/01/15	\$ 49,809
Carrboro North Carolina - GO Bond	AA+	S&P	<5%	02/01/18	\$ 51,453
Greenwood Indiana Cmnty Sch Corp School Dist	AA+	S&P	<5%	07/15/15	\$ 25,524
Montgomery County Tennessee - GO Bond	AA+	S&P	<5%	05/01/18	\$ 29,145
Olathe Kansas - GO Bond	AA+	S&P	<5%	10/01/17	\$ 25,830
Cambridge Minnesota Ind School Dist - GO Bond	AA	S&P	<5%	04/01/15	\$ 52,933
Lino Lakes Minnesota - GO Bond	AA	S&P	<5%	02/01/16	\$ 30,106
Portsmouth Virginia - GO Bond	AA	S&P	<5%	07/01/14	\$ 35,974
St. Louis Cnty Missouri Facilities Revenue	AA	S&P	<5%	12/01/15	\$ 50,668
United States Treasury Notes	AAA	S&P	<5%	07/31/14	\$ 15,002
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	>5%	N/A	\$ 14,187,698
Money Market GOTXX	N/R	N/A	<5%	N/A	18,907
Total investment pools/mutual funds					\$ 14,206,605
Negotiable certificates of deposit	N/A	N/A	>5%	Varies	\$ 2,839,906
Repurchase agreement	N/A	N/A	<5%	N/A	\$ 250,442
Total investments					\$ 20,416,742
Checking					(29,070)
Savings					1,683,500
Certificates of deposit					733,000
Petty cash and change funds					1,390
Total Cash and Investments					\$ 22,805,562

N/A - Not Applicable

N/R - Not Rated

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

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 462,065	\$ 8,046	\$ 3,626	\$ 466,485
Right-of-way	1,415,997	11,044	-	1,427,041
Construction in progress	1,842,366	5,527,087	1,027,072	6,342,381
Total capital assets not depreciated	<u>\$ 3,720,428</u>	<u>\$ 5,546,177</u>	<u>\$ 1,030,698</u>	<u>\$ 8,235,907</u>
Capital assets depreciated				
Buildings	\$ 9,227,205	\$ 246,698	\$ -	\$ 9,473,903
Improvements other than building	542,842	-	-	542,842
Machinery and equipment	8,149,648	620,298	321,699	8,448,247
Infrastructure	78,593,291	5,479,552	-	84,072,843
Total capital assets depreciated	<u>\$ 96,512,986</u>	<u>\$ 6,346,548</u>	<u>\$ 321,699</u>	<u>\$ 102,537,835</u>
Less: accumulated depreciation for				
Buildings	\$ 3,904,455	\$ 195,275	\$ -	\$ 4,099,730
Improvements other than building	102,766	26,036	-	128,802
Machinery and equipment	5,628,226	478,573	273,387	5,833,412
Infrastructure	20,757,408	1,600,525	-	22,357,933
Total accumulated depreciation	<u>\$ 30,392,855</u>	<u>\$ 2,300,409</u>	<u>\$ 273,387</u>	<u>\$ 32,419,877</u>
Total capital assets depreciated, net	<u>\$ 66,120,131</u>	<u>\$ 4,046,139</u>	<u>\$ 48,312</u>	<u>\$ 70,117,958</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 69,840,559</u>	<u>\$ 9,592,316</u>	<u>\$ 1,079,010</u>	<u>\$ 78,353,865</u>

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

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

General government	\$ 282,034
Public safety	276,776
Highways and streets, including depreciation of infrastructure assets	1,680,421
Sanitation	22,838
Culture and recreation	9,792
Conservation of natural resources	28,548
Total Depreciation Expense - Governmental Activities	<u>\$ 2,300,409</u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road and Bridge Special Revenue Fund	General Fund	\$ 4,363
	Ditch Special Revenue Fund	181
	Solid Waste Special Revenue Fund	<u>534</u>
Total Due To/From Other Funds		<u>\$ 5,078</u>

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

2. Interfund Transfers

No interfund transfers occurred for the year ended December 31, 2013.

