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Redwood County
Redwood Falls, Minnesota

Annual Financial Report and Management and Compliance Report

Year Ended December 31, 2025

Audit Practice Division

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR
State Auditor Julie Blaha

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Redwood County
Redwood Falls, Minnesota

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Redwood Falls, Minnesota

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Introductory Section

Redwood County
Redwood Falls, Minnesota

Organization

Office	Name	Term Expires
Commissioners		
1st District	Rick Wakefield, Vice Chair	January 2029
2nd District	Jim Salfer, Chair	January 2027
3rd District	Dennis Groebner	January 2027
4th District	Robert Van Hee	January 2029
5th District	Corey Theis	January 2029
County Officers		
Elected		
Attorney	Shannon Ness*	January 2027
Auditor-Treasurer	Jean Price	January 2027
District Court Judge	Patrick R. Rohland	January 2027
Recorder	Amy Gewerth	January 2027
Sheriff	Jason Jacobson	January 2027
Appointed		
Administrator	Vicki Kletscher	Indefinite
Assessor	Jesse Jacobson	December 2028
Director of Planning and Environmental Services	Nick Brozek	Indefinite
Highway Engineer	Nick Klisch**	April 2028
License Center Supervisor	Amy Serbus	Indefinite
Maintenance Supervisor	Loren Gewerth	Indefinite
Medical Examiner	Dr. Kelly Mills	December 2026
Veterans Service Officer	Roger Zollner	Indefinite

*Shannon Ness was appointed as Attorney effective January 3, 2025, to fill the remaining term of Jenna Peterson, who resigned effective January 2, 2025.

**Nick Klisch was appointed Highway Engineer effective July 28, 2025, to fill the remaining term of Anthony Sellner, who resigned July 24, 2025.

Financial Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

Board of County Commissioners
Redwood County
Redwood Falls, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County as of December 31, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules for the General Fund and each major special revenue fund, Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Redwood County's basic financial statements. The Budgetary Comparison Schedule – Debt Service Fund, combining fiduciary fund financial statements, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2026, 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.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

July 15, 2026

Management’s Discussion and Analysis

Redwood County
Redwood Falls, Minnesota

Management's Discussion and Analysis
December 31, 2025
(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, 2025. 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 $161,035,696, of which $129,912,922 is the net investment in capital assets, and $14,243,182 is restricted to specific purposes. The $16,879,592 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's net position increased by $10,692,355 for the year ended December 31, 2025. A large part of the increase is attributable to receivables and the County's net investment in capital assets and a decrease in liabilities and deferred inflows of resources.

- The net cost of governmental activities for the current fiscal year was $12,241,871. The net cost was funded by general revenues totaling $22,934,226.

- Fund balances of the governmental funds decreased by $32,821. Most of the decrease was due to a transfer from the General Fund to the Self-Insurance Internal Service Fund.

- For the year ended December 31, 2025, the assigned and unassigned fund balance of the General Fund was $17,688,770, or 122.6 percent of the total General Fund expenditures for the year, a decrease of 8.7 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, EDA Special Revenue Fund, and Debt Service Fund. Budgetary comparison schedules have been provided as either required or other supplementary information for each of these funds to demonstrate compliance with this budget.

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

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

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

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

All fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Exhibit 10, Statement of Changes in Fiduciary Net Position on Exhibit 11, and the Custodial Funds Combining Statements are shown on Exhibits C-1 and C-2.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28 through 71 of this report.

Other Information

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

Government-Wide Financial Analysis

Over time, net position serves as a useful indicator of the County's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $161,035,696 at the close of 2025. The largest portion of the net position (80.7 percent) reflects the County's net investment in capital assets (for example: land, buildings, equipment, and infrastructure such as roads and bridges), less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. Comparative data with 2024 is presented.

Statement of Net Position

Condensed Statement of Net Position	Governmental Activities – 2025	Governmental Activities – 2024
Assets		
Current and other assets	$ 42,396,566	$ 37,993,953
Capital assets, net	156,715,447	152,719,469*
Total Assets	$ 199,112,013	$ 190,713,422*
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$ 701,752	$ 664,604
Deferred pension outflows	1,946,078	2,588,372
Total Deferred Outflows of Resources	$ 2,647,830	$ 3,252,976
Liabilities		
Long-term liabilities	$ 33,165,885	$ 34,953,297*
Other liabilities	3,376,759	3,410,492
Total Liabilities	$ 36,542,644	$ 38,363,789*
Deferred Inflows of Resources		
Deferred other postemployment benefits inflows	$ 79,691	$ 114,458
Deferred pension inflows	3,643,406	4,518,526
Deferred lease inflows	458,406	626,284
Total Deferred Inflows of Resources	$ 4,181,503	$ 5,259,268
Net Position		
Net investment in capital assets	$ 129,912,922	$ 125,699,934*
Restricted	14,243,182	10,064,870
Unrestricted	16,879,592	14,578,537
Total Net Position	$ 161,035,696	$ 150,343,341*

*Amounts restated for correction of errors. See Note 1 in the notes to the financial statements.

