

STATE OF MINNESOTA

Office of the State Auditor



Julie Blaha
State Auditor

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

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 100 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 600 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, 2018



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

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REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

TABLE OF CONTENTS

| | <u>Exhibit</u> | <u>Page</u> |
|--|----------------|-------------|
| Introductory Section | | |
| Organization | | 1 |
| Financial Section | | |
| Independent Auditor's Report | | 2 |
| Management's Discussion and Analysis | | 5 |
| Basic Financial Statements | | |
| Government-Wide Financial Statements | | |
| Statement of Net Position | 1 | 16 |
| Statement of Activities | 2 | 18 |
| Fund Financial Statements | | |
| Governmental Funds | | |
| Balance Sheet | 3 | 19 |
| Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities | 4 | 23 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance | 5 | 24 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities | 6 | 28 |
| Proprietary Fund | | |
| Statement of Net Position | 7 | 30 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position | 8 | 31 |
| Statement of Cash Flows | 9 | 32 |
| Fiduciary Funds | | |
| Statement of Fiduciary Net Position | 10 | 33 |
| Notes to the Financial Statements | | 34 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

TABLE OF CONTENTS

| | Exhibit | Page |
|---|---------|------|
| Financial Section (Continued) | | |
| Required Supplementary Information | | |
| Budgetary Comparison Schedules | | |
| General Fund | A-1 | 96 |
| Road and Bridge Special Revenue Fund | A-2 | 99 |
| Human Services Special Revenue Fund | A-3 | 100 |
| Solid Waste Special Revenue Fund | A-4 | 101 |
| Ditch Special Revenue Fund | A-5 | 102 |
| Schedule of Changes in Total OPEB Liability and Related Ratios | A-6 | 103 |
| PERA General Employees Retirement Plan | | |
| Schedule of Proportionate Share of Net Pension Liability | A-7 | 104 |
| Schedule of Contributions | A-8 | 105 |
| PERA Public Employees Police and Fire Plan | | |
| Schedule of Proportionate Share of Net Pension Liability | A-9 | 106 |
| Schedule of Contributions | A-10 | 107 |
| PERA Public Employees Local Government Correctional Service Retirement Plan | | |
| Schedule of Proportionate Share of Net Pension Liability | A-11 | 108 |
| Schedule of Contributions | A-12 | 109 |
| Notes to the Required Supplementary Information | | 110 |
| Supplementary Information | | |
| Governmental Fund | | |
| Budgetary Comparison Schedule – Debt Service Fund | B-1 | 117 |
| Fiduciary Funds | | |
| Agency Funds | | 118 |
| Combining Statement of Changes in Assets and Liabilities – All Agency Funds | C-1 | 119 |
| Other Schedules | | |
| Schedule of Intergovernmental Revenue | D-1 | 121 |
| Schedule of Expenditures of Federal Awards | D-2 | 123 |
| Notes to the Schedule of Expenditures of Federal Awards | | 124 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

TABLE OF CONTENTS
(Continued)

| | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| Management and Compliance Section | | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 125 |
| Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance | | 127 |
| Schedule of Findings and Questioned Costs | | 130 |
| Corrective Action Plan | | 135 |
| Summary Schedule of Prior Audit Findings | | 137 |

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

ORGANIZATION
2018

| Office | Name | Term Expires |
|---------------------------------|-----------------------------|--------------|
| Commissioners | | |
| 1st District | Lon Walling | January 2021 |
| 2nd District | Jim Salfer, Chair | January 2019 |
| 3rd District | Dennis Groebner, Vice Chair | January 2019 |
| 4th District | Robert Van Hee | January 2021 |
| 5th District | David Forkrud | January 2021 |
| County Officers | | |
| Elected | | |
| Attorney | Jenna Peterson | January 2019 |
| Auditor-Treasurer | Jean Price | January 2019 |
| District Court Judge | Patrick R. Rohland | January 2019 |
| Recorder | Joyce Anderson | January 2019 |
| Sheriff | Randy Hanson | January 2019 |
| Appointed | | |
| Administrator | Vicki Knobloch | Indefinite |
| Assessor | Kathy Hillmer | Indefinite |
| Environmental Services Director | Scott Wold | Indefinite |
| Highway Engineer | Keith Berndt | April 2022 |
| License Center Supervisor | Lisa Guggisberg | Indefinite |
| Maintenance Supervisor | Loren Gewerth | Indefinite |
| Medical Examiner | Dr. Gregory McCallum | Indefinite |
| Veterans Service Officer | Dustin Hunter | Indefinite |

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Redwood County
Redwood Falls, Minnesota

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, 2018, 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 from 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change 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 Supplementary 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 17, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Redwood County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Redwood County's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA 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 SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 17, 2019

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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, 2018
(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, 2018. 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 \$107,924,766, of which \$91,474,338 is the net investment in capital assets, and \$8,008,636 is restricted to specific purposes. The \$8,441,792 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$8,284,028 for the year ended December 31, 2018. A large part of the increase is attributable to the County's net investment in capital assets.
- The net cost of governmental activities for the current fiscal year was \$8,813,987. The net cost was funded by general revenues totaling \$14,098,015.
- Fund balances of the governmental funds decreased by \$1,848,944. Most of the decrease was due to the Titan Building purchase in the Road and Bridge Special Revenue Fund.
- For the year ended December 31, 2018, the assigned and unassigned fund balance of the General Fund was \$8,830,978, or 89.8 percent of the total General Fund expenditures for the year, a decrease of 22.5 percentage points.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

The basic proprietary fund financial statements are Exhibits 7 through 9 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Exhibit 10.

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 34 through 95 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$107,924,766 at the close of 2018. The largest portion of the net position (84.8 percent) reflects the County's net investment in capital assets (for example: land, buildings, equipment, and infrastructure such as roads and bridges), less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. Comparative data with 2017 is presented.

**Net Position
(in Thousands)**

| | Governmental Activities | |
|-------------------------------------|-------------------------|------------|
| | 2018 | 2017 |
| Assets | | |
| Current and other assets | \$ 27,493 | \$ 29,323 |
| Capital assets | 96,020 | 86,441 |
| Total Assets | \$ 123,513 | \$ 115,764 |
| Deferred Outflows of Resources | | |
| Deferred pension outflows | \$ 2,246 | \$ 3,176 |
| Liabilities | | |
| Long-term liabilities | \$ 12,817 | \$ 15,017 |
| Other liabilities | 1,647 | 1,225 |
| Total Liabilities | \$ 14,464 | \$ 16,242 |
| Deferred Inflows of Resources | | |
| Deferred pension inflows | \$ 3,338 | \$ 2,791 |
| Deferred OPEB inflows | 6 | - |
| Prepaid taxes | 26 | 144 |
| Total Deferred Inflows of Resources | \$ 3,370 | \$ 2,935 |
| Net Position | | |
| Net investment in capital assets | \$ 91,474 | \$ 81,367 |
| Restricted | 8,009 | 7,029 |
| Unrestricted | 8,442 | 11,367 |
| Total Net Position, as reported | \$ 107,925 | \$ 99,763 |
| Change in accounting principle* | | (122) |
| Total Net Position, as restated | | \$ 99,641 |

*The January 1, 2018, net position was decreased by \$122,242 to adopt new accounting guidance by implementing the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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 7.8 percent of net position.

Governmental Activities

The County's activities increased net position by 8.3 percent (\$99,640,738 for 2017, compared to \$107,924,766 for 2018). Key elements in this increase in net position are as follows for 2018, with comparative data for 2017.

Changes in Net Position (in Thousands)

| | Governmental Activities | |
|--|-------------------------|------------------|
| | 2018 | 2017 |
| Revenues | | |
| Program revenues | | |
| Fees, charges, fines, and other | \$ 3,405 | \$ 2,486 |
| Operating grants and contributions | 8,458 | 7,355 |
| Capital grants and contributions | 1,636 | 95 |
| General revenues | | |
| Property taxes | 11,646 | 11,298 |
| Other | 2,452 | 1,744 |
| Total Revenues | <u>\$ 27,597</u> | <u>\$ 22,978</u> |
| Expenses | | |
| General government | \$ 4,416 | \$ 4,081 |
| Public safety | 3,897 | 4,417 |
| Highways and streets | 7,235 | 6,626 |
| Sanitation | 703 | 2,391 |
| Human services | 2,502 | 2,349 |
| Health | 197 | 173 |
| Culture and recreation | 397 | 353 |
| Conservation of natural resources | 2,651 | 1,392 |
| Economic development | 95 | 70 |
| Interest | 220 | 230 |
| Total Expenses | <u>\$ 22,313</u> | <u>\$ 22,082</u> |
| Change in Net Position Before Special Item | \$ 5,284 | \$ 896 |
| Special item – lease termination for building purchase | <u>3,000</u> | <u>-</u> |
| Change in Net Position | \$ 8,284 | \$ 896 |
| Net Position – January 1, as restated | <u>99,641*</u> | <u>98,867</u> |
| Net Position – December 31, as reported | <u>\$ 107,925</u> | <u>\$ 99,763</u> |

*Amount includes a change in accounting principles.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$22,298,724, a decrease of \$1,868,244 in comparison with the prior year. Of the combined ending fund balances, \$12,370,799 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 \$8,830,978. 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 89.8 percent of total General Fund expenditures. The ending fund balance decreased by \$1,078,112 during 2018, primarily due to transferring funds to the Road and Bridge Special Revenue Fund for the purchase of the Titan Building.

The Road and Bridge Special Revenue Fund had an assigned fund balance of \$1,582,217 at fiscal year-end, representing 9.4 percent of its annual expenditures. The ending fund balance decreased \$595,462 during 2018, primarily due to the purchase of the Titan Building and capital asset purchases.

The Human Services Special Revenue Fund had an assigned fund balance of \$729,242 at fiscal year-end.

The Solid Waste Special Revenue Fund had an assigned fund balance of \$273,374 at fiscal year-end.

The Ditch Special Revenue Fund had restricted fund balance of \$1,001,527 at fiscal year-end. The ending fund balance decreased \$230,363 during 2018, primarily due to paying for buffer strips from the redetermination of certain ditches and spreading those liens over more than one year.

The Debt Service Fund had restricted fund balance of \$2,305,999 at fiscal year-end. The Debt Service Fund was created in 2008 due to the issuance of bonds for the renovation of the Government Center, remodeling of the Courthouse, and the purchase of equipment. In 2013, new bonds were sold for the construction and remodeling of the Law Enforcement Center. In 2016, the sale of a refunding bond occurred which will be used to crossover refund the \$1,170,000 of the \$3,920,000 General Obligation Improvement Bond, Series 2008A, to be called on February 1, 2019.

Governmental Activities

The County’s total revenues were \$27,597,017. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2018.

**Table 1
Total County Revenues**

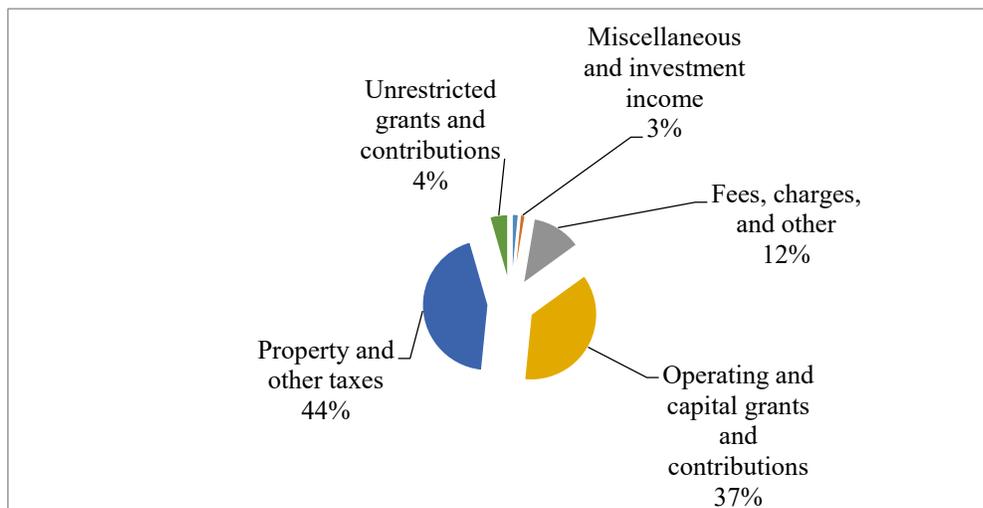
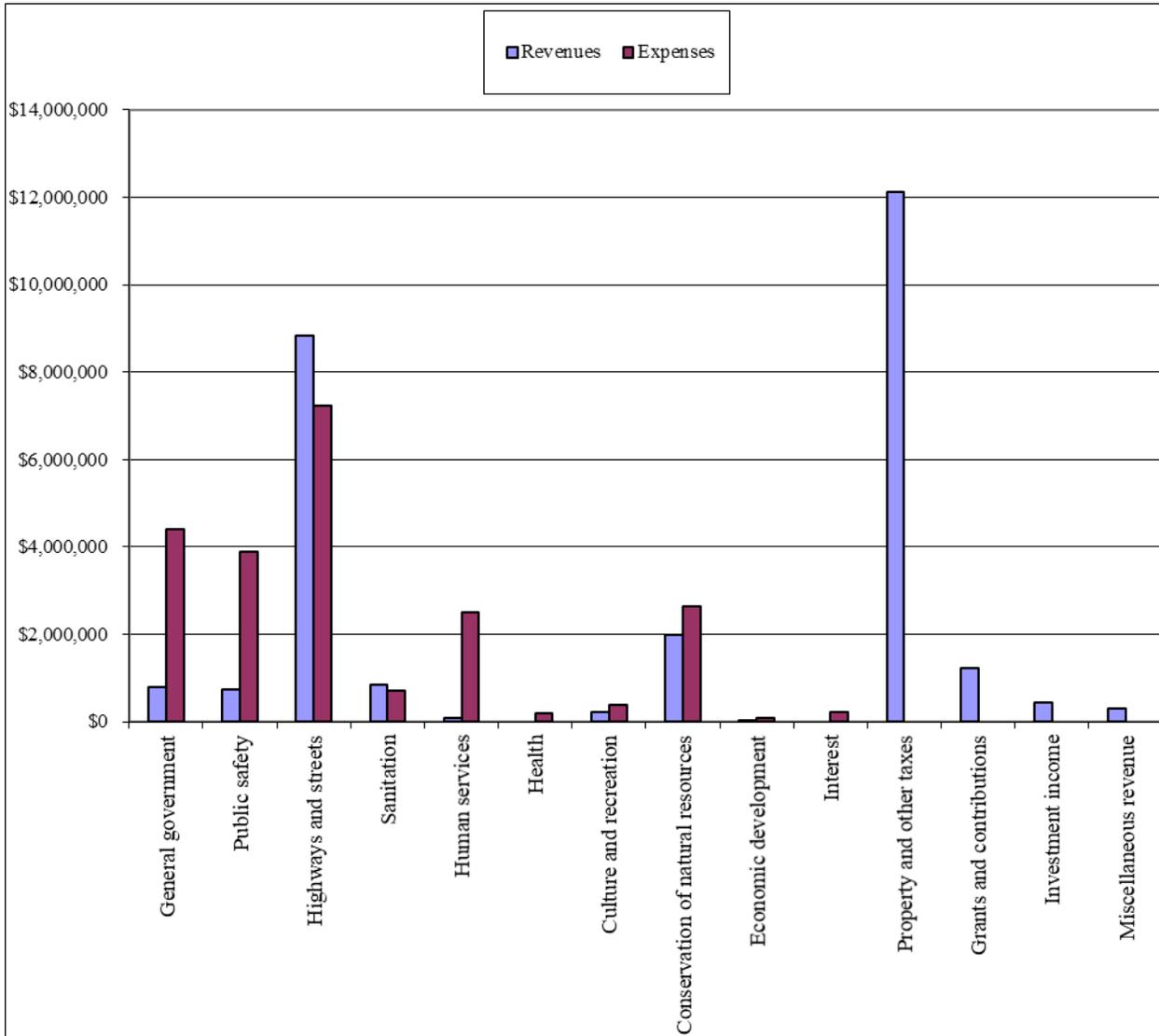


Table 2 presents the cost and revenue of each program, as well as the County’s general revenues.