C. Liabilities

1. Construction and Other Commitments

The government has active construction projects and other commitments as of December 31, 2013. The projects and commitments include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
GIS mapping	\$ -	\$ 8,200
Law Enforcement Center building remodel	2,299,260	1,856,452
Pictometry	28,914	171,590
PHS building remodel	220,600	3,522

The remaining commitment for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2013.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. 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.

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2013</u>
Clean water loans					
Cottonwood River Restoration/ Continuation	2017	\$ 15,172	2.00	\$ 434,219	\$ 91,341
Redwood River Watershed Project Continuation	2017	6,326	2.00	127,675	48,405
Cottonwood River Watershed Phosphorus TMDL	2022	2,033	2.00	100,000	33,333
Middle Minnesota Continuation	-	-	-	210,000	30,812
Total					<u>\$ 203,891</u>

The Middle Minnesota Continuation water loan does not have a fixed amortization schedule.

Bonds and Certificates of Indebtedness

In 2008, Redwood County issued a Capital Improvement Bond (Series 2008A) for \$3,920,000 to finance the renovation of the Government Center and remodeling of the Courthouse. In 2008, Redwood County also issued a Certificate of Indebtedness (Series 2008B) for \$720,000 to finance the acquisition of capital equipment for the County. In 2013, Redwood County issued a Law Enforcement Center (LEC) Bond (Series 2013A) for \$3,375,000 to finance the renovation and remodel of the LEC. Also in 2013, Redwood County issued a Recycling Facility Bond for \$2,040,000 (Series 2013A) for both Redwood and Renville Counties,

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Bonds and Certificates of Indebtedness (Continued)

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

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2013</u>
2013 General Obligation Law Enforcement Center Bond, Series 2013A	2028	\$170,000 - \$265,000	2.00 - 3.20	\$ 3,375,000	\$ 3,375,000
Add: unamortized premium					<u>39,041</u>
Law Enforcement Center Bond					<u>\$ 3,414,041</u>
2013 General Obligation Recycling Facility Bond, Series 2013A	2028	\$70,000 - \$80,000	2.00 - 3.20	\$ 2,040,000	\$ 2,040,000
Add: unamortized premium					<u>23,322</u>
Recycling Facility Bond					<u>\$ 2,063,322</u>
2008 General Obligation Improvement Bond, Series 2008A	2024	\$170,000 - \$355,000	3.00 - 4.50	\$ 3,920,000	\$ 3,115,000
Less: unamortized discount					<u>(19,077)</u>
Improvement Bond					<u>\$ 3,095,923</u>
2008 General Obligation Certificate of Indebtedness, Series 2008B	2014	\$130,000 - \$155,000	2.50 - 3.40	\$ 720,000	\$ 155,000
Total GO Bonds, Certificates, Net					<u><u>\$ 8,728,286</u></u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2013, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds and Certificates of Indebtedness</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 690,000	\$ 257,142
2015	555,000	240,613
2016	565,000	225,807
2017	580,000	210,103
2018	595,000	193,408
2019 - 2023	3,320,000	674,421
2024 - 2028	2,380,000	171,628
Total	<u>\$ 8,685,000</u>	<u>\$ 1,973,122</u>

<u>Year Ending December 31</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 43,819	\$ 3,244
2015	44,699	2,363
2016	45,598	1,464
2017	19,711	663
2018 - 2022	19,252	1,075
Total	<u>\$ 173,079</u>	<u>\$ 8,809</u>

The clean water loan of \$30,812 for the Middle Minnesota Continuation is not included in the debt service requirements because a fixed repayment schedule is not available.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Capital Leases

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

Capital leases consist of the following at December 31, 2013:

Lease	Final Maturity	Installments	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2013
2011 Crown Victoria	2015	Monthly	\$ 648	\$ 25,601	\$ 7,966
2011 Crown Victoria	2015	Monthly	648	25,786	7,999
2012 Crown Victoria	2016	Monthly	659	33,723	17,744
2013 Ford Interceptor Utility	2017	Monthly	662	35,350	21,014
2013 Ford Interceptor Sedan	2017	Monthly	601	32,433	19,467
2013 Ford Interceptor Utility	2017	Monthly	562	31,261	23,648
2013 Chevrolet Tahoe	2017	Monthly	749	34,538	25,015
Admn. Sharp Copier	2014	Monthly	155	7,286	306
Sheriff Sharp Copier	2014	Monthly	104	5,067	205
License Center Copier	2017	Monthly	93	3,000	2,472
Attorney Copier	2017	Monthly	163	4,693	3,942
A/T Neopost postage machine	2018	Quarterly	455	5,987	5,694
Total Capital Leases					<u>\$ 135,472</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

Year Ending December 31	Governmental Activities
2014	\$ 59,756
2015	44,972
2016	39,721
2017	11,145
2018	1,213
Total minimum lease payments	\$ 156,807
Less: amount representing interest	<u>(21,335)</u>
Present Value of Minimum Lease Payments	<u>\$ 135,472</u>

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation certificates	\$ 305,000	\$ -	\$ 150,000	\$ 155,000	\$ 155,000
General obligation bond 2008A	3,335,000	-	220,000	3,115,000	225,000
General obligation bond 2013A Law Enforcement Center	-	3,375,000	-	3,375,000	170,000
General obligation bond 2013A Recycling Facility	-	2,040,000	-	2,040,000	140,000
Add: unamortized premiums	-	66,817	4,454	62,363	-
Less: unamortized discounts	(22,137)	-	(3,060)	(19,077)	-
Total bonds and notes payable	\$ 3,617,863	\$ 5,481,817	\$ 371,394	\$ 8,728,286	\$ 690,000
Clean water loans payable	317,480	2,666	116,255	203,891	43,819
Compensated absences	1,029,844	1,111,842	1,362,034	779,652	86,229
Other postemployment benefits	272,261	101,970	91,460	282,771	43,318
Capital leases	105,007	139,569	109,104	135,472	49,060
Governmental Activities Long-Term Liabilities	<u>\$ 5,342,455</u>	<u>\$ 6,837,864</u>	<u>\$ 2,050,247</u>	<u>\$ 10,130,072</u>	<u>\$ 912,426</u>

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Funding Policy (Continued)

6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2013:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2013	2012	2011
General Employees Retirement Fund	\$ 251,125	\$ 412,743	\$ 417,070
Public Employees Police and Fire Fund	100,776	96,171	93,466
Public Employees Correctional Fund	41,071	38,987	38,250

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

B. Defined Contribution Plan

Four employees of 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.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2013, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,609	\$ 5,609
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

The County pays the health insurance for qualified retired employees and elected officials. Employees who retire between age 55 and 65 with 25 years of public service, and with at least 10 years of service with Redwood County, qualify for health insurance benefits. Elected officials qualify if they serve a minimum of 2 years as an elected Redwood County official. The elected official and his or her surviving spouse and dependents will receive one year of paid or partially paid medical insurance for every 2 years of service to Redwood County. Additional years, not a multiple of two, are prorated. A maximum of 6 years of paid insurance is available to elected officials. On November 30, 2010, the Board took action to change the health insurance benefits for elected officials. For those elected officials taking office on or before January 4, 2011, the following provisions apply as above, except the County will not exceed the actual cost of the County's \$500 deductible plan for the "Retiree and Spouse, both 65 years of

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

age or over” rate. For those elected officials taking office after January 4, 2011, the following provisions apply. The elected official who retires between age 55 and 65, with at least 10 years of service with Redwood County, qualifies for health insurance benefits. The amount paid by the County will not exceed the amount that the County contributes to employees pursuant to policy 6.16, as may be amended from time to time by the County Board. For retired employees, the County rates are based on the County’s group health policy rates in effect at the time of retirement and are a fixed amount until discontinued at age 65 and after a maximum of 6 years for elected officials. As of year-end December 31, 2013, the County has 10 eligible participants (4 elected officials and 6 employees). The County finances the plan on a pay-as-you-go basis. During 2013, the County expended \$59,708 for these benefits.