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 10.5 percent of net position.

Governmental Activities

The County's activities increased net position by 7.1 percent ($150,343,341 for 2024, compared to $161,035,696 for 2025). Key elements in this increase in net position are as follows for 2025, with comparative data for 2024.

Changes in Net Position

Condensed Statement of Activities	Governmental Activities – 2025	Governmental Activities – 2024
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 3,798,997	$ 3,678,616
Operating grants and contributions	13,556,391	12,807,720
Capital grants and contributions	4,173,554	2,427,098
General revenues		
Property taxes	17,891,270	16,824,395
Other	5,042,956	5,608,026
Total Revenues	$ 44,463,168	$ 41,345,855
Expenses		
General government	$ 4,837,254	$ 5,782,199
Public safety	5,034,960	5,957,993*
Highways and streets	11,538,551	14,268,290
Sanitation	742,563	749,911
Human services	3,522,493	3,474,009
Health	235,231	185,100
Culture and recreation	1,181,331	392,226
Conservation of natural resources	5,155,033	3,837,656
Economic development	748,453	187,531
Interest	774,944	960,640
Total Expenses	$ 33,770,813	$ 35,795,555*
Change in Net Position	$ 10,692,355	$ 5,550,300
Net Position – January 1, as restated	150,343,341	144,793,041
Net Position – December 31	$ 161,035,696	$ 150,343,341*

*Amounts restated for correction of errors. See Note 1 in the notes to the financial statements.

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 2025, governmental funds reported combined ending fund balances of $27,667,245, a decrease of $32,821 in comparison with the prior year. Of the combined ending fund balances, $19,143,310 represents committed, assigned and unassigned fund balance which is available for spending at the County's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, bond covenants, or is nonspendable.

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 $17,688,770. 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 122.6 percent of total General Fund expenditures. The ending fund balance increased by $1,202,633 during 2025, primarily due to more intergovernmental revenue and investment earnings than expected in the current year.

The Road and Bridge Special Revenue Fund had an assigned fund balance of $3,293,742 at fiscal year-end, representing 20.7 percent of its annual expenditures. The ending fund balance increased $308,177 during 2025, primarily due to a transfer from the General Fund.

The fund balance in the Solid Waste Special Revenue decreased due to sending the Waste to Energy Grant to the Redwood/Renville Regional Solid Waste Authority.

The Ditch Special Revenue Fund had restricted fund balance of $2,772,475 at fiscal year-end. The ending fund balance decreased $1,481,136 during 2025.

The EDA Special Revenue Fund had an assigned fund balance of $150,983 at fiscal year-end.

The Debt Service Fund had restricted fund balance of $1,952,538 at fiscal year-end. The Debt Service Fund is used to pay for the principal, interest, and administrative costs of bonded projects. In 2013, bonds were sold for the construction and remodeling of the Law Enforcement Center. In 2021, General Obligation Bonds in the amount of $9,185,000 were sold for the construction of the Justice Center and $1,285,000 to refund the 2013A Law Enforcement Center bonds. In 2023, General Obligation Bonds in the amount of $9,170,000 were sold to fund various improvements to roads and bridges.

Governmental Activities

The County's total revenues were $44,463,168. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2025.