Total program and general revenues for the County were \$27,597,017, while total expenses were \$22,312,989. Along with net special items of \$3,000,000, this reflects an \$8,284,028 increase in net position for the year ended December 31, 2018.

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



The cost of all governmental activities this year was \$22,312,989. 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 \$11,646,160, because some of the cost was paid by those who directly benefited from the programs (\$3,405,062) or by other governments and organizations that subsidized certain programs with grants and contributions (\$10,093,940). The County paid for the remaining “public benefit” portion of governmental activities with general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as grants and contributions not restricted to specific programs and investment income.

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

**Table 3
Governmental Activities**

| | Total Cost of Services 2018 | Net Cost (Revenue) of Services 2018 |
|-----------------------------------|-----------------------------------|--|
| Highways and streets | \$ 7,234,999 | \$ (1,590,622) |
| General government | 4,416,399 | 3,617,576 |
| Public safety | 3,897,250 | 3,168,516 |
| Conservation of natural resources | 2,650,923 | 672,063 |
| Human services | 2,502,370 | 2,412,172 |
| Sanitation | 702,895 | (154,382) |
| All others | 908,153 | 688,664 |
| Totals | \$ 22,312,989 | \$ 8,813,987 |

General Fund Budgetary Highlights

Actual expenditures were less than budgeted expenditures by \$970,128. One of the most significant positive variances of \$471,667 occurred in Buildings and Plant, where the actual expenditures were less than the amount budgeted. Two other significant positive variances of \$285,906 occurred in the Sheriff Department and \$282,925 in the Parks 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, 2018, totaled \$96,019,794 (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 \$9,578,078, or 11.1 percent, from the previous year. The major capital asset event was:

| | |
|-----------------------|--------------|
| Addition of buildings | \$ 5,075,821 |
|-----------------------|--------------|

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

| | 2018 | 2017 |
|-----------------------------------|------------------|------------------|
| Land | \$ 2,419 | \$ 2,068 |
| Infrastructure | 71,032 | 69,785 |
| Buildings | 14,154 | 9,489 |
| Improvements other than buildings | 620 | 536 |
| Machinery and equipment | 4,474 | 3,593 |
| Construction in progress | 3,321 | 971 |
| Totals | \$ 96,020 | \$ 86,442 |

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

Long-Term Debt

The County has net debt at December 31, 2018, of \$7,046,626. 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). 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). In 2016, the sale of a refunding bond occurred which will be used to crossover refund the \$1,170,000 of the \$3,920,000 General Obligation Improvement Bond, Series 2008A, to be called on February 1, 2019. 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

| | 2018 | 2017 |
|--|---------------------|---------------------|
| General Obligation Improvement Bonds, Series 2008A | \$ 1,880,463 | \$ 2,143,555 |
| General Obligation Law Enforcement Center Bonds, Series 2013A | 2,415,101 | 2,627,889 |
| General Obligation Recycling Facility Bonds, Series 2013A | 1,434,992 | 1,556,658 |
| General Obligation Crossover Refunding Bonds, Series 2016A | 1,197,853 | 1,203,424 |
| Leased squad cars | 84,019 | 134,969 |
| Leased copiers and postage machine | 34,198 | 36,424 |
| Totals | \$ 7,046,626 | \$ 7,702,919 |

Minnesota statutes limit the amount of debt a county may levy to 3.00 percent of its total market value. At the end of 2018, the County's outstanding debt was 0.17 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 2019 budget, tax rates, and fees that will be charged for the year.

- The average unemployment rate for Redwood County at the end of 2018 was 4.0 percent; no change from one year ago. The state unemployment rate was 3.2 percent. The 2010 County population was 16,059, a decrease of 756 from the 2000 census of 16,815.
- At the end of 2018, Redwood County set its 2019 revenue and expenditure budgets.
- The 2019 property tax levy for the County increased to \$12,506,121, compared to \$12,135,636 in 2018.

REQUESTS FOR INFORMATION

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

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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, 2018**

Assets

Current assets

| | |
|--------------------------------|---------------|
| Cash and pooled investments | \$ 13,828,376 |
| Investments with escrow agent | 1,614,757 |
| Investments | 7,558,668 |
| Taxes receivable | |
| Delinquent | 71,775 |
| Special assessments receivable | |
| Current | 356,914 |
| Delinquent | 47,428 |
| Accounts receivable | 15,418 |
| Accrued interest receivable | 20,125 |
| Due from other governments | 2,302,720 |
| Loans receivable | 25,562 |
| Inventories | 133,886 |
| Prepaid items | 119,061 |

Noncurrent assets

| | |
|--------------------------------|-----------|
| Loans receivable | 1,189,379 |
| Special assessments receivable | 209,338 |

Capital assets

| | |
|---|-------------------|
| Non-depreciable | 5,739,875 |
| Depreciable – net of accumulated depreciation | <u>90,279,919</u> |

Total Assets **\$ 123,513,201**

Deferred Outflows of Resources

| | |
|---------------------------|----------------------------|
| Deferred pension outflows | \$ <u>2,246,207</u> |
|---------------------------|----------------------------|

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018**

Liabilities

Current liabilities

| | | |
|--|----|-----------|
| Accounts payable | \$ | 641,270 |
| Salaries payable | | 295,588 |
| Claims payable | | 95,959 |
| Contracts payable | | 255,527 |
| Due to other governments | | 270,925 |
| Accrued interest payable | | 86,753 |
| Unearned revenue | | 1,625 |
| Compensated absences payable – current | | 85,744 |
| General obligation bonds payable – current | | 2,235,000 |
| Capital leases payable – current | | 53,247 |
| Loans payable – current | | 10,533 |

Noncurrent liabilities

| | | |
|--|--|-----------|
| Compensated absences payable | | 821,599 |
| Other postemployment benefits liability | | 510,010 |
| Net pension liability | | 4,216,439 |
| Capital leases payable | | 64,970 |
| General obligation bonds payable – net | | 3,495,556 |
| General obligation crossover refunding bonds payable – net | | 1,197,853 |
| Loans payable | | 125,782 |

Total Liabilities **\$ 14,464,380**

Deferred Inflows of Resources

| | | |
|--|----|-----------|
| Deferred pension inflows | \$ | 3,338,104 |
| Deferred other postemployment benefits inflows | | 5,804 |
| Prepaid property taxes | | 26,354 |

Total Deferred Inflows of Resources **\$ 3,370,262**

Net Position

| | | |
|-----------------------------------|----|------------|
| Net investment in capital assets | \$ | 91,474,338 |
| Restricted for | | |
| General government | | 281,882 |
| Public safety | | 392,817 |
| Conservation of natural resources | | 1,195,859 |
| Highways and streets | | 3,901,489 |
| Debt service | | 2,236,589 |
| Unrestricted | | 8,441,792 |

Total Net Position **\$ 107,924,766**

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|--|----------------------|--|---|---|--|
| | | <u>Fees, Charges, Fines, and Other</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| <u>Functions/Programs</u> | | | | | |
| Governmental activities | | | | | |
| General government | \$ 4,416,399 | \$ 699,041 | \$ 9,887 | \$ 89,895 | \$ (3,617,576) |
| Public safety | 3,897,250 | 164,954 | 563,780 | - | (3,168,516) |
| Highways and streets | 7,234,999 | 164,838 | 7,114,782 | 1,546,001 | 1,590,622 |
| Sanitation | 702,895 | 627,793 | 229,484 | - | 154,382 |
| Human services | 2,502,370 | - | 90,198 | - | (2,412,172) |
| Health | 196,723 | - | - | - | (196,723) |
| Culture and recreation | 396,699 | 84,504 | 134,885 | - | (177,310) |
| Conservation of natural resources | 2,650,923 | 1,663,932 | 314,928 | - | (672,063) |
| Economic development | 95,289 | - | 100 | - | (95,189) |
| Interest | 219,442 | - | - | - | (219,442) |
| Total Governmental Activities | \$ 22,312,989 | \$ 3,405,062 | \$ 8,458,044 | \$ 1,635,896 | \$ (8,813,987) |
| General Revenues | | | | | |
| Property taxes | | | | \$ 11,646,160 | |
| Wheelage tax | | | | 184,103 | |
| Other taxes | | | | 12,034 | |
| Payments in lieu of tax | | | | 288,079 | |
| Grants and contributions not restricted to specific programs | | | | 1,230,496 | |
| Unrestricted investment income | | | | 424,814 | |
| Miscellaneous | | | | 312,329 | |
| Special Item (Note 3.G.) | | | | | |
| Lease termination for purchase of Titan Building | | | | 3,000,000 | |
| Total general revenues and special item | | | | \$ 17,098,015 | |
| Change in net position | | | | \$ 8,284,028 | |
| Net Position – Beginning, as restated (Note 1.E.) | | | | 99,640,738 | |
| Net Position – Ending | | | | \$ 107,924,766 | |

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

| | General | Road and Bridge |
|-----------------------------------|----------------------|----------------------------|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 5,564,915 | \$ 4,280,871 |
| Undistributed cash in agency fund | 163,136 | 33,913 |
| Petty cash and change funds | 1,600 | - |
| Investments with escrow agent | - | - |
| Investments | 6,353,887 | - |
| Taxes receivable | | |
| Delinquent | 42,525 | 10,770 |
| Special assessments receivable | | |
| Delinquent | 1,532 | - |
| Noncurrent | 110,403 | - |
| Accounts receivable | 2,261 | 12,696 |
| Accrued interest receivable | 19,311 | - |
| Due from other funds | - | 498 |
| Due from other governments | 134,247 | 2,133,869 |
| Loans receivable | 1,214,941 | - |
| Inventories | - | 133,886 |
| Prepaid items | 47,977 | 70,923 |
| | \$ 13,656,735 | \$ 6,677,426 |
| Total Assets | \$ 13,656,735 | \$ 6,677,426 |

EXHIBIT 3

| <u>Human Services</u> | <u>Solid Waste</u> | <u>Ditch</u> | <u>Debt Service</u> | <u>Total</u> |
|-----------------------|--------------------|---------------------|---------------------|----------------------|
| \$ 728,263 | \$ 314,925 | \$ 1,066,564 | \$ 679,899 | \$ 12,635,437 |
| 46,015 | 27,759 | 8,548 | 12,512 | 291,883 |
| - | - | - | - | 1,600 |
| - | - | - | 1,614,757 | 1,614,757 |
| - | - | 968,743 | - | 7,322,630 |
| 14,393 | - | - | 4,087 | 71,775 |
| - | 45,691 | 205 | - | 47,428 |
| - | - | 455,849 | - | 566,252 |
| - | 461 | - | - | 15,418 |
| - | - | 814 | - | 20,125 |
| - | - | - | - | 498 |
| 2,327 | - | 31,628 | 649 | 2,302,720 |
| - | - | - | - | 1,214,941 |
| - | - | - | - | 133,886 |
| - | - | 161 | - | 119,061 |
| <u>\$ 790,998</u> | <u>\$ 388,836</u> | <u>\$ 2,532,512</u> | <u>\$ 2,311,904</u> | <u>\$ 26,358,411</u> |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

| | General | Road and Bridge |
|---|----------------------|----------------------------|
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> | | |
| Liabilities | | |
| Accounts payable | \$ 113,960 | \$ 525,688 |
| Salaries payable | 218,098 | 72,403 |
| Contracts payable | 2,571 | 217,975 |
| Due to other funds | 369 | - |
| Due to other governments | 140,846 | 19,867 |
| Unearned revenue | 1,625 | - |
| | \$ 477,469 | \$ 835,933 |
| Deferred Inflows of Resources | | |
| Unavailable revenue | \$ 195,858 | \$ 1,816,729 |
| Prepaid property taxes | 15,976 | 3,763 |
| | \$ 211,834 | \$ 1,820,492 |
| Fund Balances | | |
| Nonspendable | \$ 1,263,368 | \$ 204,809 |
| Restricted | 881,183 | 2,233,975 |
| Committed | 1,991,903 | - |
| Assigned | 4,923,671 | 1,582,217 |
| Unassigned | 3,907,307 | - |
| | \$ 12,967,432 | \$ 4,021,001 |
| | \$ 13,656,735 | \$ 6,677,426 |
| | \$ 13,656,735 | \$ 6,677,426 |

EXHIBIT 3
(Continued)

| <u>Human Services</u> | <u>Solid Waste</u> | <u>Ditch</u> | <u>Debt Service</u> | <u>Total</u> |
|---------------------------|--------------------|---------------------|---------------------|----------------------|
| \$ - | \$ - | \$ 1,293 | \$ - | \$ 640,941 |
| - | 35 | 5,052 | - | 295,588 |
| - | - | 34,981 | - | 255,527 |
| - | - | 129 | - | 498 |
| 39,590 | 24,736 | 45,886 | - | 270,925 |
| - | - | - | - | 1,625 |
| <u>\$ 39,590</u> | <u>\$ 24,771</u> | <u>\$ 87,341</u> | <u>\$ -</u> | <u>\$ 1,465,104</u> |
| \$ 16,720 | \$ 45,691 | \$ 488,495 | \$ 4,736 | \$ 2,568,229 |
| 5,446 | - | - | 1,169 | 26,354 |
| <u>\$ 22,166</u> | <u>\$ 45,691</u> | <u>\$ 488,495</u> | <u>\$ 5,905</u> | <u>\$ 2,594,583</u> |
| \$ - | \$ - | \$ 161 | \$ - | \$ 1,468,338 |
| - | 45,000 | 1,001,527 | 2,305,999 | 6,467,684 |
| - | - | - | - | 1,991,903 |
| 729,242 | 273,374 | 954,988 | - | 8,463,492 |
| - | - | - | - | 3,907,307 |
| <u>\$ 729,242</u> | <u>\$ 318,374</u> | <u>\$ 1,956,676</u> | <u>\$ 2,305,999</u> | <u>\$ 22,298,724</u> |
| <u>\$ 790,998</u> | <u>\$ 388,836</u> | <u>\$ 2,532,512</u> | <u>\$ 2,311,904</u> | <u>\$ 26,358,411</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, 2018**