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$	107,490
Interest on net OPEB obligation		8,168
Adjustment to ARC		(13,688)

Annual OPEB cost (expense)	\$	101,970
Contributions made during the year		(91,460)

Increase in net OPEB obligation	\$	10,510
Net OPEB Obligation - Beginning of Year		272,261

Net OPEB Obligation - End of Year	\$	282,771

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2011, 2012, and 2013, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2011	\$ 102,208	\$ 206,865	202.4%	\$ 272,168
December 31, 2012	101,971	101,878	99.9	272,261
December 31, 2013	101,970	91,460	89.7	282,771

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$1,100,130, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,100,130. The covered payroll (annual payroll of active employees covered by the plan) was \$7,009,082, and the ratio of the UAAL to the covered payroll was 15.7 percent.

Actuarial Methods and Assumptions

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

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

In the January 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a three percent investment rate of return (net of investment expenses), which is Redwood County's implicit rate of return on the General Fund.

The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 4.0 percent over 4 years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized over 30 years on a level dollar basis. The remaining amortization period at December 31, 2013, was 24 years.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$470,000 per claim in 2013 and \$480,000 in 2014. 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.

The Southwest/West Central Service Cooperative (Service Cooperative) is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

B. Contingent Liabilities

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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

Lincoln-Pipestone Rural Water System

At December 31, 2012, the Lincoln-Pipestone Rural Water System had \$36,231,499 of general obligation bonds outstanding through 2052. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

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

In 2012, Lincoln County issued a General Obligation Water System Refunding Bond for \$1,050,000 on behalf of the Lincoln-Pipestone Rural Water System to crossover advance refund the General Obligation Water System Refunding Bonds, Series 2003.

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

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

C. Subsequent Event

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

D. Joint Ventures

Lincoln-Pipestone Rural Water System

Redwood County, along with 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, 2012 (latest information available), were \$36,231,499.

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Red Rock Rural Water System

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

The governing body is composed of nine members appointed to three-year terms by the District Court. Each county is responsible for levying and collecting the special assessments from the benefited properties within that county. A bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System.

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

Southwest Minnesota Regional Radio Board

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Southwest Minnesota Regional Radio Board (Continued)

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

Financing is provided by the appropriations from member parties and by state and federal grants.

Minnesota River Basin

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

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

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

During 2013, Redwood County made no contributions to the Joint Powers Board.

Complete financial statements for the Minnesota River Basin Joint Powers Board can be obtained from its administrative office at 135 Trafton Science Center South, Minnesota State University - Mankato, Mankato, Minnesota 56001.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Redwood/Renville Regional Solid Waste Authority

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

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

Southwest Health and Human Services

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

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Southwest Health and Human Services (Continued)

SWHHS is governed by the:

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

Financing is provided by state and federal grants and appropriations from member counties. Redwood County’s contribution in 2013 was \$2,548,408.

At December 31, 2012, SWHHS reported a total fund balance of \$6,108,171. In addition, SWHHS reported total net position of \$5,277,383. SWHHS’s long-term liabilities at December 31, 2012, total \$1,253,550 and include the net OPEB obligation and compensated absences. The debt will be funded by intergovernmental revenue and revenue from computer services.

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium Board

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

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

The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2011 (the most recent information available):

Total assets	\$ 2,127,562
Total liabilities	564,148
Total net assets	1,563,414
Total revenues	3,744,479
Total expenditures	4,103,387
Net change in net assets	(358,908)

The Board reported no long-term obligations at December 31, 2011.

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

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

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

E. 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 programs for flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County contributed \$11,439 to the Project.

Redwood-Cottonwood Rivers Control Area

The Redwood-Cottonwood Rivers Control Area (RCRCA) promotes orderly water quality improvement and management within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. The County contributed \$19,860 to the RCRCA in 2013.