Table 1
Total County Revenues

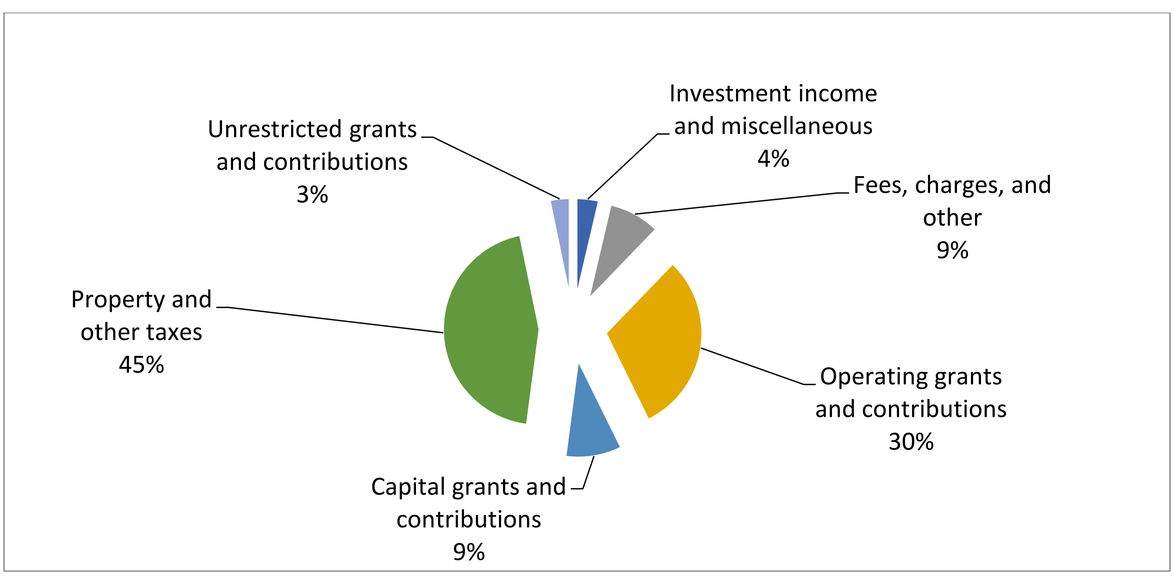
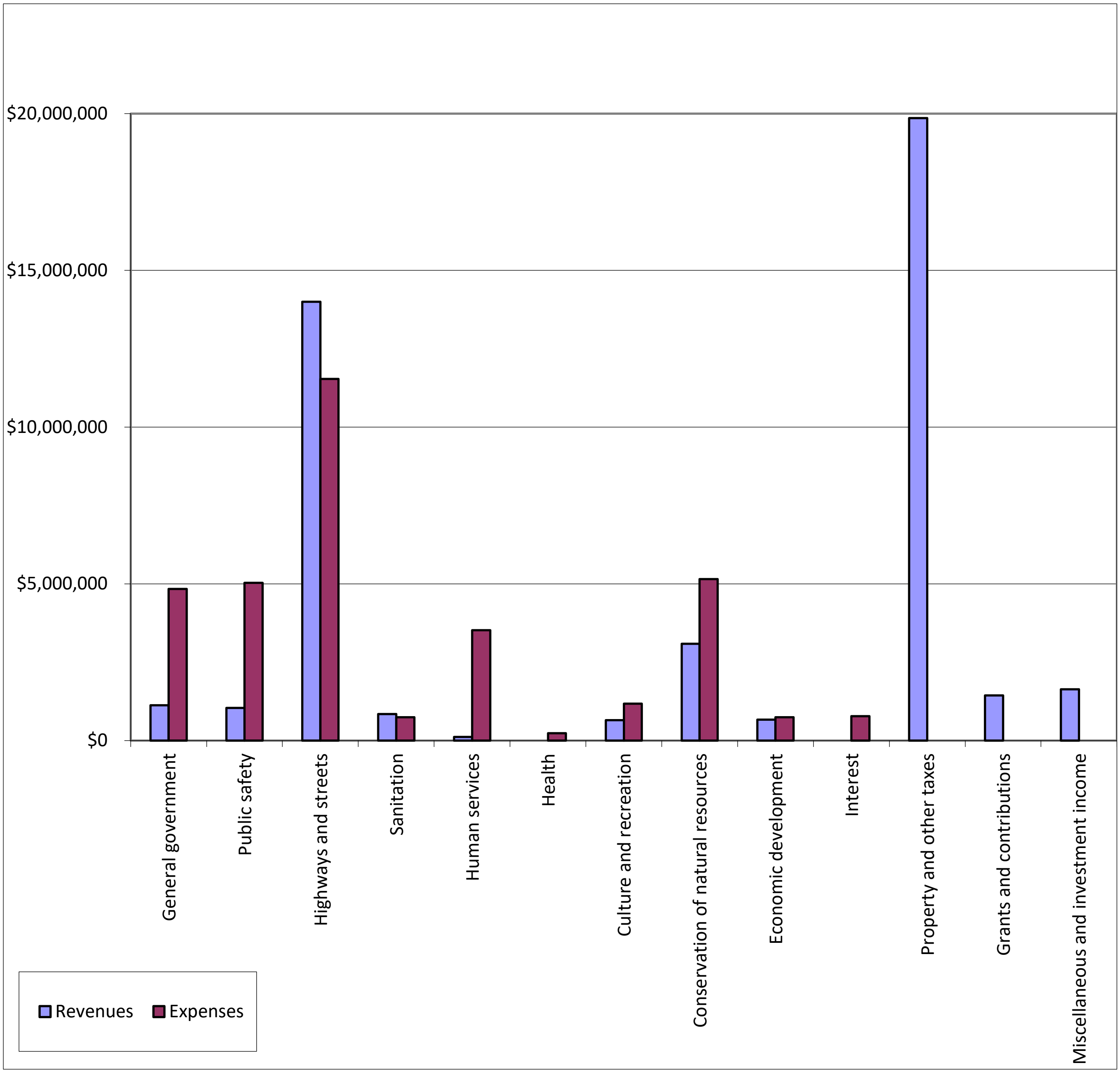


Table 2 presents the cost and revenue of each program, as well as the County's general revenues.