Fund balance – total governmental funds (Exhibit 3) \$ 22,298,724

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. 96,019,794

Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds. 2,246,207

An internal service fund is used by Redwood County to charge the cost of the self-funded insurance programs to functions. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. 1,039,206

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources—unavailable revenue in the governmental funds. 2,568,229

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

| | | | |
|---|----|-----------------|--------------|
| Bonds payable | \$ | (6,870,000) | |
| Unamortized premium on bonds | | (67,946) | |
| Unamortized discount on bonds | | 9,537 | |
| Leases payable | | (118,217) | |
| Loans payable | | (136,315) | |
| Compensated absences | | (907,343) | |
| Other postemployment benefits liability | | (510,010) | |
| Net pension liability | | (4,216,439) | |
| Accrued interest payable | | <u>(86,753)</u> | (12,903,486) |

Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds. (3,338,104)

Deferred inflows of resources resulting from the other postemployment benefits liability are not due and payable in the current period and, therefore, are not reported in the governmental funds. (5,804)

Net Position of Governmental Activities (Exhibit 1) \$ 107,924,766

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | General | Road and Bridge |
|---|-----------------------|----------------------------|
| Revenues | | |
| Taxes | \$ 6,940,298 | \$ 1,721,675 |
| Other taxes | 12,034 | 184,103 |
| Special assessments | 40,366 | - |
| Licenses and permits | 55,873 | - |
| Intergovernmental | 2,365,584 | 8,882,057 |
| Charges for services | 743,536 | 6,442 |
| Gifts and contributions | 1,494 | - |
| Investment earnings | 387,450 | - |
| Miscellaneous | 486,849 | 158,446 |
| | \$ 11,033,484 | \$ 10,952,723 |
| Expenditures | | |
| Current | | |
| General government | \$ 4,228,336 | \$ - |
| Public safety | 3,847,334 | - |
| Highways and streets | - | 16,205,162 |
| Sanitation | - | - |
| Human services | - | - |
| Culture and recreation | 298,606 | - |
| Conservation of natural resources | 775,379 | - |
| Economic development | 93,113 | - |
| Intergovernmental | 473,716 | 624,756 |
| Debt service | | |
| Principal | 100,337 | - |
| Interest | 11,868 | - |
| Administrative (fiscal) charges | - | - |
| | \$ 9,828,689 | \$ 16,829,918 |
| Excess of Revenues Over (Under) Expenditures | \$ 1,204,795 | \$ (5,877,195) |
| Other Financing Sources (Uses) | | |
| Capital leases | \$ 10,836 | \$ - |
| Transfers in | - | 2,301,033 |
| Transfers out | (2,301,033) | - |
| Proceeds from sale of capital assets | 7,290 | - |
| | \$ (2,282,907) | \$ 2,301,033 |

EXHIBIT 5

| <u>Human Services</u> | <u>Solid Waste</u> | <u>Ditch</u> | <u>Debt Service</u> | <u>Total</u> |
|-----------------------|--------------------|---------------------|---------------------|-----------------------|
| \$ 2,324,458 | \$ - | \$ - | \$ 648,262 | \$ 11,634,693 |
| - | - | - | - | 196,137 |
| - | 619,736 | 1,685,141 | - | 2,345,243 |
| - | 1,900 | - | - | 57,773 |
| 178,229 | 229,489 | 3,055 | 29,261 | 11,687,675 |
| - | - | - | - | 749,978 |
| - | - | - | - | 1,494 |
| - | - | 22,029 | 13,939 | 423,418 |
| - | 1,267 | 3,745 | - | 650,307 |
| \$ 2,502,687 | \$ 852,392 | \$ 1,713,970 | \$ 691,462 | \$ 27,746,718 |
| \$ - | \$ - | \$ - | \$ - | \$ 4,228,336 |
| - | - | - | - | 3,847,334 |
| - | - | - | - | 16,205,162 |
| - | 6,319 | - | - | 6,319 |
| 42 | - | - | - | 42 |
| - | - | - | - | 298,606 |
| - | - | 1,957,613 | - | 2,732,992 |
| - | - | - | - | 93,113 |
| 2,502,328 | 684,301 | - | - | 4,285,101 |
| - | 120,000 | - | 475,000 | 695,337 |
| - | 39,815 | - | 176,993 | 228,676 |
| - | 1,940 | - | 4,110 | 6,050 |
| \$ 2,502,370 | \$ 852,375 | \$ 1,957,613 | \$ 656,103 | \$ 32,627,068 |
| \$ 317 | \$ 17 | \$ (243,643) | \$ 35,359 | \$ (4,880,350) |
| \$ - | \$ - | \$ - | \$ - | \$ 10,836 |
| - | - | - | - | 2,301,033 |
| - | - | - | - | (2,301,033) |
| - | - | 13,280 | - | 20,570 |
| \$ - | \$ - | \$ 13,280 | \$ - | \$ 31,406 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>General</u> | <u>Road and Bridge</u> |
|--|----------------------|----------------------------|
| Special Item (Note 3.G.) | | |
| Lease termination for purchase of Titan Building | \$ - | \$ 3,000,000 |
| Net Change in Fund Balance | \$ (1,078,112) | \$ (576,162) |
| Fund Balance – January 1 | 14,045,544 | 4,616,463 |
| Increase (decrease) in inventories | <u>-</u> | <u>(19,300)</u> |
| Fund Balance – December 31 | <u>\$ 12,967,432</u> | <u>\$ 4,021,001</u> |

EXHIBIT 5
(Continued)

| <u>Human Services</u> | <u>Solid Waste</u> | <u>Ditch</u> | <u>Debt Service</u> | <u>Total</u> |
|-----------------------|--------------------|---------------------|---------------------|----------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 3,000,000 |
| \$ 317 | \$ 17 | \$ (230,363) | \$ 35,359 | \$ (1,848,944) |
| 728,925 | 318,357 | 2,187,039 | 2,270,640 | 24,166,968 |
| - | - | - | - | (19,300) |
| <u>\$ 729,242</u> | <u>\$ 318,374</u> | <u>\$ 1,956,676</u> | <u>\$ 2,305,999</u> | <u>\$ 22,298,724</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, 2018**

Net change in fund balance – total governmental funds (Exhibit 5) \$ (1,848,944)

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

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

| | | |
|-----------------------------------|--------------------|-----------|
| Unavailable revenue – December 31 | \$ 2,568,229 | |
| Unavailable revenue – January 1 | <u>(2,735,284)</u> | (167,055) |

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 | \$ 12,587,183 | |
| Net book value of assets disposed of | (21,117) | |
| Current year depreciation | <u>(2,987,988)</u> | 9,578,078 |

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 | \$ 595,000 | |
| Loans payable | 36,325 | |
| Amortization of discounts and premiums | <u>8,117</u> | 639,442 |

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

| | | |
|---|-----------------|--------|
| Principal payments on capital leases | \$ 64,012 | |
| Capital leases (see Note 3.C.5. for more information) | <u>(10,836)</u> | 53,176 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**EXHIBIT 6
(Continued)**

**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, 2018**

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

| | | | |
|--|----|-----------------|---------|
| Change in accrued interest payable | \$ | 7,167 | |
| Change in compensated absences | | (48,880) | |
| Change in other postemployment benefits liability | | 3,689 | |
| Change in deferred other postemployment benefits inflows | | (5,804) | |
| Change in net pension liability | | 1,674,746 | |
| Change in deferred pension outflows | | (930,098) | |
| Change in deferred pension inflows | | (546,572) | |
| Change in inventories | | <u>(19,300)</u> | 134,948 |

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

(105,617)

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 8,284,028

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PROPRIETARY FUND

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2018**

| | <u>Governmental Activities Internal Service Fund</u> |
|-----------------------------|--|
| <u>Assets</u> | |
| Current assets | |
| Cash and pooled investments | \$ 899,456 |
| Investments | <u>236,038</u> |
| Total Assets | \$ 1,135,494 |
| <u>Liabilities</u> | |
| Current liabilities | |
| Accounts payable | \$ 329 |
| Claims payable | <u>95,959</u> |
| Total Liabilities | \$ 96,288 |
| <u>Net Position</u> | |
| Unrestricted | <u>\$ 1,039,206</u> |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>Governmental Activities Internal Service Fund</u> |
|-----------------------------------|--|
| Operating Revenues | |
| Charges for services | \$ 1,244,670 |
| Operating Expenses | |
| Cost of service | <u>1,350,287</u> |
| Operating Income (Loss) | \$ (105,617) |
| Net Position – January 1 | <u>1,144,823</u> |
| Net Position – December 31 | <u><u>\$ 1,039,206</u></u> |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
Increase (Decrease) in Cash and Cash Equivalents**

| | Governmental Activities |
|--|------------------------------------|
| | Internal Service Fund |
| Cash Flows from Operating Activities | |
| Receipts from internal services provided | \$ 1,244,669 |
| Payments to suppliers | (1,311,080) |
| | \$ (66,411) |
| Cash Flows from Investing Activities | |
| Purchase of investments | 3,824 |
| | \$ (62,587) |
| Net Increase (Decrease) in Cash and Cash Equivalents | |
| Cash and Cash Equivalents at January 1 | 962,043 |
| Cash and Cash Equivalents at December 31 | \$ 899,456 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | |
| Operating income (loss) | \$ (105,617) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | |
| (Increase) decrease in accounts receivable | \$ 5,261 |
| Increase (decrease) in accounts payable | 192 |
| Increase (decrease) in claims payable | 33,753 |
| | 39,206 |
| Total adjustments | \$ 39,206 |
| Net Cash Provided by (Used in) Operating Activities | \$ (66,411) |

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FIDUCIARY FUNDS

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2018**

Assets

| | |
|-----------------------------|-------------------|
| Cash and pooled investments | <u>\$ 259,817</u> |
|-----------------------------|-------------------|

Liabilities

| | |
|--------------------------|-------------------|
| Due to other governments | <u>\$ 259,817</u> |
|--------------------------|-------------------|

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Blended Component Unit

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

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

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about Redwood County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

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

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund accounts for assigned property tax revenues used for economic assistance and community social services programs.
- The Solid Waste Special Revenue Fund accounts for restricted special assessment revenues, miscellaneous revenues, and revenue resources from the state for the costs relating to disposal of the County's solid waste.
- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.
- The Debt Service Fund is used to account for the accumulation of restricted resources used for, and the payment of, principal, interest, and related costs.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Redwood County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash and Cash Equivalents

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

2. 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, 2018. A market approach is used to value all investments other than external investment pools, which are measured at net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2018 were \$301,952.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Deposit and Investments (Continued)

Redwood County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

3. Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2013 through 2018 and noncurrent special assessments payable in 2019 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items

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

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

5. 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 and its blended component unit as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (entry price) on the date of donation.

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 |
| Improvements other than buildings | 20 – 35 |
| Public domain infrastructure | 15 – 70 |
| Furniture, equipment, and vehicles | 3 – 20 |
| Intangible assets | 3 – 7 |

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

1. Summary of Significant Accounting Policies

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

6. Compensated Absences

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

7. Long-Term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Acquisitions under capital leases are reported as an other financing source at the present value of the future minimum lease payments as of the inception date.

**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)

8. Pension Plan

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

9. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 four types of deferred inflows that qualify for reporting in this category. Prepaid property taxes represent the County's share of tax collections collected prior to year-end that are not due until the following year. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amounts were levied. These amounts arise under both the modified and the full accrual basis of accounting and are

**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. Deferred Outflows/Inflows of Resources (Continued)

reported in both the governmental funds balance sheet and the statement of net position. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, interest receivable, and grant monies receivable, for amounts that are not considered to be available to liquidate liabilities of the current period. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period which it becomes available. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The County also reports deferred inflows of resources associated with defined benefit pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

10. Unearned Revenue

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

11. Classification of Net Position

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

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

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. Classification of Fund Balances

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

- Nonspendable – amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- Restricted – amounts in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.
- Assigned – amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Administrator, who has been delegated that authority by Board resolution.
- Unassigned – the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

1. Summary of Significant Accounting Policies

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

12. 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.

13. 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, 2018, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

14. Use of Estimates

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Restatement of Net Position for Change in Accounting Principle

During the year ended December 31, 2018, the County adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes the amount employers report as OPEB expense and defers some allocations of expenses to future years as deferred outflows or inflows of resources. This statement also requires additional note disclosures and schedules in the required supplementary information. Beginning net position has been restated to reflect this change.

| | Governmental Activities |
|---|----------------------------|
| Net Position, January 1, 2018, as previously reported | \$ 99,762,980 |
| Restatement of net position Adjustment for OPEB | (122,242) |
| Net Position, January 1, 2018, as restated | \$ 99,640,738 |

2. Stewardship, Compliance, and Accountability

A. Tax Abatements

On October 17, 2006, the County Board approved an economic development tax abatement pursuant to Minn. Stat. §§ 469.1812-.1815 to reimburse a portion of the costs incurred to construct an ethanol facility in Lamberton Township near the City of Lamberton by Highwater Ethanol, LLC. The abatement period is ten years beginning with taxes payable in 2009 and continuing through 2018. For the year ending December 31, 2018, Redwood County abated property taxes totaling \$67,550.

B. Excess of Expenditures Over Budget

Expenditures exceeded final budget in the Debt Service Fund:

| | Expenditures | Final Budget | Excess |
|-------|--------------|-----------------|-----------|
| Total | \$ 656,103 | \$ 629,743 | \$ 26,360 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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 | \$ 13,828,376 |
| Investments with escrow agent | 1,614,757 |
| Investments | 7,558,668 |
| Statement of fiduciary net position | |
| Cash and pooled investments | <u>259,817</u> |
| Total Cash and Investments | <u>\$ 23,261,618</u> |

a. Deposits

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

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2018, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County's policy is to minimize interest rate risk by: (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; (2) investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and (3) limiting the average maturity in accordance with the County's cash requirements.

Credit Risk

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's policy is to minimize investment custodial credit risk by permitting brokers that obtain investments for the County to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage is available. As of December 31, 2018, the County's investments held by brokers were not 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.