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REQUIRED SUPPLEMENTARY INFORMATION

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,018,480	\$ 6,018,480	\$ 6,117,807	\$ 99,327
Special assessments	61,886	61,886	85,877	23,991
Licenses and permits	50,015	50,015	65,209	15,194
Intergovernmental	1,154,282	1,154,282	1,362,412	208,130
Charges for services	835,860	804,305	835,148	30,843
Gifts and contributions	12,000	12,000	13,830	1,830
Investment earnings	39,778	39,778	30,821	(8,957)
Miscellaneous	425,214	425,214	606,656	181,442
Total Revenues	\$ 8,597,515	\$ 8,565,960	\$ 9,117,760	\$ 551,800
Expenditures				
Current				
General government				
Commissioners	\$ 242,365	\$ 242,365	\$ 226,396	\$ 15,969
Law library	6,000	6,000	11,680	(5,680)
County administration	640,464	380,454	286,462	93,992
Administrator	255,147	255,147	236,305	18,842
Auditor-Treasurer	354,790	354,790	337,646	17,144
License center	148,830	148,830	183,599	(34,769)
Assessor	335,367	335,367	301,635	33,732
Elections	40,000	40,000	8,901	31,099
Computer	242,445	242,445	231,086	11,359
Attorney	422,394	422,394	403,299	19,095
Recorder	261,691	261,691	279,087	(17,396)
Buildings and plant	4,768,840	4,768,840	3,033,942	1,734,898
Veterans service officer	167,391	167,391	145,831	21,560
Total general government	\$ 7,885,724	\$ 7,625,714	\$ 5,685,869	\$ 1,939,845
Public safety				
Sheriff	\$ 2,609,638	\$ 2,609,638	\$ 2,411,872	\$ 197,766
Coroner	15,000	15,000	32,550	(17,550)
E-911 system	165,000	165,000	360,052	(195,052)
Probation and parole	291,955	291,955	244,321	47,634
Restorative justice	70,000	70,000	62,119	7,881
Sentence to Serve	55,995	55,995	40,818	15,177
Emergency management	73,163	73,163	66,686	6,477
Other public safety	25,600	25,600	48,083	(22,483)
Total public safety	\$ 3,306,351	\$ 3,306,351	\$ 3,266,501	\$ 39,850

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

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Health				
Community health	\$ 131,515	\$ 74,553	\$ 71,440	\$ 3,113
Culture and recreation				
Museum	\$ 3,000	\$ 3,000	\$ 2,420	\$ 580
Parks	111,823	111,823	107,204	4,619
Minnesota trails	93,286	93,286	85,942	7,344
Other	48,500	48,500	48,300	200
Total culture and recreation	\$ 256,609	\$ 256,609	\$ 243,866	\$ 12,743
Conservation of natural resources				
Extension	\$ 99,052	\$ 99,052	\$ 93,969	\$ 5,083
Agricultural inspection	226,127	226,127	215,793	10,334
Water quality loan program	30,000	30,000	-	30,000
Other	166,032	166,032	167,058	(1,026)
Total conservation of natural resources	\$ 521,211	\$ 521,211	\$ 476,820	\$ 44,391
Economic development				
Other	\$ 90,703	\$ 90,703	\$ 137,743	\$ (47,040)
Intergovernmental				
Health	\$ 353,298	\$ 353,298	\$ 353,298	\$ -
Library	94,438	94,438	94,438	-
Total intergovernmental	\$ 447,736	\$ 447,736	\$ 447,736	\$ -
Debt service				
Principal	\$ 46,631	\$ 46,631	\$ 218,698	\$ (172,067)
Interest	\$ 3,471	\$ 3,471	\$ 17,821	\$ (14,350)
Bond issuance costs	\$ -	\$ -	\$ 48,923	\$ (48,923)
Total Expenditures	\$ 12,689,951	\$ 12,372,979	\$ 10,615,417	\$ 1,757,562