Total program and general revenues for the County were $44,463,168, while total expenses were $33,770,813, reflecting a $10,692,355 increase in net position for the year ended December 31, 2025.

Table 2
Program Revenues, General Revenues, and Expenses



The cost of all governmental activities this year was $33,770,813. However, as shown on the Statement of Activities on Exhibit 2, the amount that taxpayers ultimately financed for these activities through County property taxes was only $17,891,270, because some of the cost was paid by those who directly benefited from the programs ($3,798,997) or by other governments and organizations that subsidized certain programs with grants and contributions ($17,729,945). The County paid for the remaining public benefit portion of governmental activities with general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as grants and contributions not restricted to specific programs and investment income.

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

Table 3
Governmental Activities

Expenses	Total Cost of Services 2025	Net Cost (Revenue) of Services 2025
Highways and streets	$ 11,538,551	$ (2,458,340)
Conservation of natural resources	5,155,033	2,065,710
Public safety	5,034,960	3,997,487
General government	4,837,254	3,706,737
Human services	3,522,493	3,409,036
Culture and recreation	1,181,331	531,276
All others	2,501,191	989,965
Totals	$ 33,770,813	$ 12,241,871

General Fund Budgetary Highlights

The amendments to the budget were mainly due to the reduction in a capital outlay purchase in the Sheriff's Office that was not expected to occur in 2025.

Capital Assets and Debt Administration

Capital Assets

The County's capital assets for its governmental activities at December 31, 2025, totaled $156,715,447 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, lease equipment, and software subscriptions. The investment in capital assets increased $3,995,978, or 2.6 percent, from the previous year. The increase was due to the $3,929,992 addition in construction in progress.

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

Capital Assets	2025	2024
Land and right of way	$ 2,598,091	$ 2,546,260
Infrastructure	115,427,177	115,370,293
Buildings	23,207,225	23,901,975
Improvements other than buildings	586,388	498,223
Machinery and equipment	7,260,015	6,938,737
Lease equipment	374,840	485,620*
Software subscriptions	389,438	36,080
Construction in progress	6,872,273	2,942,281
Totals	$ 156,715,447	$ 152,719,469

*Amounts restated for correction of errors. See Note 1 in the notes to the financial statements.

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

Long-Term Liabilities

The County has bonds payable at December 31, 2025, of $26,045,593.

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

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

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

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

The County issued Series 2023A, General Obligation Capital Improvement Bonds in the amount of $9,170,000 to fund various improvements to roads and bridges. Series 2023A, General Obligation Capital Improvement Bonds will mature on February 1, 2034.

Table 5
Outstanding Bonded Debt

Debt	2025	2024
General Obligation Law Enforcement Center Refunding Bonds, Series 2021A	$ 789,905	$ 1,028,208
General Obligation Recycling Facility Refunding Bonds, Series 2021A	470,964	617,953
General Obligation Justice Center Bonds, Series 2021A	9,632,233	9,849,129
General Obligation CSAH Bonds, Series 2021A	5,893,179	6,271,360
General Obligation Capital Improvement Bonds, Series 2023A	9,259,312	9,935,902
Totals	$ 26,045,593	$ 27,702,552

Minnesota statutes limit the amount of debt a county may levy to 3.0 percent of its total market value. At the end of 2025, the County's outstanding debt was 0.43 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 2026 budget, tax rates, and fees that will be charged for the year.

- The average unemployment rate for Redwood County at the end of 2025 was 4.0 percent, an increase of 1.5 percentage points from one year ago. The state unemployment rate was 4.3 percent. The 2024 County population (last known year) was 15,253, a decrease of 172 from the 2020 census of 15,425.

- At the end of 2025, Redwood County set its 2026 revenue and expenditure budgets.

- The 2026 property tax levy for the County increased to $19,157,499, compared to $18,240,041 in 2025.