The following table presents the County's cash and investment balances at December 31, 2018, 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 | | | | | |
| U.S. Treasury Notes | N/R | N/A | >5% | 02/01/2019 | \$ 1,614,757 |
| Federal Home Loan Bank Bonds | AA+ | S&P | | 06/07/2021 | \$ 73,562 |
| Federal Home Loan Bank Bonds | AA+ | S&P | | 07/27/2021 | 73,059 |
| Total Federal Home Loan Bank Bonds | | | <5% | | \$ 146,621 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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 | | | |
| U.S. government agency securities (Continued) | | | | | |
| Federal Farm Credit Bank | AA+ | S&P | | 05/03/2021 | \$ 49,022 |
| Federal Farm Credit Bank | AA+ | S&P | | 08/16/2021 | 24,231 |
| Total Federal Farm Credit Bank | | | <5% | | \$ 73,253 |
| Federal National Mortgage Association Bonds | AA+ | S&P | | 06/20/2019 | \$ 84,690 |
| Federal National Mortgage Association Bonds | AA+ | S&P | | 07/27/2020 | 73,667 |
| Federal National Mortgage Association Bonds | AA+ | S&P | | 06/30/2021 | 39,026 |
| Federal National Mortgage Association Bonds | AA+ | S&P | | 08/24/2021 | 297,339 |
| Federal National Mortgage Association Bonds | N/R | N/A | | 09/25/2041 | 8,573 |
| Total Federal National Mortgage Association Bonds | | | <5% | | \$ 503,295 |
| Federal Home Loan Mortgage Corporation Notes | AA+ | S&P | | 03/05/2020 | \$ 39,711 |
| Federal Home Loan Mortgage Corporation Notes | AA+ | S&P | | 03/12/2020 | 74,477 |
| Federal Home Loan Mortgage Corporation Notes | AA+ | S&P | | 10/27/2023 | 242,437 |
| Federal Home Loan Mortgage Corporation Notes | N/R | N/A | | 03/15/2039 | 2,820 |
| Total Federal Home Loan Mortgage Corporation Notes | | | <5% | | \$ 359,445 |
| Georgia State – General Obligation Bond | AAA | S&P | <5% | 10/01/2019 | \$ 25,056 |
| Madison, Wisconsin General Obligation | Aaa | Moody's | <5% | 10/01/2023 | \$ 48,296 |
| Greene County, Ohio General Obligation | Aa | Moody's | <5% | 12/01/2020 | \$ 24,766 |
| Wisconsin State General Obligation | AA | S&P | <5% | 05/01/2021 | \$ 51,104 |
| Dubuque, Iowa General Obligation | A | Moody's | <5% | 06/01/2022 | \$ 25,094 |
| Investment pools/mutual funds | | | | | |
| MAGIC Fund | N/R | N/A | >5% | N/A | \$ 5,891,641 |
| Money Market GOTXX | N/R | N/A | <5% | N/A | 10,841 |
| Total investment pools/mutual funds | | | | | \$ 5,902,482 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

| Investment Type | Credit Risk | | Concentration Risk | Interest Rate Risk | Carrying (Fair) Value |
|--|---------------|---------------|-----------------------------|--------------------|-----------------------|
| | Credit Rating | Rating Agency | Over 5 Percent of Portfolio | Maturity Date | |
| Negotiable certificates of deposit | N/A | N/A | >5% | Varies | \$ 5,813,897 |
| Total investments | | | | | \$ 14,588,066 |
| Checking | | | | | 183,226 |
| Savings | | | | | 8,011,726 |
| Non-negotiable certificates of deposit | | | | | 477,000 |
| Petty cash and change funds | | | | | 1,600 |
| Total Cash and Investments | | | | | \$ 23,261,618 |

N/A – Not Applicable

N/R – Not Rated

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

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

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

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

At December 31, 2018, the County had the following recurring fair value measurements:

| | December 31, 2018 | Fair Value Measurements Using | | |
|---|----------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level | | | | |
| Debt securities | | | | |
| U.S. Treasury securities | \$ 1,614,757 | \$ 1,614,757 | \$ - | \$ - |
| U.S. agencies | 1,082,614 | - | 1,082,614 | - |
| Municipal/public bonds | 174,316 | - | 174,316 | - |
| Negotiable certificates of deposit | 5,813,897 | - | 5,813,897 | - |
| Total Investments Included in the Fair Value Hierarchy | \$ 8,685,584 | \$ 1,614,757 | \$ 7,070,827 | \$ - |
| Investments measured at the net asset value (NAV) | | | | |
| MAGIC Portfolio | \$ 5,891,641 | | | |
| Money market mutual fund | 10,841 | | | |
| Total Investments Measured at the NAV | \$ 5,902,482 | | | |

Debt securities classified in Level 1 are valued using a market approach quoted in active markets for those securities. Debt securities classified in Level 2 are valued using the following approaches:

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

- U.S. agencies, negotiable certificates of deposit: a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value.

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

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

2. Loans Receivable

On June 4, 2013, the County Board approved a \$1,000,000 loan to the Redwood/Renville Regional Solid Waste Authority (RRRSWA) to finance a Joint Regional Material Recovery Facility.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Loans Receivable (Continued)

In 2009, the Redwood County Economic Development Authority (RCEDA) received a Rural Business Enterprise Grant through the United States Department of Agriculture with a match from the County to provide revolving loans to serve as a gap financing tool for new or existing businesses within the County. During 2017, the Redwood County Board approved all economic development activities be conducted by County staff. The County Board approves loans as recommended by the RCEDA. The County has two outstanding RCEDA loans as of December 31, 2018.

On April 4, 2017, the County Board approved to loan up to \$125,000 to the Redwood County Historical Society for installation of a broadband wireless network at the Gilfillan Farm Site at a zero percent interest rate. As of December 31, 2018, the outstanding balance was \$70,000.

On May 16, 2017, the County Board approved to loan up to \$200,000 to initially fund the Redwood County Low Interest Septic Loan Program. The County has ten outstanding septic loans totaling \$105,763 as of December 31, 2018.

Loan activity for the year ended December 31, 2018, was as follows:

| | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|--------------------------------------|------------------------------|------------------|------------------|---------------------------|
| RRRSWA loan | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 |
| RCEDA loans | | | | |
| Knott's Corner | 18,473 | - | 11,497 | 6,976 |
| Dairy Queen | 35,599 | - | 3,397 | 32,202 |
| Redwood County Historical Society | 82,500 | - | 12,500 | 70,000 |
| County septic loans | <u>122,141</u> | <u>26,861</u> | <u>43,239</u> | <u>105,763</u> |
| Total | <u>\$ 1,258,713</u> | <u>\$ 26,861</u> | <u>\$ 70,633</u> | <u>\$ 1,214,941</u> |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---------------------------------------|----------------------|--------------|------------|-------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 415,852 | \$ 349,800 | \$ - | \$ 765,652 |
| Right-of-way | 1,652,401 | 1,250 | - | 1,653,651 |
| Construction in progress | 970,772 | 2,596,706 | 246,906 | 3,320,572 |
| Total capital assets not depreciated | \$ 3,039,025 | \$ 2,947,756 | \$ 246,906 | \$ 5,739,875 |
| Capital assets depreciated | | | | |
| Buildings | \$ 14,084,089 | \$ 5,075,821 | \$ - | \$ 19,159,910 |
| Improvements other than buildings | 786,456 | 128,526 | - | 914,982 |
| Machinery and equipment | 9,869,008 | 1,422,695 | 370,883 | 10,920,820 |
| Infrastructure | 99,339,861 | 3,259,291 | - | 102,599,152 |
| Total capital assets depreciated | \$ 124,079,414 | \$ 9,886,333 | \$ 370,883 | \$ 133,594,864 |
| Less: accumulated depreciation for | | | | |
| Buildings | \$ 4,595,351 | \$ 410,210 | \$ - | \$ 5,005,561 |
| Improvements other than buildings | 250,416 | 44,632 | - | 295,048 |
| Machinery and equipment | 6,275,700 | 521,319 | 349,766 | 6,447,253 |
| Infrastructure | 29,555,256 | 2,011,827 | - | 31,567,083 |
| Total accumulated depreciation | \$ 40,676,723 | \$ 2,987,988 | \$ 349,766 | \$ 43,314,945 |
| Total capital assets depreciated, net | \$ 83,402,691 | \$ 6,898,345 | \$ 21,117 | \$ 90,279,919 |
| Capital Assets, Net | \$ 86,441,716 | \$ 9,846,101 | \$ 268,023 | \$ 96,019,794 |

Construction in progress consists of amounts completed on open road projects, Courthouse remodel, and computer software projects.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

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

| | | |
|---|----|-----------|
| General government | \$ | 406,922 |
| Public safety | | 227,713 |
| Highways and streets, including depreciation of infrastructure assets | | 2,261,429 |
| Sanitation | | 13,000 |
| Culture and recreation | | 9,082 |
| Conservation of natural resources | | 69,842 |
| Total Depreciation Expense – Governmental Activities | \$ | 2,987,988 |

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2018, is as follows:

| Receivable Fund | Payable Fund | Amount |
|--------------------------------------|----------------------------|--------|
| Road and Bridge Special Revenue Fund | General Fund | \$ 369 |
| | Ditch Special Revenue Fund | 129 |
| Total Due To/From Other Funds | | \$ 498 |

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.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Interfund transfers

Interfund transfers for the year ended December 31, 2018, consisted of the following:

| | | | |
|--|----|-----------|---------------------------------|
| Transfer from General Fund to the Road and Bridge Special Revenue Fund | \$ | 2,205,342 | Titan Building purchase |
| Transfer from General Fund to the Road and Bridge Special Revenue Fund | | 95,691 | Transfer of investment earnings |
| Total Interfund Transfers | \$ | 2,301,033 | |

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Commitments

The County has active construction projects and other commitments as of December 31, 2018. The projects and commitments include the following:

| | Spent-to-Date | Remaining Commitment |
|--------------------------|---------------|-------------------------|
| Courthouse roof repair | \$ 12,500 | \$ 102,290 |
| iSeries Server | - | 35,977 |
| Law Enforcement Sidewalk | - | 18,500 |
| New Justice Center | 58,870 | 347,130 |
| Pictometry | 208,919 | 103,989 |

The remaining commitment for highway projects are state-funded and, therefore, are not obligations of the County at December 31, 2018.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Deferred Inflows of Resources – Unavailable Revenue/Prepaid Property Taxes

Unavailable revenue consists of special assessments, taxes, state grants, and interest not collected soon enough after year-end to pay liabilities of the current period. Prepaid property taxes consist of the County’s share of 2019 property taxes collected in advance. Deferred inflows of resources at December 31, 2018, are summarized below by fund:

| | Special Assessments | Taxes | Grants | Interest | Total |
|-------------------------------|------------------------|------------------|---------------------|------------------|---------------------|
| Major governmental funds | | | | | |
| General | \$ 111,935 | \$ 58,501 | \$ 28,510 | \$ 12,888 | \$ 211,834 |
| Road and Bridge | - | 14,533 | 1,805,959 | - | 1,820,492 |
| Human Services | - | 19,839 | 2,327 | - | 22,166 |
| Solid Waste | 45,691 | - | - | - | 45,691 |
| Ditch | 456,054 | - | 31,628 | 813 | 488,495 |
| Debt Service | - | 5,256 | 649 | - | 5,905 |
| Total | \$ 613,680 | \$ 98,129 | \$ 1,869,073 | \$ 13,701 | \$ 2,594,583 |
| Deferred inflows of resources | | | | | |
| Prepaid property taxes | \$ - | \$ 26,354 | \$ - | \$ - | \$ 26,354 |
| Unavailable revenue | 613,680 | 71,775 | 1,869,073 | 13,701 | 2,568,229 |
| Total | \$ 613,680 | \$ 98,129 | \$ 1,869,073 | \$ 13,701 | \$ 2,594,583 |

3. Long-Term Debt

Loans Payable

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Long-Term Debt

Loans Payable (Continued)

| Type of Indebtedness | Final Maturity | Installment Amount | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2018 |
|--|-------------------|-----------------------|-------------------------|-----------------------------|--|
| Clean water loans | | | | | |
| Cottonwood River Watershed Phosphorus TMDL | 2022 | \$ 2,033 | 2.00 | \$ 98,199 | \$ 15,554 |
| Middle Minnesota Continuation | 2024 | 746 | 2.00 | 13,469 | 8,401 |
| Redwood-Cottonwood River Septic Loan Program 2013 | 2027 | 4,708 | 2.00 | 84,950 | 49,771 |
| Middle Minnesota Watershed SSTS Loan Project | - | - | - | 200,000 | 62,589 |
| Total | | | | | <u>\$ 136,315</u> |

Bonds and Certificates of Indebtedness

In 2008, Redwood County issued Capital Improvement Plan Bonds, Series 2008A, for \$3,920,000 to finance the renovation of the Government Center and remodeling of the Courthouse. In 2013, Redwood County issued Law Enforcement Center (LEC) Bonds, Series 2013A, for \$3,375,000 to finance the renovation and remodel of the LEC. Also in 2013, Redwood County issued Recycling Facility Bonds for \$2,040,000, Series 2013A, for both Redwood and Renville Counties, with Renville County paying Redwood County for half of the bonds. In 2016, Redwood County issued Capital Improvement Plan Refunding Bonds, Series 2016A, for \$1,170,000 to refund the 2008A issuance. Payments on bonds, other than the Recycling Facility Bonds, are made from the Debt Service Fund. Solid waste assessments pay for Redwood County's portion of the Recycling Facility Bonds, for which payments are made from the Solid Waste Special Revenue Fund.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Long-Term Debt

Bonds and Certificates of Indebtedness (Continued)

| Type of Indebtedness | Final Maturity | Installment Amount | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2018 |
|--|-------------------|--------------------------|-------------------------|-----------------------------|--|
| 2013 General Obligation Law Enforcement Center Bonds, Series 2013A | 2028 | \$170,000 – \$265,000 | 2.00 – 3.20 | \$ 3,375,000 | \$ 2,390,000 |
| Add: Unamortized premium | | | | | 25,101 |
| Total Law Enforcement Center Bonds | | | | | <u>\$ 2,415,101</u> |
| 2013 General Obligation Recycling Facility Bonds, Series 2013A | 2028 | \$70,000 – \$80,000 | 2.00 – 3.20 | 2,040,000 | \$ 1,420,000 |
| Add: Unamortized premium | | | | | 14,992 |
| Total Recycling Facility Bonds | | | | | <u>\$ 1,434,992</u> |
| 2008 General Obligation Capital Improvement Plan Bonds, Series 2008A | 2024 | \$170,000 – \$355,000 | 3.00 – 4.50 | 3,920,000 | \$ 1,890,000 |
| 2016 General Obligation Capital Improvement Plan Refunding Bonds, Series 2016A | 2024 | \$225,000 – \$250,000 | 2.00 | 1,170,000 | 1,170,000 |
| Less: Unamortized discount | | | | | (9,537) |
| Add: Unamortized premium | | | | | 27,853 |
| Total Improvement Bonds | | | | | <u>\$ 3,078,316</u> |
| Total General Obligation Bonds, Net | | | | | <u>\$ 6,928,409</u> |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

| Year Ending December 31 | General Obligation Bonds | | Loans Payable | |
|----------------------------|--------------------------|-------------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 2,235,000 | \$ 164,104 | \$ 10,533 | \$ 1,422 |
| 2020 | 575,000 | 114,250 | 10,744 | 1,210 |
| 2021 | 580,000 | 102,256 | 10,960 | 995 |
| 2022 | 590,000 | 89,212 | 11,181 | 774 |
| 2023 | 615,000 | 74,856 | 7,319 | 570 |
| 2024 – 2028 | 2,275,000 | 166,140 | 22,989 | 891 |
| Total | <u>\$ 6,870,000</u> | <u>\$ 710,818</u> | <u>\$ 73,726</u> | <u>\$ 5,862</u> |

The clean water loans of \$62,589 for the Middle Minnesota Watershed SSTS are not included in the debt service requirements because fixed repayment schedules are not available.