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ (4,092,436)	\$ (3,807,019)	\$ (1,497,657)	\$ 2,309,362
Other Financing Sources (Uses)				
Bonds issued	\$ 2,500,000	\$ 2,500,000	\$ 3,375,000	\$ 875,000
Premium on bonds	-	-	41,830	41,830
Capital lease/installment purchase	-	-	139,569	139,569
Loans issued	30,000	30,000	-	(30,000)
Proceeds from sale of capital assets	-	-	132,000	132,000
Total Other Financing Sources (Uses)	\$ 2,530,000	\$ 2,530,000	\$ 3,688,399	\$ 1,158,399
Special Item				
Transfer public health operation to Southwest Health and Human Services	\$ (373,856)	\$ (373,856)	\$ (373,856)	\$ -
Net Change in Fund Balance	\$ (1,936,292)	\$ (1,650,875)	\$ 1,816,886	\$ 3,467,761
Fund Balance - January 1, as restated (Note 1.D.12.)	11,157,366	11,157,366	11,157,366	-
Fund Balance - December 31	\$ 9,221,074	\$ 9,506,491	\$ 12,974,252	\$ 3,467,761

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,305,473	\$ 1,305,473	\$ 1,320,288	\$ 14,815
Intergovernmental	4,625,527	4,625,527	7,497,968	2,872,441
Charges for services	2,000	2,000	16,881	14,881
Investment earnings	2,000	2,000	1,484	(516)
Miscellaneous	45,000	45,000	145,103	100,103
Total Revenues	\$ 5,980,000	\$ 5,980,000	\$ 8,981,724	\$ 3,001,724
Expenditures				
Current				
Highways and streets				
Administration	\$ 485,000	\$ 485,000	\$ 423,369	\$ 61,631
Maintenance	1,485,000	1,485,000	1,539,886	(54,886)
Construction	2,960,000	2,960,000	7,093,669	(4,133,669)
Equipment and maintenance shops	675,000	675,000	797,917	(122,917)
Total highways and streets	\$ 5,605,000	\$ 5,605,000	\$ 9,854,841	\$ (4,249,841)
Intergovernmental				
Highways and streets	375,000	375,000	472,452	(97,452)
Total Expenditures	\$ 5,980,000	\$ 5,980,000	\$ 10,327,293	\$ (4,347,293)
Net Change in Fund Balance	\$ -	\$ -	\$ (1,345,569)	\$ (1,345,569)
Fund Balance - January 1	4,415,901	4,415,901	4,415,901	-
Increase (decrease) in inventories	-	-	(53,757)	(53,757)
Fund Balance - December 31	\$ 4,415,901	\$ 4,415,901	\$ 3,016,575	\$ (1,399,326)

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,118,778	\$ 2,118,778	\$ 2,144,015	\$ 25,237
Intergovernmental	76,332	76,332	61,867	(14,465)
Total Revenues	\$ 2,195,110	\$ 2,195,110	\$ 2,205,882	\$ 10,772
Expenditures				
Current				
Human services	\$ 365,000	\$ -	\$ -	\$ -
Intergovernmental				
Human services	2,195,110	2,195,110	2,195,023	87
Debt service				
Principal	-	-	6,661	(6,661)
Total Expenditures	\$ 2,560,110	\$ 2,195,110	\$ 2,201,684	\$ (6,574)
Excess of Revenues Over (Under) Expenditures	\$ (365,000)	\$ -	\$ 4,198	\$ 4,198
Special Item				
Transfer human service operation to Southwest Health and Human Services	(1,234,642)	(1,314,237)	(1,306,138)	8,099
Net Change in Fund Balance	\$ (1,599,642)	\$ (1,314,237)	\$ (1,301,940)	\$ 12,297
Fund Balance - January 1	2,312,905	2,312,905	2,312,905	-
Fund Balance - December 31	\$ 713,263	\$ 998,668	\$ 1,010,965	\$ 12,297