Requests for Information

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

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1

Redwood County
Redwood Falls, Minnesota

Statement of Net Position
Governmental Activities
December 31, 2025

Assets		
Cash and pooled investments	$	25,924,729
Investments		3,717,457
Receivable – net		12,200,760
Inventories		177,521
Prepaid items		125,377
Net pension asset		250,722
Capital assets		
Non-depreciable and amortizable		9,470,364
Depreciable and amortizable – net of accumulated depreciation and amortization		147,245,083
Total Assets	**$**	**199,112,013**
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$	701,752
Deferred pension outflows		1,946,078
Total Deferred Outflows of Resources	**$**	**2,647,830**
Liabilities		
Accounts payable and other current liabilities	$	3,328,402
Unearned revenue		48,357
Long-term liabilities		
Due within one year		2,272,692
Due in more than one year		26,211,099
Other postemployment benefits liability		
Due within one year		177,768
Due in more than one year		1,582,277
Net pension liability		2,922,049
Total Liabilities	**$**	**36,542,644**
Deferred Inflows of Resources		
Deferred other postemployment benefits inflows	$	79,691
Deferred pension inflows		3,643,406
Deferred lease inflows		458,406
Total Deferred Inflows of Resources	**$**	**4,181,503**
Net Position		
Net investment in capital assets	$	129,912,922
Restricted for		
General government		424,892
Public safety		991,279
Conservation of natural resources		4,926,094
Highways and streets		6,054,494
Debt service		1,708,989
Economic development		137,434
Unrestricted		16,879,592
Total Net Position	**$**	**161,035,696**

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

Exhibit 2

Redwood County
Redwood Falls, Minnesota

Statement of Activities
For the Year Ended December 31, 2025

		Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
General government	$ 4,837,254	$ 878,434	$ 194,354	$ 57,729	$ (3,706,737)
Public safety	5,034,960	181,234	856,239	-	(3,997,487)
Highways and streets	11,538,551	157,116	10,130,545	3,709,230	2,458,340
Sanitation	742,563	605,108	241,004	-	103,549
Human services	3,522,493	-	113,457	-	(3,409,036)
Health	235,231	-	-	-	(235,231)
Culture and recreation	1,181,331	139,455	104,005	406,595	(531,276)
Conservation of natural resources	5,155,033	1,794,970	1,294,353	-	(2,065,710)
Economic development	748,453	42,680	622,434	-	(83,339)
Interest	774,944	-	-	-	(774,944)
Total Governmental Activities	**$ 33,770,813**	**$ 3,798,997**	**$ 13,556,391**	**$ 4,173,554**	**$ (12,241,871)**

General Revenues	
Property taxes	$ 17,891,270
Wheelage tax	355,680
County local option sales tax	1,294,116
Other taxes	18,323
Payments in lieu of tax	297,793
Grants and contributions not restricted to specific programs	1,444,790
Unrestricted investment earnings	1,422,761
Miscellaneous	209,493
Total general revenues	**$ 22,934,226**
Change in net position	**$ 10,692,355**
Net Position – January 1, as previously reported	$ 150,343,961
Restatement (Note 1)	(620)
Net Position – January 1, as restated	**$ 150,343,341**
Net Position – December 31	**$ 161,035,696**

Fund Financial Statements

Governmental Funds

Exhibit 3

Redwood County
Redwood Falls, Minnesota

Balance Sheet
Governmental Funds
December 31, 2025

	General	Road and Bridge	Human Services
Assets			
Cash and pooled investments	$ 17,603,373	$ 4,445,450	$ 61,137
Petty cash and change funds	1,800	-	-
Investments	3,449,276	-	-
Taxes receivable			
Delinquent	46,785	17,293	17,046
Special assessments receivable			
Delinquent	-	-	-
Noncurrent	6,459	-	-
Accounts receivable – net	36,840	19,558	-
Accrued interest receivable	10,788	-	-
Due from other funds	-	246,015	-
Due from other governments	108,497	7,126,889	-
Loans receivable	1,228,233	-	-
Leases receivable	485,701	-	-
Inventories	-	177,521	-
Prepaid items	73,817	51,345	-
Advance to other funds	385,816	-	-
Total Assets	**$ 23,437,385**	**$ 12,084,071**	**$ 78,183**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 160,638	$ 36,432	$ -
Salaries payable	468,053	150,141	-
Contracts payable	-	1,497,682	-
Due to other funds	248,151	-	-
Due to other governments	195,144	4,643	61,137
Unearned revenue	5,650	42,707	-
Advance from other funds	-	-	-
Total Liabilities	**$ 1,077,636**	**$ 1,731,605**	**$ 61,137**
Deferred Inflows of Resources			
Unavailable revenue	$ 1,322,573	$ 5,303,937	$ 17,046
Deferred lease inflows	458,406	-	-
Total Deferred Inflows of Resources	**$ 1,780,979**	**$ 5,303,937**	**$ 17,046**
Fund Balances			
Nonspendable	$ 460,083	$ 228,866	$ -
Restricted	1,758,614	1,349,723	-
Committed	671,303	176,198	-
Assigned	6,708,765	3,293,742	-
Unassigned	10,980,005	-	-
Total Fund Balances	**$ 20,578,770**	**$ 5,048,529**	**$ -**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 23,437,385**	**$ 12,084,071**	**$ 78,183**