5. Capital Leases

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Capital Leases (Continued)

Capital leases consist of the following at December 31, 2018:

| Lease | Final Maturity | Installments | Payment Amount | Original Issue Amount | Outstanding Balance December 31, 2018 |
|----------------------------------|-------------------|--------------|-------------------|-----------------------------|--|
| 2015 Ford Interceptor | 2019 | Monthly | \$ 567 | \$ 31,355 | \$ 2,264 |
| 2016 Ford Interceptor | 2020 | Monthly | 563 | 31,209 | 7,273 |
| 2016 Ford Interceptor | 2020 | Monthly | 563 | 30,698 | 7,273 |
| 2017 Ford Interceptor | 2021 | Monthly | 754 | 44,248 | 21,113 |
| 2017 Ford Interceptor | 2021 | Monthly | 563 | 33,315 | 15,025 |
| 2017 Ford Interceptor | 2021 | Monthly | 563 | 33,415 | 15,025 |
| 2017 Ford Interceptor | 2021 | Monthly | 563 | 35,012 | 16,046 |
| Administration Sharp copier | 2019 | Monthly | 333 | 10,687 | 955 |
| Sheriff Sharp copier | 2019 | Monthly | 195 | 9,066 | 575 |
| Extension copier | 2019 | Monthly | 89 | 4,495 | 264 |
| Agriculture and Zoning Copier | 2021 | Monthly | 130 | 6,183 | 3,136 |
| Assessor copier | 2022 | Monthly | 270 | 7,350 | 6,096 |
| Attorney copier | 2022 | Monthly | 129 | 3,651 | 2,929 |
| License Center copier | 2022 | Monthly | 116 | 4,352 | 3,589 |
| A/T copier | 2022 | Monthly | 275 | 9,225 | 7,332 |
| VSO copier | 2022 | Monthly | 131 | 4,600 | 3,959 |
| A/T Neopost postage machine | 2023 | Quarterly | 104 | 6,236 | 5,363 |
| Total Capital Leases | | | | | <u>\$ 118,217</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

| Year Ending December 31 | Governmental Activities |
|---|----------------------------|
| 2019 | \$ 60,848 |
| 2020 | 44,334 |
| 2021 | 21,923 |
| 2022 | 6,987 |
| 2023 | 831 |
| <hr/> | |
| Total minimum lease payments | \$ 134,923 |
| Less: amount representing interest | <u>(16,706)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 118,217</u> |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|------------|--------------|-------------------|------------------------|
| Bonds payable | | | | | |
| General obligation bonds | | | | | |
| Series 2008A | \$ 2,155,000 | \$ - | \$ 265,000 | \$ 1,890,000 | \$ 1,890,000 |
| Series 2013A Law Enforcement Center | 2,600,000 | - | 210,000 | 2,390,000 | 215,000 |
| Series 2013A Recycling Facility | 1,540,000 | - | 120,000 | 1,420,000 | 130,000 |
| Series 2016A Crossover Refunding | 1,170,000 | - | - | 1,170,000 | - |
| Add: Unamortized premiums | 77,971 | - | 10,025 | 67,946 | - |
| Less: Unamortized discounts | (11,445) | - | (1,908) | (9,537) | - |
| Total bonds payable | \$ 7,531,526 | \$ - | \$ 603,117 | \$ 6,928,409 | \$ 2,235,000 |
| Clean water loans payable | 172,640 | - | 36,325 | 136,315 | 10,533 |
| Compensated absences | 858,463 | 622,360 | 573,480 | 907,343 | 85,744 |
| Capital leases | 171,393 | 10,836 | 64,012 | 118,217 | 53,247 |
| Total Long-Term Liabilities | \$ 8,734,022 | \$ 633,196 | \$ 1,276,934 | \$ 8,090,284 | \$ 2,384,524 |

7. Crossover Refunding

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

7. Crossover Refunding (Continued)

The bonds are valid and binding general obligations of Redwood County, payable from ad valorem taxes. The full faith and credit of the County is pledged to their payment, and the County has validly obligated itself to levy additional ad valorem taxes upon all taxable property within the County without limitation to amount, in the event of any deficiency in the debt service account established for this issue.

Principal due with respect to the \$1,170,000 General Obligation Capital Improvement Plan Refunding Bonds, Series 2016A, is payable annually on February 1 commencing on February 1, 2020, and interest due with respect to the bonds is payable semi-annually on February 1 and August 1 of each year commencing August 1, 2017.

D. Fund Balances

The summary of fund balance classifications is as follows:

| | Special Revenue | | | | | | Total |
|--|---------------------|---------------------|----------------|------------------|---------------------|---------------------|---------------------|
| | General | Road and Bridge | Human Services | Solid Waste | Ditch | Debt Service | |
| Nonspendable | | | | | | | |
| Inventories | \$ - | \$ 133,886 | \$ - | \$ - | \$ - | \$ - | \$ 133,886 |
| Loans receivable | 1,214,941 | - | - | - | - | - | 1,214,941 |
| Missing heirs | 450 | - | - | - | - | - | 450 |
| Prepaid items | 47,977 | 70,923 | - | - | 161 | - | 119,061 |
| Total nonspendable | \$ 1,263,368 | \$ 204,809 | \$ - | \$ - | \$ 161 | \$ - | \$ 1,468,338 |
| Restricted | | | | | | | |
| Attorney's forfeited property | \$ 29,199 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 29,199 |
| Broadband grant study | 1,421 | - | - | - | - | - | 1,421 |
| Combating Sexual Exploitation of Youth | 450 | - | - | - | - | - | 450 |
| County Road 99 (Veteran's Cemetery) | - | 184,103 | - | - | - | - | 184,103 |
| Debt service | - | - | - | - | - | 2,305,999 | 2,305,999 |
| Ditch maintenance, repair, and other | - | - | - | - | 1,001,527 | - | 1,001,527 |
| Enhanced 911 | 206,509 | - | - | - | - | - | 206,509 |
| Gun permit fees | 120,034 | - | - | - | - | - | 120,034 |
| Highway allotments | - | 2,049,872 | - | - | - | - | 2,049,872 |
| Invasive species | 15,608 | - | - | - | - | - | 15,608 |
| Law library | 74,998 | - | - | - | - | - | 74,998 |
| Recorder's compliance | 42,478 | - | - | - | - | - | 42,478 |
| Recorder's technology fund | 99,875 | - | - | - | - | - | 99,875 |
| Buffer administration | 175,356 | - | - | - | - | - | 175,356 |
| Septic system grant | 36,291 | - | - | - | - | - | 36,291 |
| Septic/sewer loans | 24,681 | - | - | - | - | - | 24,681 |
| Sheriff's contingency | 6,583 | - | - | - | - | - | 6,583 |
| Sheriff's contributions | 3,300 | - | - | - | - | - | 3,300 |
| Sheriff's DWI | 1,263 | - | - | - | - | - | 1,263 |
| Sheriff's forfeited property | 25,477 | - | - | - | - | - | 25,477 |
| Veterans cemetery contributions | 230 | - | - | - | - | - | 230 |
| Veterans service office | 7,208 | - | - | - | - | - | 7,208 |
| Victim assistance | 10,222 | - | - | - | - | - | 10,222 |
| Waste to energy | - | - | - | 45,000 | - | - | 45,000 |
| Total restricted | \$ 881,183 | \$ 2,233,975 | \$ - | \$ 45,000 | \$ 1,001,527 | \$ 2,305,999 | \$ 6,467,684 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

D. Fund Balances (Continued)

| | Special Revenue | | | | | | Total |
|---|----------------------|---------------------|-------------------|-------------------|---------------------|---------------------|----------------------|
| | General | Road and Bridge | Human Services | Solid Waste | Ditch | Debt Service | |
| Committed | | | | | | | |
| LINC Redwood County | \$ 33,900 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 33,900 |
| Outstanding contracts | 607,886 | - | - | - | - | - | 607,886 |
| RCEDA revolving loan 2008 | 205,738 | - | - | - | - | - | 205,738 |
| Retiree health insurance | 4,149 | - | - | - | - | - | 4,149 |
| County septic system revolving loan | 99,071 | - | - | - | - | - | 99,071 |
| Sheriff canteen | 33,959 | - | - | - | - | - | 33,959 |
| Veteran's cemetery | 1,000,000 | - | - | - | - | - | 1,000,000 |
| WESCAP Valley Area Transit | 7,200 | - | - | - | - | - | 7,200 |
| Total committed | \$ 1,991,903 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,991,903 |
| Assigned | | | | | | | |
| Assessor tax court | \$ 90,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 90,000 |
| Attorney driving diversion program | 247 | - | - | - | - | - | 247 |
| Broadband | 25,000 | - | - | - | - | - | 25,000 |
| Computer miscellaneous | 30,000 | - | - | - | - | - | 30,000 |
| Computer voice over IP (VOIP) | 60,329 | - | - | - | - | - | 60,329 |
| Courthouse car | 338 | - | - | - | - | - | 338 |
| Courthouse square street project | 219,500 | - | - | - | - | - | 219,500 |
| EDA Development grant program | 25,000 | - | - | - | - | - | 25,000 |
| Election | 163,094 | - | - | - | - | - | 163,094 |
| Forfeited tax | 177,186 | - | - | - | - | - | 177,186 |
| Future ditch loans | - | - | - | - | 954,988 | - | 954,988 |
| Grand jury | 74,787 | - | - | - | - | - | 74,787 |
| Highways and streets | - | 1,582,217 | - | - | - | - | 1,582,217 |
| Human services | - | - | 729,242 | - | - | - | 729,242 |
| Law enforcement dispatch tower | 33,600 | - | - | - | - | - | 33,600 |
| Law enforcement dog fund | 2,955 | - | - | - | - | - | 2,955 |
| Maintenance equipment | 29,111 | - | - | - | - | - | 29,111 |
| OPEB actuary | 3,800 | - | - | - | - | - | 3,800 |
| Park improvements | 38,509 | - | - | - | - | - | 38,509 |
| PrimeWest County based purchasing health plan | 1,665,015 | - | - | - | - | - | 1,665,015 |
| Public health | 160,779 | - | - | - | - | - | 160,779 |
| Renovation – Justice Center | 1,578,375 | - | - | - | - | - | 1,578,375 |
| Restorative justice | 2,508 | - | - | - | - | - | 2,508 |
| Safety committee | 7,800 | - | - | - | - | - | 7,800 |
| Sand Creek staff training | 2,081 | - | - | - | - | - | 2,081 |
| Sheriff vehicle | 46,689 | - | - | - | - | - | 46,689 |
| Solid waste | - | - | - | 273,374 | - | - | 273,374 |
| Staff development | 1,833 | - | - | - | - | - | 1,833 |
| Veterans Service Office van purchase | 19,702 | - | - | - | - | - | 19,702 |
| Walnut Grove Grain Elevator Demolition | 20,000 | - | - | - | - | - | 20,000 |
| Workers' compensation/property casualty insurance | 445,433 | - | - | - | - | - | 445,433 |
| Total assigned | \$ 4,923,671 | \$ 1,582,217 | \$ 729,242 | \$ 273,374 | \$ 954,988 | \$ - | \$ 8,463,492 |
| Unassigned | \$ 3,907,307 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,907,307 |
| Total Fund Balances | \$ 12,967,432 | \$ 4,021,001 | \$ 729,242 | \$ 318,374 | \$ 1,956,676 | \$ 2,305,999 | \$ 22,298,724 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

E. Other Postemployment Benefits (OPEB)

Plan Description

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

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

Funding Policy

The amount paid by the County will not exceed the amount that the County contributes to employees pursuant to policy 6.16, as may be amended from time to time by the County Board. For retired employees, the County rates are based on the County's group health policy rates in effect at the time of retirement and are a fixed amount until discontinued at age 65 and after a maximum of six years for elected officials.

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Funding Policy (Continued)

As of the December 31, 2018, actuarial valuation, the following employees were covered by the benefit terms:

| | |
|--|-------------------|
| Active plan participants | 111 |
| Inactive employees or beneficiaries currently receiving benefit payments | <u>11</u> |
| Total | <u><u>122</u></u> |

Total OPEB Liability

The County's total OPEB liability of \$510,010 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

The total OPEB liability in the fiscal year-end December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------|---|
| Actuarial cost method | Entry Age Normal Percent of Salary |
| Inflation | 2.5 percent |
| Salary increases | Follow most recent PERA of Minnesota Actuarial Valuations |
| Health care cost trend | 8.0 percent, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent |

The current year discount rate is 4.11 percent. The discount rate was selected from a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates are based on SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation for PERA as of July 1, 2017.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance at December 31, 2017 (Restated) | \$ 513,699 |
| Changes for the year | |
| Service cost | \$ 33,825 |
| Interest | 18,003 |
| Differences between expected and actual experience | (2,005) |
| Changes in assumptions | (4,766) |
| Benefit payments | (48,746) |
| Net change | \$ (3,689) |
| Balance at December 31, 2018 | \$ 510,010 |

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

| | Discount Rate | Total OPEB Liability |
|-------------|---------------|-------------------------|
| 1% Decrease | 3.11% | \$ 535,155 |
| Current | 4.11 | 510,010 |
| 1% Increase | 5.11 | 484,845 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.0 percentage point lower or 1.0 percentage point higher than the current health care cost trend rate:

| | Health Care Trend Rates | Total OPEB Liability |
|-------------|--------------------------|----------------------|
| 1% Decrease | 7.0% Decreasing to 3.50% | \$ 468,519 |
| Current | 8.0% Decreasing to 4.50% | 510,010 |
| 1% Increase | 9.0% Decreasing to 5.50% | 557,216 |

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

For the year ended December 31, 2018, the County recognized OPEB expense of \$50,861. Related to OPEB, the County had no deferred outflows of resources to report and reported deferred inflows of resources from the following sources:

| | Deferred Inflows of Resources |
|---|-------------------------------|
| Difference between expected and actual experience of the plan | \$ 1,719 |
| Changes in actuarial assumptions | 4,085 |
| Total | \$ 5,804 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)

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

| Year Ended December 31 | OPEB Expense Amount |
|---------------------------|---------------------------|
| 2019 | \$ (967) |
| 2020 | (967) |
| 2021 | (967) |
| 2022 | (967) |
| 2023 | (967) |
| Thereafter | (969) |

Changes in Actuarial Methods and Assumptions

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

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

F. Pension Plans

1. Defined Benefit Pension Plans

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

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5.00 percent for each year of service until fully vested after 20 years.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after 10 years.