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 370,378	\$ 370,378	\$ 377,026	\$ 6,648
Licenses and permits	1,000	1,000	1,750	750
Intergovernmental	55,950	55,950	55,955	5
Investment earnings	3,000	3,000	3,093	93
Miscellaneous	288,664	288,664	242,443	(46,221)
Total Revenues	\$ 718,992	\$ 718,992	\$ 680,267	\$ (38,725)
Expenditures				
Current				
Sanitation				
Solid waste	\$ 334,411	\$ 334,411	\$ 285,135	\$ 49,276
Recycling	336,650	336,650	262,079	74,571
Hazardous waste	10,000	10,000	12,207	(2,207)
Total sanitation	\$ 681,061	\$ 681,061	\$ 559,421	\$ 121,640
Debt service				
Bond issuance costs	-	-	29,571	(29,571)
Total Expenditures	\$ 681,061	\$ 681,061	\$ 588,992	\$ 92,069
Excess of Revenues Over (Under)				
Expenditures	\$ 37,931	\$ 37,931	\$ 91,275	\$ 53,344
Other Financing Sources (Uses)				
Bonds issued	\$ -	\$ -	\$ 2,040,000	\$ 2,040,000
Premium on bonds	-	-	24,987	24,987
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 2,064,987	\$ 2,064,987
Special Item				
Transfer of proceeds to Redwood/Renville Regional Solid Waste Authority	\$ -	\$ -	\$ (2,058,826)	\$ (2,058,826)
Net Change in Fund Balance	\$ 37,931	\$ 37,931	\$ 97,436	\$ 59,505
Fund Balance - January 1	1,462,611	1,462,611	1,462,611	-
Fund Balance - December 31	\$ 1,500,542	\$ 1,500,542	\$ 1,560,047	\$ 59,505

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

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-5

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 664,529	\$ 664,529	\$ 639,177	\$ (25,352)
Intergovernmental	113,500	113,500	183	(113,317)
Investment earnings	20,000	20,000	(42,984)	(62,984)
Miscellaneous	350	350	3,209	2,859
Total Revenues	\$ 798,379	\$ 798,379	\$ 599,585	\$ (198,794)
Expenditures				
Current				
Conservation of natural resources				
Other	455,483	455,483	448,757	6,726
Net Change in Fund Balance	\$ 342,896	\$ 342,896	\$ 150,828	\$ (192,068)
Fund Balance - January 1	2,520,865	2,520,865	2,520,865	-
Fund Balance - December 31	\$ 2,863,761	\$ 2,863,761	\$ 2,671,693	\$ (192,068)

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$ 1,867,528	\$ 1,867,528	0.0%	\$ 6,782,042	27.5%
January 1, 2011	-	1,100,130	1,100,130	0.0	7,009,082	15.7

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

1. General Budget Policies

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

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

2. Budget Basis of Accounting

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

3. Budget Amendments

Revenue budgets were amended in the following funds:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 8,597,515	\$ (31,555)	\$ 8,565,960

Expenditure budgets were amended in the following funds:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 12,689,951	\$ (316,972)	\$ 12,372,979
Human Services Special Revenue Fund	2,560,110	(365,000)	2,195,110

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Excess of Expenditures Over Budget

The following individual major funds had expenditures in excess of budget for the year ended December 31, 2013:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Special Revenue Funds			
Road and Bridge	\$ 10,327,293	\$ 5,980,000	\$ 4,347,293
Human Services	2,201,684	2,195,110	6,574

5. Other Postemployment Benefits

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero. Currently, two actuarial valuations are available. As the information becomes available, future reports will provide additional trend analysis to meet the three valuation funding status requirement.

See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 699,231	\$ 699,231	\$ 705,415	\$ 6,184
Intergovernmental	23,675	23,675	18,381	(5,294)
Investment earnings	-	-	361	361
Total Revenues	<u>\$ 722,906</u>	<u>\$ 722,906</u>	<u>\$ 724,157</u>	<u>\$ 1,251</u>
Expenditures				
Debt service				
Principal	\$ 585,478	\$ 585,478	\$ 370,000	\$ 215,478
Interest	136,578	136,578	136,578	-
Administrative (fiscal) charges	850	850	850	-
Total Expenditures	<u>\$ 722,906</u>	<u>\$ 722,906</u>	<u>\$ 507,428</u>	<u>\$ 215,478</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,729</u>	<u>\$ 216,729</u>
Fund Balance - January 1	<u>845,552</u>	<u>845,552</u>	<u>845,552</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 845,552</u></u>	<u><u>\$ 845,552</u></u>	<u><u>\$ 1,062,281</u></u>	<u><u>\$ 216,729</u></u>

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FIDUCIARY FUNDS

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

AGENCY FUNDS

Family Services Collaborative - to account for the collection and disbursement of funds for the local collaborative.