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

	Solid Waste		Ditch		EDA		Debt Service		Total
$	45,627	$	93,989	$	292,177	$	1,683,965	$	24,225,718
	-		-		-		-		1,800
	-		-		-		268,181		3,717,457
	-		-		444		9,439		91,007
	28,525		2,934		-		-		31,459
	-		1,501,905		-		-		1,508,364
	-		279,991		-		-		336,389
	-		-		-		377		11,165
	-		2,721		-		-		248,736
	-		1,088,518		-		392		8,324,296
	-		-		136,013		-		1,364,246
	-		-		-		-		485,701
	-		-		-		-		177,521
	-		215		-		-		125,377
	-		-		-		-		385,816
$	**74,152**	**$**	**2,970,273**	**$**	**428,634**	**$**	**1,962,354**	**$**	**41,035,052**

$	40	$	141,618	$	-	$	-	$	338,728
	170		15,886		5,646		-		639,896
	-		150,072		-		-		1,647,754
	-		585		-		-		248,736
	11,548		17,787		-		-		290,259
	-		-		-		-		48,357
	-		385,816		-		-		385,816
$	**11,758**	**$**	**711,764**	**$**	**5,646**	**$**	**-**	**$**	**3,599,546**
$	28,525	$	2,491,501	$	136,457	$	9,816	$	9,309,855
	-		-		-		-		458,406
$	**28,525**	**$**	**2,491,501**	**$**	**136,457**	**$**	**9,816**	**$**	**9,768,261**
$	-	$	215	$	-	$	-	$	689,164
	-		2,772,475		1,421		1,952,538		7,834,771
	-		-		134,127		-		981,628
	33,869		-		150,983		-		10,187,359
	-		(3,005,682)		-		-		7,974,323
$	**33,869**	**$**	**(232,992)**	**$**	**286,531**	**$**	**1,952,538**	**$**	**27,667,245**
$	**74,152**	**$**	**2,970,273**	**$**	**428,634**	**$**	**1,962,354**	**$**	**41,035,052**

Exhibit 4

Redwood County
Redwood Falls, Minnesota

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position—Governmental Activities
December 31, 2025

Fund balances – total governmental funds (Exhibit 3)	**$**	**27,667,245**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	**$**	**156,715,447**
Net pension assets are not financial resources and, therefore, are not reported in the governmental funds.	**$**	**250,722**
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in the governmental funds.	**$**	**701,752**
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.	**$**	**1,946,078**
An internal service fund is used by Redwood County to charge the cost of the self-funded insurance programs to functions. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	**$**	**1,639,294**
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.	**$**	**9,309,855**
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	$	(23,955,000)
Unamortized premium on bonds		(2,090,593)
Notes payable		(385,000)
Leases payable		(385,034)
Software subscription liability		(393,353)
Loans payable		(9,406)
Compensated absences		(1,265,405)
Other postemployment benefits liability		(1,760,045)
Net pension liability		(2,922,049)
Accrued interest payable		(305,715)
Long-term liabilities not reported in the governmental funds	**$**	**(33,471,600)**
Deferred inflows of resources resulting from the other postemployment benefits liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	**$**	**(79,691)**
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.	**$**	**(3,643,406)**
Net Position of Governmental Activities (Exhibit 1)	**$**	**161,035,696**

Exhibit 5

Redwood County
Redwood Falls, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2025