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase, while Correctional Plan benefit recipients receive 2.50 percent. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.00 percent.

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first 10 years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

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

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2018.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

In 2018, the County was required to contribute the following percentages of annual covered salary:

| | |
|---|-------|
| General Employees Plan – Coordinated Plan members | 7.50% |
| Police and Fire Plan | 16.20 |
| Correctional Plan | 8.75 |

The employee and employer contribution rates did not change from the previous year.

The County's contributions for the year ended December 31, 2018, to the pension plans were:

| | | |
|------------------------|----|---------|
| General Employees Plan | \$ | 304,275 |
| Police and Fire Plan | | 148,964 |
| Correctional Plan | | 59,540 |

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

d. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of \$3,256,435 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

PERA's participating employers. At June 30, 2018, the County's proportion was 0.0587 percent. It was 0.0611 percent measured as of June 30, 2017. The County recognized pension expense of \$267,932 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$24,899 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and \$6 million thereafter, through calendar year 2031.

| | |
|--|---------------------|
| The County's proportionate share of the net pension liability | \$ 3,256,435 |
| State of Minnesota's proportionate share of the net pension liability associated with the County | <u>106,772</u> |
| Total | <u>\$ 3,363,207</u> |

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 89,559 | \$ 94,977 |
| Changes in actuarial assumptions | 311,072 | 376,135 |
| Difference between projected and actual investment earnings | - | 348,833 |
| Changes in proportion | 97,434 | 151,189 |
| Contributions paid to PERA subsequent to the measurement date | 152,597 | - |
| Total | \$ 650,662 | \$ 971,134 |

The \$152,597 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---------------------------|------------------------------|
| 2019 | \$ 79,594 |
| 2020 | (175,655) |
| 2021 | (309,039) |
| 2022 | (67,969) |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2018, the County reported a liability of \$907,078 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.085 percent. It was 0.082 percent measured as of June 30, 2017. The County recognized pension expense of \$114,890 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized \$7,659 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 35,789 | \$ 203,964 |
| Changes in actuarial assumptions | 1,033,636 | 1,287,800 |
| Difference between projected and actual investment earnings | - | 200,014 |
| Changes in proportion | 141,896 | - |
| Contributions paid to PERA subsequent to the measurement date | 74,884 | - |
| Total | \$ 1,286,205 | \$ 1,691,778 |

The \$74,884 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---------------------------|------------------------------|
| 2019 | \$ (9,319) |
| 2020 | (47,923) |
| 2021 | (109,651) |
| 2022 | (317,547) |
| 2023 | 3,983 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2018, the County reported a liability of \$52,926 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.32 percent. It was 0.31 percent measured as of June 30, 2017. The County recognized pension expense of (\$59,587) for its proportionate share of the Correctional Plan's pension expense.

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience | \$ 2,741 | \$ 5,449 |
| Changes in actuarial assumptions | 232,749 | 608,052 |
| Difference between projected and actual investment earnings | - | 61,691 |
| Changes in proportion | 43,876 | - |
| Contributions paid to PERA subsequent to the measurement date | <u>29,974</u> | <u>-</u> |
| Total | <u>\$ 309,340</u> | <u>\$ 675,192</u> |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The \$29,974 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended December 31</u> | <u>Pension Expense Amount</u> |
|-----------------------------------|---------------------------------------|
| 2019 | \$ 26,487 |
| 2020 | (216,278) |
| 2021 | (194,957) |
| 2022 | (11,078) |

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was \$323,235.

e. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

| | |
|------------------------------|-----------------------|
| Inflation | 2.50 percent per year |
| Active member payroll growth | 3.25 percent per year |
| Investment rate of return | 7.50 percent |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------------------|--------------------------|---|
| Domestic stocks | 36% | 5.10% |
| International stocks | 17 | 5.30 |
| Bonds (fixed income) | 20 | 0.75 |
| Alternative assets (private markets) | 25 | 5.90 |
| Cash | 2 | 0.00 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans (Continued)

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

Police and Fire Plan

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions

Correctional Plan

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans (Continued)

h. Pension Liability Sensitivity

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

| | <u>General Employees Plan</u> | | <u>Proportionate Share of the Police and Fire Plan</u> | | <u>Correctional Plan</u> | |
|-------------|-------------------------------|----------------------------------|--|----------------------------------|--------------------------|--|
| | <u>Discount Rate</u> | <u>Net Pension Liability</u> | <u>Discount Rate</u> | <u>Net Pension Liability</u> | <u>Discount Rate</u> | <u>Net Pension Liability (Asset)</u> |
| 1% Decrease | 6.50% | \$ 5,292,124 | 6.50% | \$ 1,944,833 | 6.50% | \$ 452,959 |
| Current | 7.50 | 3,256,435 | 7.50 | 907,078 | 7.50 | 52,926 |
| 1% Increase | 8.50 | 1,576,032 | 8.50 | 48,898 | 8.50 | (267,088) |

i. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

2. 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**

3. Detailed Notes on All Funds

F. Pension Plans

2. 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. 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 Redwood County during the year ended December 31, 2018, were:

| | <u>Employee</u> | <u>Employer</u> |
|-------------------------------|-----------------|-----------------|
| Contribution amount | \$ 5,818 | \$ 5,818 |
| Percentage of covered payroll | 5.00% | 5.00% |

G. Special Item

On April 30, 2018, Redwood County purchased a building to be used as the new Highway Department location. As part of the purchase, Titan Machinery, Inc., paid a \$3,000,000 lease termination fee, which is recorded as a special item in the Governmental Activities and the Road and Bridge Special Revenue Fund.

4. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For all other risk, other than pertaining to health insurance, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2018 and 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

On October 15, 2013, Redwood County entered into a joint powers agreement with three local counties (Lyon, Murray, and Swift) and Southwest Health and Human Services to form the Minnesota Public Sector Collaborative to self-insure health insurance as of January 1, 2014. Premiums will be withheld from employees and transferred into an internal service fund. Claims are managed and paid by a third party, and the County will be billed weekly, in aggregate, for claims incurred.

The County established a limited risk management program for health coverage in 2014. Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$60,000 stop-loss per person insured (employee and eligible dependent) per year (\$1,000,000 aggregate) for the health plan. Liabilities of the Internal Service Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

The December 31, 2018, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through February 28, 2019. Changes in the balances of claims liabilities during 2017 and 2018 are as follows:

| | 2017 | 2018 |
|----------------------------|-------------|-------------|
| Unpaid claims, January 1 | \$ 42,655 | \$ 62,206 |
| Incurred claims | 1,206,166 | 1,567,948 |
| Claims payments | (1,186,615) | (1,534,195) |
| Unpaid Claims, December 31 | \$ 62,206 | \$ 95,959 |

B. Contingent Liabilities

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

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

Lincoln-Pipestone Rural Water System

At December 31, 2017 (latest information available), the Lincoln-Pipestone Rural Water System had \$47,572,000 of general obligation bonds and other loans outstanding through 2056. 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.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities

Lincoln-Pipestone Rural Water System (Continued)

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

C. Joint Ventures

Redwood County has an ongoing financial interest or responsibility in the following joint ventures:

Lincoln-Pipestone Rural Water System

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

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Lincoln-Pipestone Rural Water System (Continued)

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, 2017 (latest information available), were \$47,572,000.

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

Red Rock Rural Water System

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

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

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

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Redwood/Renville Regional Solid Waste Authority

The Redwood/Renville Regional Solid Waste Authority (RRRSWA) Joint Powers Agreement was established by an agreement between Redwood County and Renville County under the authority of Minn. Stat. § 471.59. The agreement was made to facilitate development and operation of an integrated solid waste management system to serve the counties and to provide for a separate, free-standing public entity. The governing board is composed of seven members. Three members are appointed by the Redwood County Board of Commissioners. Three members are appointed by the Renville County Board of Commissioners. One at-large member is jointly appointed by the counties.

In June 2013, Redwood and Renville Counties each loaned the RRRSWA \$1,000,000, with a two percent interest rate, having only interest paid in the first three years of operation. In March 2017, Redwood and Renville Counties approved to not charge interest on the loans as of January 1, 2017.

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

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

Complete financial statements of the Redwood/Renville Regional Solid Waste Authority can be obtained from the Fiscal Agent, Renville County Administrator's Office, Renville County Government Services Center, 105 – 5th Street, Suite 315, Olivia, Minnesota 56277.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southwest Health and Human Services

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

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

SWHHS is governed by the:

- Joint Health and Human Services Board ("Joint Board") – responsible for financial, personnel, budget, and general administration of the agency, and is made up of one County Commissioner (or alternate) from each county serving on the Community Health Board and one County Commissioner (or alternate) serving on the Human Services Board.
- Human Services Board – responsible for duties set forth in Minn. Stat. ch. 393 and made up of two County Commissioners appointed annually and one layperson to be appointed consistent with the requirement of the Commissioner of Human Services.
- 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.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwest Health and Human Services (Continued)

Financing is provided by state and federal grants and appropriations from member counties. Redwood County's contribution in 2018 for the human services function was \$2,502,328, and its contribution to the health services function was \$196,723.

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

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

Redwood County, in conjunction with Cottonwood, Lincoln, Lyon, Murray, Nobles, and Rock Counties and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, have formed an agreement to coordinate the delivery of volunteer services to nonprofit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The entity known as the Retired and Senior Volunteer Program of Southwest Minnesota (RSVP of Southwest Minnesota) changed its name to A.C.E. of Southwest Minnesota as of January 1, 2014. The Board comprises one voting member from each participating county and one voting member of the A.C.E. of Southwest Minnesota Advisory Council. In 2018, Redwood County made contributions of \$27,299 to A.C.E. of Southwest Minnesota.

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

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

The Task Force is governed by an Advisory Board consisting of one appointed member from each party to the agreement. Financing is provided through contributions of the participating counties, grants, and forfeitures. During 2018, Redwood County paid \$52,290 to the Task Force.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Brown-Lyon-Redwood-Renville Gang and Drug Task Force (Continued)

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

Plum Creek Library System

Redwood County, along with 19 cities and eight other counties participates in the Plum Creek Library System. The Plum Creek Library System was created as a public library service on May 29, 1974, by the act of contracting with various public libraries in its region to provide expanded library service, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without such services. The Plum Creek Library System is governed by a board of trustees which consists of two representatives from each county. One is appointed by the County Commissioners, the second from the board of the participating libraries. During 2018, Redwood County provided \$101,993 to the Plum Creek Library System.

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

D. Jointly-Governed Organizations

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

Area II Minnesota River Basin Project

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Counties Providing Technology

Counties Providing Technology (CPT) was established in 2018, under the authority conferred upon by member parties by Minn. Stat. § 471.59, for the purpose of purchasing the former software vendor, Computer Professionals Unlimited, Inc., (CPUI) and to provide for the development, operation, and maintenance of technology applications and systems. Redwood County and 22 other counties are members of CPT. Each member county provided an initial contribution to start up CPT and provide funds for the purchase of CPUI. CPT purchased CPUI in September 2018 for a purchase price of \$3,600,000.

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

Financing is primarily from county member contributions. During 2018, Redwood County contributed \$175,000 to CPT.

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

Redwood-Cottonwood Rivers Control Area

The Redwood-Cottonwood Rivers Control Area (RCRCA) works to improve water quality, reduce erosion, and enhance recreational opportunities by providing education, outreach, monitoring, and technical assistance within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. The RCRCA consists of Brown, Cottonwood, Lincoln, Lyon, Murray, Pipestone, Redwood, and Yellow Medicine Counties. During 2018, Redwood County contributed \$24,825 to the RCRCA.