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

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

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

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

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FAMILY SERVICES COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 127,130	\$ -	\$ 127,130	\$ -
<u>Liabilities</u>				
Accounts payable	\$ 127,130	\$ -	\$ 127,130	\$ -
 <u>SOCIAL WELFARE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 9,952	\$ 55,072	\$ 64,919	\$ 105
<u>Liabilities</u>				
Accounts payable	\$ 9,952	\$ 55,072	\$ 64,919	\$ 105
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 557,383	\$ 557,383	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 557,383	\$ 557,383	\$ -

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 308,481</u>	<u>\$ 23,268,693</u>	<u>\$ 23,212,710</u>	<u>\$ 364,464</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 308,481</u>	<u>\$ 23,268,693</u>	<u>\$ 23,212,710</u>	<u>\$ 364,464</u>
 <u>FORFEITED TAX SALE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 170</u>	<u>\$ 105,957</u>	<u>\$ 11,442</u>	<u>\$ 94,685</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 170</u>	<u>\$ 105,957</u>	<u>\$ 11,442</u>	<u>\$ 94,685</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 445,733</u>	<u>\$ 23,987,105</u>	<u>\$ 23,973,584</u>	<u>\$ 459,254</u>
<u>Liabilities</u>				
Accounts payable	\$ 137,082	\$ 55,072	\$ 192,049	\$ 105
Due to other governments	<u>308,651</u>	<u>23,932,033</u>	<u>23,781,535</u>	<u>459,149</u>
Total Liabilities	<u>\$ 445,733</u>	<u>\$ 23,987,105</u>	<u>\$ 23,973,584</u>	<u>\$ 459,254</u>

OTHER SCHEDULE

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Shared Revenue

State

Highway users tax	\$ 5,926,726
County program aid	261,222
PERA rate reimbursement	27,660
Disparity reduction aid	44,832
Police aid	86,861
Enhanced 911	91,561
Market value credit	224,649
Casino credit	66,732
	66,732

Total shared revenue **\$ 6,730,243**

Reimbursement for Services

Highways and streets **\$ 231,330**

Payments

Local

Payments in lieu of taxes	\$ 141,802
Local contributions	60,000
	60,000

Total payments **\$ 201,802**

Grants

State

Minnesota Department/Board of Corrections	\$ 60,611
Historical Society	28,800
Natural Resources	88,210
Public Safety	138,720
Transportation	1,270,475
Veterans Affairs	10,000
Water and Soil Resources	46,415
Pollution Control Agency	55,950
Peace Officer Standards and Training Board	4,101
	4,101

Total state **\$ 1,703,282**

Federal

Department of Agriculture	\$ 6,401
Transportation	13,681
Health and Human Services	40,112
Homeland Security	69,915
	69,915

Total federal **\$ 130,109**

Total state and federal grants **\$ 1,833,391**

Total Intergovernmental Revenue **\$ 8,996,766**

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013**

FINDINGS AND RECOMMENDATIONS

PREVIOUSLY REPORTED ITEM RESOLVED

Eligibility Testing (CFDA No. 93.778) (2011-001)

The Minnesota Department of Human Services maintains the computer system, MAXIS, used by the County to support the eligibility determination process. During our previous audit, we noted that while periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all documentation was available to support participant eligibility. In other circumstances, information was input into MAXIS incorrectly.

Resolution

As of January 1, 2013, all human service functions of Redwood County were assumed by the joint powers entity Southwest Health and Human Services. The County is no longer responsible for using MAXIS to support the eligibility determination process.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Redwood County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County, Minnesota, as of and for the year ended December 31 2013, 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 25, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

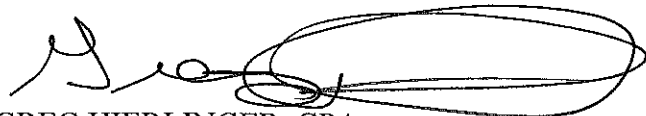
In connection with our audit, nothing came to our attention that caused us to believe that Redwood County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.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

Purpose of This Report

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



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 25, 2014

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