	General	Road and Bridge	Human Services
Revenues			
Property taxes	$ 9,048,586	$ 3,494,690	$ 3,295,829
Other taxes	18,323	1,645,798	-
Special assessments	47,296	-	-
Licenses and permits	59,063	28,900	-
Intergovernmental	3,626,988	10,271,715	134,526
Settlements	-	-	62,264
Charges for services	933,618	10,230	-
Gifts and contributions	14,789	-	-
Investment earnings	1,098,342	240,278	-
Miscellaneous	451,337	114,208	-
Total Revenues	**$ 15,298,342**	**$ 15,805,819**	**$ 3,492,619**
Expenditures			
Current			
General government	$ 5,374,264	$ -	$ -
Public safety	5,993,301	-	-
Highways and streets	-	14,537,650	-
Sanitation	-	-	-
Culture and recreation	1,104,125	-	-
Conservation of natural resources	1,266,334	-	-
Economic development	-	-	-
Intergovernmental			
Highways and streets	-	850,340	-
Sanitation	-	-	-
Human services	-	-	3,522,493
Health	235,231	-	-
Culture and recreation	109,323	-	-
Debt service			
Principal	319,555	333,083	-
Interest	21,043	196,561	-
Administrative (fiscal) charges	-	198	-
Total Expenditures	**$ 14,423,176**	**$ 15,917,832**	**$ 3,522,493**
Excess of Revenues Over (Under) Expenditures	**$ 875,166**	**$ (112,013)**	**$ (29,874)**
Other Financing Sources (Uses)			
Leases issued	$ 101,912	$ -	$ -
Software subscriptions issued	437,026	19,295	-
Transfers in	261,542	326,376	29,874
Transfers out	(526,050)	-	-
Insurance recoveries	53,037	37,589	-
Proceeds from sale of capital assets	-	3,878	-
Total Other Financing Sources (Uses)	**$ 327,467**	**$ 387,138**	**$ 29,874**
Net Change in Fund Balance	**$ 1,202,633**	**$ 275,125**	**$ -**
Fund Balance – January 1	**19,376,137**	**4,740,352**	**-**
Increase (decrease) in inventories	**-**	**33,052**	**-**
Fund Balance – December 31	**$ 20,578,770**	**$ 5,048,529**	**$ -**

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

Solid Waste	Ditch	EDA	Debt Service	Total
$ -	$ -	$ 110,168	$ 1,923,620	$ 17,872,893
-	-	-	-	1,664,121
602,635	1,748,121	16,262	-	2,414,314
2,200	-	-	-	90,163
241,004	624,075	624,687	53,363	15,576,358
-	-	-	-	62,264
-	-	470	-	944,318
-	-	650	-	15,439
-	3,075	7,456	6,575	1,355,726
393	50,341	3,060	-	619,339
$ 846,232	**$ 2,425,612**	**$ 762,753**	**$ 1,983,558**	**$ 40,614,935**
$ -	$ -	$ -	$ -	$ 5,374,264
-	-	-	-	5,993,301
-	-	-	-	14,537,650
6,435	-	-	-	6,435
-	-	-	-	1,104,125
-	3,892,280	-	-	5,158,614
-	-	755,262	-	755,262
-	-	-	-	850,340
734,103	-	-	-	734,103
-	-	-	-	3,522,493
-	-	-	-	235,231
-	-	-	-	109,323
130,000	-	-	990,000	1,772,638
24,250	8,375	-	752,544	1,002,773
26	6,093	-	876	7,193
$ 894,814	**$ 3,906,748**	**$ 755,262**	**$ 1,743,420**	**$ 41,163,745**
$ (48,582)	**$ (1,481,136)**	**$ 7,491**	**$ 240,138**	**$ (548,810)**
$ -	$ -	$ -	$ -	$ 101,912
-	-	-	-	456,321
-	-	-	-	617,792
-	-	(261,542)	-	(787,592)
-	-	-	-	90,626
-	-	-	-	3,878
$ -	**$ -**	**$ (261,542)**	**$ -**	**$ 482,937**
$ (48,582)	**$ (1,481,136)**	**$ (254,051)**	**$ 240,138**	**$ (65,873)**
82,451	**1,248,144**	**540,582**	**1,712,400**	**27,700,066**
-	**-**	**-**	**-**	**33,052**
$ 33,869	**$ (232,992)**	**$ 286,531**	**$ 1,952,538**	**$ 27,667,245**

Exhibit 6

Redwood County
Redwood Falls, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities—Governmental Activities
For the Year Ended December 31, 2025

Net change in fund balance – total governmental funds (Exhibit 5)	**$**	**(65,873)**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Deferred inflows of resources – unavailable revenue – December 31	$	9,309,855
Deferred inflows of resources available – unavailable revenue – January 1		(5,519,957)
Total adjustment to revenue in the government-wide statements for current and prior year unavailable revenue	**$**	**3,789,898**
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.		
Expenditures for general capital assets and infrastructure	$	9,225,607
Net book value of assets disposed of		(11,622)
Current year depreciation and amortization		(5,218,007)
Total adjustment to the government-wide statements for current year capital asset activity	**$**	**3,995,978**
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	$	1,445,000
Loans payable		17,821
Amortization of discounts and premium		211,959
Total adjustment to the government-wide statements for payments made on long-term liabilities	**$**	**1,674,780**

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

Redwood County
Redwood Falls, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities—Governmental Activities
For the Year Ended December 31, 2025