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, 2018**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 6,950,454 | \$ 6,950,454 | \$ 6,940,298 | \$ (10,156) |
| Other taxes | 9,500 | 9,500 | 12,034 | 2,534 |
| Special assessments | 31,983 | 31,983 | 40,366 | 8,383 |
| Licenses and permits | 56,450 | 56,450 | 55,873 | (577) |
| Intergovernmental | 2,459,918 | 2,459,918 | 2,365,584 | (94,334) |
| Charges for services | 677,231 | 677,231 | 743,536 | 66,305 |
| Gifts and contributions | - | - | 1,494 | 1,494 |
| Investment earnings | 112,318 | 112,318 | 387,450 | 275,132 |
| Miscellaneous | 448,773 | 448,773 | 486,849 | 38,076 |
| Total Revenues | \$ 10,746,627 | \$ 10,746,627 | \$ 11,033,484 | \$ 286,857 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Commissioners | \$ 255,385 | \$ 255,385 | \$ 248,543 | \$ 6,842 |
| Law library | 6,000 | 6,000 | 8,851 | (2,851) |
| County administration | 374,280 | 374,280 | 380,247 | (5,967) |
| Administrator | 339,364 | 339,364 | 333,414 | 5,950 |
| Auditor-Treasurer | 392,815 | 392,815 | 385,989 | 6,826 |
| License center | 157,929 | 157,929 | 155,963 | 1,966 |
| Assessor | 517,148 | 517,148 | 452,781 | 64,367 |
| Elections | 233,350 | 233,350 | 200,576 | 32,774 |
| Computer | 410,611 | 410,611 | 362,031 | 48,580 |
| Attorney | 561,679 | 561,679 | 546,204 | 15,475 |
| Recorder | 297,427 | 297,427 | 300,192 | (2,765) |
| Buildings and plant | 1,160,645 | 1,160,645 | 688,978 | 471,667 |
| Veterans service officer | 201,126 | 201,126 | 163,884 | 37,242 |
| Other general government | - | - | 683 | (683) |
| Total general government | \$ 4,907,759 | \$ 4,907,759 | \$ 4,228,336 | \$ 679,423 |
| Public safety | | | | |
| Sheriff | \$ 3,371,111 | \$ 3,371,111 | \$ 3,085,205 | \$ 285,906 |
| Coroner | 20,000 | 20,000 | 23,781 | (3,781) |
| Child advocacy center | 117,407 | 117,407 | 107,312 | 10,095 |
| E-911 system | 58,000 | 58,000 | 76,204 | (18,204) |
| Probation and parole | 347,911 | 347,911 | 284,240 | 63,671 |
| Restorative justice | 122,967 | 122,967 | 111,138 | 11,829 |
| Sentencing to Service | 68,257 | 68,257 | 63,193 | 5,064 |
| Emergency management | 86,195 | 86,195 | 81,152 | 5,043 |
| Other public safety | 18,600 | 18,600 | 15,109 | 3,491 |
| Total public safety | \$ 4,210,448 | \$ 4,210,448 | \$ 3,847,334 | \$ 363,114 |

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

Page 96

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-----------------------------|-----------------------------|----------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Culture and recreation | | | | |
| Museum | \$ 2,550 | \$ 2,550 | \$ 2,595 | \$ (45) |
| Parks | 386,851 | 386,851 | 103,926 | 282,925 |
| Minnesota trails | 83,416 | 83,416 | 134,885 | (51,469) |
| Other | <u>57,500</u> | <u>57,500</u> | <u>57,200</u> | <u>300</u> |
| Total culture and recreation | <u>\$ 530,317</u> | <u>\$ 530,317</u> | <u>\$ 298,606</u> | <u>\$ 231,711</u> |
| Conservation of natural resources | | | | |
| Extension | \$ 108,862 | \$ 108,862 | \$ 105,726 | \$ 3,136 |
| Agricultural inspection | 376,997 | 376,997 | 434,037 | (57,040) |
| Soil and water conservation | - | - | 2,573 | (2,573) |
| Water quality loan program | - | - | 15,753 | (15,753) |
| Other | <u>218,414</u> | <u>218,414</u> | <u>217,290</u> | <u>1,124</u> |
| Total conservation of natural resources | <u>\$ 704,273</u> | <u>\$ 704,273</u> | <u>\$ 775,379</u> | <u>\$ (71,106)</u> |
| Economic development | | | | |
| Other | <u>\$ 132,600</u> | <u>\$ 132,600</u> | <u>\$ 93,113</u> | <u>\$ 39,487</u> |
| Intergovernmental | | | | |
| Counties Providing Technology | \$ - | \$ - | \$ 175,000 | \$ (175,000) |
| Health | 196,723 | 196,723 | 196,723 | - |
| Library | <u>101,993</u> | <u>101,993</u> | <u>101,993</u> | <u>-</u> |
| Total intergovernmental | <u>\$ 298,716</u> | <u>\$ 298,716</u> | <u>\$ 473,716</u> | <u>\$ (175,000)</u> |
| Debt service | | | | |
| Principal | \$ 13,204 | \$ 13,204 | \$ 100,337 | \$ (87,133) |
| Interest | <u>1,500</u> | <u>1,500</u> | <u>11,868</u> | <u>(10,368)</u> |
| Total debt service | <u>\$ 14,704</u> | <u>\$ 14,704</u> | <u>\$ 112,205</u> | <u>\$ (97,501)</u> |
| Total Expenditures | <u>\$ 10,798,817</u> | <u>\$ 10,798,817</u> | <u>\$ 9,828,689</u> | <u>\$ 970,128</u> |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <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 | \$ (52,190) | \$ (52,190) | \$ 1,204,795 | \$ 1,256,985 |
| Other Financing Sources (Uses) | | | | |
| Capital leases | \$ - | \$ - | \$ 10,836 | \$ 10,836 |
| Transfers out | - | - | (2,301,033) | (2,301,033) |
| Proceeds from sale of capital assets | - | - | 7,290 | 7,290 |
| Total Other Financing Sources (Uses) | \$ - | \$ - | \$ (2,282,907) | \$ (2,282,907) |
| Net Change in Fund Balance | \$ (52,190) | \$ (52,190) | \$ (1,078,112) | \$ (1,025,922) |
| Fund Balance – January 1 | <u>14,045,544</u> | <u>14,045,544</u> | <u>14,045,544</u> | <u>-</u> |
| Fund Balance – December 31 | <u>\$ 13,993,354</u> | <u>\$ 13,993,354</u> | <u>\$ 12,967,432</u> | <u>\$ (1,025,922)</u> |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 1,722,748 | \$ 1,722,748 | \$ 1,721,675 | \$ (1,073) |
| Other taxes | 286,000 | 286,000 | 184,103 | (101,897) |
| Intergovernmental | 8,433,252 | 8,433,252 | 8,882,057 | 448,805 |
| Charges for services | 13,000 | 13,000 | 6,442 | (6,558) |
| Miscellaneous | 80,000 | 80,000 | 158,446 | 78,446 |
| Total Revenues | \$ 10,535,000 | \$ 10,535,000 | \$ 10,952,723 | \$ 417,723 |
| Expenditures | | | | |
| Current | | | | |
| Highways and streets | | | | |
| Administration | \$ 451,401 | \$ 451,401 | \$ 5,716,249 | \$ (5,264,848) |
| Maintenance | 2,216,207 | 2,216,207 | 2,617,809 | (401,602) |
| Construction | 9,614,684 | 9,614,684 | 6,621,218 | 2,993,466 |
| Equipment and maintenance shops | 767,976 | 767,976 | 1,249,886 | (481,910) |
| Total highways and streets | \$ 13,050,268 | \$ 13,050,268 | \$ 16,205,162 | \$ (3,154,894) |
| Intergovernmental | | | | |
| Highways and streets | 535,000 | 535,000 | 624,756 | (89,756) |
| Total Expenditures | \$ 13,585,268 | \$ 13,585,268 | \$ 16,829,918 | \$ (3,244,650) |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ (3,050,268) | \$ (3,050,268) | \$ (5,877,195) | \$ (2,826,927) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 2,301,033 | 2,301,033 |
| Special Item (Note 3.G.) | | | | |
| Lease termination for purchase of Titan Building | - | - | 3,000,000 | 3,000,000 |
| Net Change in Fund Balance | \$ (3,050,268) | \$ (3,050,268) | \$ (576,162) | \$ 2,474,106 |
| Fund Balance – January 1 | 4,616,463 | 4,616,463 | 4,616,463 | - |
| Increase (decrease) in inventories | - | - | (19,300) | (19,300) |
| Fund Balance – December 31 | \$ 1,566,195 | \$ 1,566,195 | \$ 4,021,001 | \$ 2,454,806 |

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 2,325,770 | \$ 2,325,770 | \$ 2,324,458 | \$ (1,312) |
| Intergovernmental | 89,070 | 89,070 | 178,229 | 89,159 |
| Total Revenues | \$ 2,414,840 | \$ 2,414,840 | \$ 2,502,687 | \$ 87,847 |
| Expenditures | | | | |
| Current | | | | |
| Human services | \$ - | \$ - | \$ 42 | \$ (42) |
| Intergovernmental | | | | |
| Human services | 2,414,840 | 2,414,840 | 2,502,328 | (87,488) |
| Total Expenditures | \$ 2,414,840 | \$ 2,414,840 | \$ 2,502,370 | \$ (87,530) |
| Net Change in Fund Balance | \$ - | \$ - | \$ 317 | \$ 317 |
| Fund Balance – January 1 | 728,925 | 728,925 | 728,925 | - |
| Fund Balance – December 31 | \$ 728,925 | \$ 728,925 | \$ 729,242 | \$ 317 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Special assessments | \$ 613,243 | \$ 613,243 | \$ 619,736 | \$ 6,493 |
| Licenses and permits | 700 | 700 | 1,900 | 1,200 |
| Intergovernmental | 85,727 | 85,727 | 229,489 | 143,762 |
| Miscellaneous | 35,400 | 35,400 | 1,267 | (34,133) |
| Total Revenues | \$ 735,070 | \$ 735,070 | \$ 852,392 | \$ 117,322 |
| Expenditures | | | | |
| Current | | | | |
| Sanitation | | | | |
| Solid waste | \$ 10,983 | \$ 10,983 | \$ 3,052 | \$ 7,931 |
| Hazardous waste | - | - | 3,267 | (3,267) |
| Total sanitation | \$ 10,983 | \$ 10,983 | \$ 6,319 | \$ 4,664 |
| Intergovernmental | | | | |
| Solid waste | \$ 682,935 | \$ 682,935 | \$ 684,301 | \$ (1,366) |
| Debt service | | | | |
| Principal | \$ 120,000 | \$ 120,000 | \$ 120,000 | \$ - |
| Interest | 39,815 | 39,815 | 39,815 | - |
| Administrative (fiscal) charges | 500 | 500 | 1,940 | (1,440) |
| Total debt service | \$ 160,315 | \$ 160,315 | \$ 161,755 | \$ (1,440) |
| Total Expenditures | \$ 854,233 | \$ 854,233 | \$ 852,375 | \$ 1,858 |
| Net Change in Fund Balance | \$ (119,163) | \$ (119,163) | \$ 17 | \$ 119,180 |
| Fund Balance – January 1 | 318,357 | 318,357 | 318,357 | - |
| Fund Balance – December 31 | \$ 199,194 | \$ 199,194 | \$ 318,374 | \$ 119,180 |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-5

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Special assessments | \$ 597,925 | \$ 597,925 | \$ 1,685,141 | \$ 1,087,216 |
| Intergovernmental | - | - | 3,055 | 3,055 |
| Investment earnings | 31,000 | 31,000 | 22,029 | (8,971) |
| Miscellaneous | - | - | 3,745 | 3,745 |
| Total Revenues | \$ 628,925 | \$ 628,925 | \$ 1,713,970 | \$ 1,085,045 |
| Expenditures | | | | |
| Current | | | | |
| Conservation of natural resources | | | | |
| Other | 183,072 | 183,072 | 1,957,613 | (1,774,541) |
| Excess of Revenues Over (Under) Expenditures | \$ 445,853 | \$ 445,853 | \$ (243,643) | \$ (689,496) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital assets | - | - | 13,280 | 13,280 |
| Net Change in Fund Balance | \$ 445,853 | \$ 445,853 | \$ (230,363) | \$ (676,216) |
| Fund Balance – January 1 | 2,187,039 | 2,187,039 | 2,187,039 | - |
| Fund Balance – December 31 | \$ 2,632,892 | \$ 2,632,892 | \$ 1,956,676 | \$ (676,216) |

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2018**

| | 2018 |
|--|-------------------|
| Total OPEB Liability | |
| Service cost | \$ 33,825 |
| Interest | 18,003 |
| Differences between expected and actual experience | (2,005) |
| Changes of assumption or other inputs | (4,766) |
| Benefit payments | (48,746) |
| Net change in total OPEB liability | \$ (3,689) |
| Total OPEB Liability – Beginning | 513,699 |
| Total OPEB Liability – Ending | \$ 510,010 |
| | |
| Covered-employee payroll | \$ 5,935,946 |
| Total OPEB liability (asset) as a percentage of covered-employee payroll | 8.59% |

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | State's Proportionate Share of the Net Pension Liability Associated with Redwood County (b) | Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b) | Covered Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------------|---|--|--|---|------------------------------------|---|---|
| 2018 | 0.0587 % | \$ 3,256,435 | \$ 106,772 | \$ 3,363,207 | \$ 3,944,996 | 82.55 % | 79.53 % |
| 2017 | 0.0611 | 3,900,584 | 49,037 | 3,949,621 | 3,935,467 | 99.11 | 75.90 |
| 2016 | 0.0587 | 4,766,149 | 62,178 | 4,828,327 | 3,640,899 | 130.91 | 68.91 |
| 2015 | 0.0615 | 3,187,249 | N/A | 3,187,249 | 3,615,230 | 88.16 | 78.19 |

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|------------------------|---|---|---|------------------------------------|--|
| 2018 | \$ 304,275 | \$ 304,275 | \$ - | \$ 4,057,508 | 7.50 % |
| 2017 | 288,156 | 288,156 | - | 3,842,075 | 7.50 |
| 2016 | 279,393 | 279,393 | - | 3,725,245 | 7.50 |
| 2015 | 284,372 | 284,372 | - | 3,791,632 | 7.50 |

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018**

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------------|---|--|------------------------------------|---|---|
| 2018 | 0.085 % | \$ 907,078 | \$ 897,325 | 101.09 % | 88.84 % |
| 2017 | 0.082 | 1,107,098 | 843,180 | 131.30 | 85.43 |
| 2016 | 0.078 | 3,130,276 | 751,672 | 416.44 | 63.88 |
| 2015 | 0.078 | 886,263 | 714,664 | 124.01 | 86.61 |

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018**

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b – a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b)/(c) |
|------------------------|---|---|---|------------------------------------|--|
| 2018 | \$ 148,964 | \$ 148,964 | \$ - | \$ 919,531 | 16.20 % |
| 2017 | 139,165 | 139,165 | - | 859,114 | 16.20 |
| 2016 | 126,981 | 126,981 | - | 783,830 | 16.20 |
| 2015 | 122,845 | 122,845 | - | 758,302 | 16.20 |

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018**

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------------|---|--|------------------------------------|---|---|
| 2018 | 0.32 % | \$ 52,926 | \$ 657,220 | 8.05 % | 97.64 % |
| 2017 | 0.31 | 883,503 | 615,745 | 143.49 | 67.89 |
| 2016 | 0.30 | 1,095,942 | 565,304 | 193.87 | 58.16 |
| 2015 | 0.29 | 44,834 | 526,289 | 8.52 | 96.95 |

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT A-12

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018**

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|------------------------|---|---|---|------------------------------------|--|
| 2018 | \$ 59,540 | \$ 59,540 | \$ - | \$ 680,366 | 8.75 % |
| 2017 | 55,347 | 55,347 | - | 632,539 | 8.75 |
| 2016 | 49,708 | 49,708 | - | 568,085 | 8.75 |
| 2015 | 50,141 | 50,141 | - | 573,044 | 8.75 |

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

1. General Budget Policies

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

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

2. Budget Basis of Accounting

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

3. Excess of Expenditures Over Budget

The following individual major special revenue funds had expenditures in excess of budget for the year ended December 31, 2018:

| | Expenditures | Final Budget | Excess |
|--------------------------------------|---------------|-----------------|--------------|
| Road and Bridge Special Revenue Fund | \$ 16,829,918 | \$ 13,585,268 | \$ 3,244,650 |
| Human Services Special Revenue Fund | 2,502,370 | 2,414,840 | 87,530 |
| Ditch Special Revenue Fund | 1,957,613 | 183,072 | 1,774,541 |

4. Other Postemployment Benefits Funded Status

In 2018, Redwood County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.E. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

5. Employer Contributions to Other Postemployment Benefits

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

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

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

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

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

General Employees Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

2016

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

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Police and Fire Plan

2018

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

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2016 (Continued)

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Correctional Plan

2017 (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

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

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SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUND

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 648,401 | \$ 648,401 | \$ 648,262 | \$ (139) |
| Intergovernmental | 29,558 | 29,558 | 29,261 | (297) |
| Investment earnings | - | - | 13,939 | 13,939 |
| Total Revenues | \$ 677,959 | \$ 677,959 | \$ 691,462 | \$ 13,503 |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | \$ 475,000 | \$ 475,000 | \$ 475,000 | \$ - |
| Interest | 153,593 | 153,593 | 176,993 | (23,400) |
| Administrative (fiscal) charges | 1,150 | 1,150 | 4,110 | (2,960) |
| Total Expenditures | \$ 629,743 | \$ 629,743 | \$ 656,103 | \$ (26,360) |
| Net Change in Fund Balance | \$ 48,216 | \$ 48,216 | \$ 35,359 | \$ (12,857) |
| Fund Balance – January 1 | 2,270,640 | 2,270,640 | 2,270,640 | - |
| Fund Balance – December 31 | \$ 2,318,856 | \$ 2,318,856 | \$ 2,305,999 | \$ (12,857) |

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FIDUCIARY FUNDS

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

AGENCY FUNDS

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, 2018**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---------------------------------------|------------------------------|------------------|-------------------|--------------------------------|
| <u>STATE REVENUE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ - | \$ 403,033 | \$ 402,789 | \$ 244 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ - | \$ 403,033 | \$ 402,789 | \$ 244 |
| <u>TAXES AND PENALTIES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 654,322 | \$ 26,751,211 | \$ 27,145,960 | \$ 259,573 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 654,322 | \$ 26,751,211 | \$ 27,145,960 | \$ 259,573 |
| <u>FORFEITED TAX SALE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ - | \$ 1,311 | \$ 1,311 | \$ - |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ - | \$ 1,311 | \$ 1,311 | \$ - |

**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, 2018**

| | <u>Balance January 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance December 31</u> |
|--------------------------------------|------------------------------|----------------------|----------------------|--------------------------------|
| <u>TOTAL ALL AGENCY FUNDS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | <u>\$ 654,322</u> | <u>\$ 27,155,555</u> | <u>\$ 27,550,060</u> | <u>\$ 259,817</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | <u>\$ 654,322</u> | <u>\$ 27,155,555</u> | <u>\$ 27,550,060</u> | <u>\$ 259,817</u> |

OTHER SCHEDULES

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Appropriations and Shared Revenue

State

| | | |
|------------------------------|----|-----------|
| Highway users tax | \$ | 8,072,788 |
| County program aid | | 626,328 |
| PERA rate reimbursement | | 60,217 |
| Disparity reduction aid | | 44,859 |
| Police aid | | 111,651 |
| Enhanced 911 | | 89,006 |
| Market value credit | | 397,749 |
| Casino credit | | 89,637 |
| Aquatic invasive species aid | | 19,813 |
| Out of home placement aid | | 90,198 |
| Riparian protection aid | | 200,000 |

Total appropriations and shared revenue **\$ 9,802,246**

Reimbursement for Services

| | | |
|---|----|---------|
| School districts | \$ | 3,256 |
| Counties | | 3,192 |
| Cities | | 132,757 |
| Townships | | 38,675 |
| State | | 19,234 |
| Redwood/Renville Regional Solid Waste Authority | | 161,755 |

Total reimbursement for services **\$ 358,869**

Payments

Local

| | | |
|---------------------------|----|---------|
| Payments in lieu of taxes | \$ | 288,079 |
| Local contributions | | 13,125 |

Total payments **\$ 301,204**

Grants

State

| | | |
|--|----|---------|
| Minnesota Department of Corrections | \$ | 67,678 |
| Natural Resources | | 136,289 |
| Public Safety | | 22,389 |
| Transportation | | 212,688 |
| Veterans Affairs | | 10,000 |
| Board of Water and Soil Resources | | 60,295 |
| Pollution Control Agency | | 67,729 |
| Peace Officer Standards and Training Board | | 12,441 |
| Secretary of State | | 79,895 |

Total state **\$ 669,404**

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

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

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Grants (Continued)

Federal

| | |
|---------------------------|-----------|
| Department of Justice | \$ 87,886 |
| Transportation | 466,113 |
| Health and Human Services | 498 |
| Homeland Security | 1,455 |

Total federal **\$ 555,952**

Total state and federal grants **\$ 1,225,356**

Total Intergovernmental Revenue **\$ 11,687,675**

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| Federal Grantor Pass-Through Agency Program or Cluster Title | Federal CFDA Number | Pass-Through Grant Numbers | Expenditures |
|--|------------------------------------|---------------------------------------|---------------------|
| U.S. Department of Justice | | | |
| Passed Through Minnesota Department of Public Safety | | | |
| Crime Victim Assistance | 16.575 | F-CVS-2018-REDWOOCO-2971 | \$ 6,745 |
| Crime Victim Assistance | 16.575 | F-CVS-2018-REDWOOCO-3524 | 9,247 |
| Crime Victim Assistance | 16.575 | F-CVS-2018-REDWOOCO-3839 | 8,785 |
| Crime Victim Assistance | 16.575 | F-CVS-2018-REDWOOCO-4144 | 18,286 |
| Crime Victim Assistance | 16.575 | F-CVSP-2018-RCAO-3136 | 2,742 |
| Crime Victim Assistance | 16.575 | F-CVSP-2018-RCAO-3326 | 16,344 |
| Crime Victim Assistance | 16.575 | F-CVSP-2018-RCAO-3741 | 12,793 |
| Crime Victim Assistance | 16.575 | F-CVSP-2018-RCAO-4172 | 12,944 |
| (Total Crime Victim Assistance 16.575 \$87,886) | | | |
| Total U.S. Department of Justice | | | \$ 87,886 |
| U.S. Department of Transportation | | | |
| Passed Through Minnesota Department of Transportation | | | |
| Highway Planning and Construction Cluster | | | |
| Highway Planning and Construction | 20.205 | 1030064 | \$ 204,277 |
| Highway Planning and Construction | 20.205 | 1030700 | 1,129,036 |
| (Total Highway Planning and Construction 20.205 \$1,333,313) | | | |
| Passed Through City of Worthington, Minnesota | | | |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | A-ENFRC 18-2018 WORTHINGTON PD-3172 | 886 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | A-ENFRC16-2017-2018 | 1,024 |
| (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$1,910) | | | |
| Highway Safety Cluster | | | |
| National Priority Safety Programs | 20.616 | A-ENFRC 18-2018 WORTHINGTON PD-067 | 1,034 |
| National Priority Safety Programs | 20.616 | A-ENFRC 18-2018 WORTHINGTON PD-3172 | 760 |
| (Total National Priority Safety Programs 20.616 \$1,794) | | | |
| Total U.S. Department of Transportation | | | \$ 1,337,017 |
| U.S. Department of Health and Human Services | | | |
| Passed Through Minnesota Supreme Court | | | |
| State Court Improvement Program | 93.586 | None Provided | \$ 498 |
| U.S. Department of Homeland Security | | | |
| Passed Through Minnesota Department of Public Safety | | | |
| Boating Safety Financial Assistance | 97.012 | REDWOOD FBE-080818 | \$ 1,455 |
| Total Federal Awards | | | \$ 1,426,856 |

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2018.

Totals by Cluster

| | |
|--|--------------|
| Total expenditures for Highway Planning and Construction Cluster | \$ 1,333,313 |
| Total expenditures for Highway Safety Cluster | 1,794 |

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Redwood County under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Redwood County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Redwood County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Redwood County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

| | |
|--|---------------------|
| Federal grant revenue per Schedule of Intergovernmental Revenue | \$ 555,952 |
| Grants received more than 60 days after year-end, considered unavailable revenue in 2018 | |
| Highway Planning and Construction (CFDA No. 20.205) | <u>870,904</u> |
| Expenditures per Schedule of Expenditures of Federal Awards | <u>\$ 1,426,856</u> |

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA

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

Independent Auditor's Report

Board of County Commissioners
Redwood County
Redwood Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County, Minnesota, as of and for the year ended December 31, 2018, 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 17, 2019.

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 Counties*, 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 administers no tax increment financing districts.

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 Counties*. 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 Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 17, 2019



JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Redwood County
Redwood Falls, Minnesota

Report on Compliance for the Major Federal Program

We have audited Redwood County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2018. Redwood County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Redwood County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Redwood County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on the Major Federal Program

In our opinion, Redwood County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002. Our opinion on the major federal program is not modified with respect to these matters.

Redwood County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Redwood County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 through 2018-003, that we consider to be significant deficiencies.

Redwood County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 17, 2019

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**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for the major federal program: **Unmodified**

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

The major federal program is:

Highway Planning and Construction Cluster

CFDA No. 20.205

The threshold for distinguishing between Types A and B programs was \$750,000.

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

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

None.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding Number 2018-001

Uniform Guidance Written Procurement Policies and Procedures

Program: U.S. Department of Transportation's Highway Planning and Construction (CFDA No. 20.205), Award Nos. 1030700 and 1030064, 2018

Pass-Through Agency: Minnesota Department of Transportation

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation.

Condition: Redwood County has written procurement policies; however, these policies do not include the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* §§ 200.318 to 200.320.

Questioned Costs: Not applicable.

Context: This issue was discovered during the audit of the major federal program; however, it impacts federal programs County-wide. Written policies that reflect the specific components of federal regulations improve controls to ensure compliance with federal award requirements.

Effect: Written policies and procedures that are not updated to reflect the Uniform Guidance procurement requirements increase the risk of noncompliance with federal requirements.

Cause: The County did not include specific procurement policy language required by the Uniform Guidance when preparing the County's procurement policy.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Recommendation: We recommend the County include the specific components of the Uniform Guidance requirement in its written procurement policies and procedures.

View of Responsible Official: Acknowledged

Finding Number 2018-002

Cash Management and Reporting

Program: U.S. Department of Transportation's Highway Planning and Construction (CFDA No. 20.205), Award No. 1030064, 2018

Pass-Through Agency: Minnesota Department of Transportation

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

Condition: The County requested reimbursement for \$21,828 from the Minnesota Department of Transportation for costs not incurred by the County.

Questioned Costs: \$17,463

Context: The \$21,828 represents an incentive payment made to the contractor that was included twice when requested from the Minnesota Department of Transportation for reimbursement. The project was reimbursed at an 80 percent federal and 20 percent state allotment regular construction split.

Effect: The County received an additional \$17,463 in federal funds that had not been incurred.

Cause: The incentive payment made to the contractor was included twice due to an error.

Recommendation: We recommend the County make reimbursement requests accurately to only include costs previously incurred by the County.

View of Responsible Official: Acknowledged

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number 2018-003

Special Tests and Provisions – Davis-Bacon Act

Program: U.S. Department of Transportation’s Highway Planning and Construction (CFDA No. 20.205), Award Nos. 1030700 and 1030064, 2018

Pass-Through Agency: Minnesota Department of Transportation

Criteria: The Davis-Bacon Act (23 U.S.C. § 113) and 29 CFR section 5 require that contractors and subcontractors performing work on federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract’s wage determination class. Each covered contractor and subcontractor must, on a weekly basis, provide a copy of the payrolls providing the information listed under payrolls and basic records of 29 CFR section 5 for the preceding weekly payroll period. A good system of internal control would require the County to review the payroll information submitted by its contractors for compliance with Davis-Bacon Act wage rates.

Condition: Redwood County received the certified payrolls from the contractors and subcontractors for projects that involved federal payroll-related expenditures in 2018, but there was limited evidence that the certified payrolls were reviewed for compliance with the Davis-Bacon Act.

Questioned Costs: None.

Context: Redwood County entered into contracts with vendors for road construction projects funded by Highway Planning and Construction.

Effect: The County has not maintained evidence that supports its review that contractors are complying with the prevailing wage rate requirements of the Davis-Bacon Act.

Cause: Redwood County staff believed scanning the certified payrolls received from the contractors and subcontractors into the project files indicated that the certified payrolls were reviewed for compliance with the Davis-Bacon Act.

**REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Recommendation: We recommend that County staff properly review the certified payrolls received from the contractors and subcontractors for compliance with the Davis-Bacon Act and insure that documentation exists to support monitoring of and compliance with this requirement.

View of Responsible Official: Acknowledged

IV. PREVIOUSLY REPORTED ITEM RESOLVED

2014-001 Publishing Claims Paid

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Redwood County Board of Commissioners

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**REPRESENTATION OF REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number: 2018-001

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Program: Highway Planning and Construction (CFDA No. 20.205)

Name of Contact Person Responsible for Corrective Action:

Vicki Knobloch-Kletscher, County Administrator

Corrective Action Planned:

Amend County’s Procurement Policy and Procedures guide to comply with CFDA No. 20.205

Anticipated Completion Date:

Redwood County Board of Commissioners adopted amendments at the 6-4-19 Board Meeting.

Finding Number: 2018-002

Finding Title: Cash Management and Reporting

Program: Highway Planning and Construction (CFDA No. 20.205)

Name of Contact Person Responsible for Corrective Action:

Paula Olson, Highway Accountant

1st District

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2nd District

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3rd District

DENNIS GROEBNER

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4th District

BOB VANHEE

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Bob_V@co.redwood.mn.us

5th District

DAVE FORKRUD

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(507) 430-1907

Dave_F@co.redwood.mn.us

Corrective Action Planned:

Overpayment received of \$17,462.71 was returned to MnDOT, Warrant # 29670, on 5-7-19. Amended Delegated Contract Process pay request submitted.

Anticipated Completion Date:

May 7, 2019

Finding Number: 2018-003

Finding Title: Special Tests and Provisions – Davis-Bacon Act

Program: Highway Planning and Construction (CFDA No. 20.205)

Name of Contact Person Responsible for Corrective Action:

Jeff Bommersbach, Assistant County Engineer

Corrective Action Planned:

Payroll reports will be reviewed, signed, dated and then scanned in and saved to the file.

Anticipated Completion Date:

June 18, 2019

Redwood County Board of Commissioners

403 South Mill Street

P.O. Box 130

Redwood Falls, MN 56283

Phone: (507) 637-4016 Fax: (507) 637-4017

redwoodcounty-mn.us



**REPRESENTATION OF REDWOOD COUNTY
REDWOOD FALLS, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number: 2014-001

Finding Title: Publishing Claims Paid

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

Summary of Corrective Action Previously Reported: During July of 2018, the County started to publish claims over \$2,000 according to the statutory requirements in Minnesota Stat. § 375.12.

Status: Fully Corrected.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

1st District

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2nd District

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3rd District

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(507) 692-2235

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4th District

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Page 137

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