Some capital asset additions are acquired through financing. In governmental funds, these arrangements are considered an other financing source, but in the statement of net position, the obligation is reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal payments on leases and software subscriptions		
Principal payments on leases	$	211,734
Principal payments on software subscriptions		98,083
Total payments on leases and software subscriptions	**$**	**309,817**
Leases and software subscriptions issued		
Leases issued	$	(101,912)
Software subscriptions issued		(456,321)
Total leases and software subscriptions issued	**$**	**(558,233)**

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

Change in accrued interest payable	$	23,063
Change in deferred other postemployment benefits outflows		37,148
Change in deferred pension outflows		(642,294)
Change in compensated absences		(119,515)
Change in other postemployment benefits liability		(213,386)
Change in net pension asset		250,722
Change in net pension liability		693,949
Change in deferred other postemployment benefits inflows		34,767
Change in deferred pension inflows		875,120
Change in inventories		33,052
Total adjustment to the government-wide statements for other activities not reported in governmental funds	**$**	**972,626**
An internal service fund is used by Redwood County to charge the cost of the self-funded insurance programs to functions. The increase or decrease in net position of the internal service fund is reported in the government-wide statement of activities.	**$**	**573,362**
Change in Net Position of Governmental Activities (Exhibit 2)	**$**	**10,692,355**

Proprietary Fund

Exhibit 7

Redwood County
Redwood Falls, Minnesota

Statement of Net Position
Self-Insurance Internal Service Fund
December 31, 2025

		Governmental Activities
Assets		
Cash and pooled investments	$	1,697,211
Accrued interest receivable		65,195
Due from other governments		48,133
Total Assets	**$**	**1,810,539**
Liabilities		
Claims payable	**$**	**171,245**
Net Position		
Unrestricted	**$**	**1,639,294**

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

Redwood County
Redwood Falls, Minnesota

Statement of Revenues, Expenses, and Changes in Net Position
Self-Insurance Internal Service Fund
For the Year Ended December 31, 2025

		Governmental Activities
Operating Revenues		
Charges for services	$	2,271,077
Operating Expenses		
Cost of service		1,932,710
Operating Income (Loss)	**$**	**338,367**
Nonoperating Revenues (Expenses)		
Investment earnings		65,195
Income (Loss) Before Transfers	**$**	**403,562**
Transfers in		169,800
Change in net position	**$**	**573,362**
Net Position – January 1	**$**	**1,065,932**
Net Position – December 31	**$**	**1,639,294**

Redwood County
Redwood Falls, Minnesota

Statement of Cash Flows
Self-Insurance Internal Service Fund
For the Year Ended December 31, 2025

		Governmental Activities
Cash Flows From Operating Activities		
Receipts from internal services provided	$	2,271,077
Payments to suppliers		(1,947,306)
Net cash provided by (used in) operating activities	**$**	**323,771**
Cash Flows From Investing Activities		
Investment earnings received		52,058
Cash Flows From Noncapital Financing Activities		
Transfer from General Fund		169,800
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**545,629**
Cash and Cash Equivalents at January 1		**1,151,582**
Cash and Cash Equivalents at December 31	**$**	**1,697,211**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**338,367**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
(Increase) decrease in due from other governments	$	(22,261)
(Increase) decrease in accounts payable		(39,533)
Increase (decrease) in claims payable		47,198
Total adjustments	**$**	**(14,596)**
Net Cash Provided by (Used in) Operating Activities	**$**	**323,771**

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

Fiduciary Funds

Exhibit 10

Redwood County
Redwood Falls, Minnesota

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2025

		Custodial Funds
Assets		
Cash and pooled investments	$	2,104,159
Taxes receivable for other governments		324,430
Total Assets	**$**	**2,428,589**
Liabilities		
Due to other governments	$	282,435
Due to others		37
Total Liabilities	**$**	**282,472**
Net Position		
Restricted for individuals, organizations, and other governments	**$**	**2,146,117**

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

Exhibit 11

Redwood County
Redwood Falls, Minnesota

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2025

		Custodial Funds
Additions		
Appropriations from counties	$	120,000
Contributions from individuals		196,732
Interest earnings		69,456
Property tax collections for other governments		18,332,593
Fees collected for the state		10,241,082
Fees collected for other governments		1,502,680
Property tax overpayments from individuals/entities		48,856
Refunds collected for court-ordered tax abatement		20,385
Tax-forfeited surplus proceeds being held		17,991
Miscellaneous		20,272
Total Additions	**$**	**30,570,047**
Deductions		
Payments of property taxes to other governments	$	18,310,399
Payments of fees to other governments		86,215
Payments to the state		10,341,703
Payments to other individuals/entities		802,550
Payments to other governments		518,325
Total Deductions	**$**	**30,059,192**
Change in Net Position	**$**	**510,855**
Net Position – January 1		**1,635,262**
Net Position – December 31	**$**	**2,146,117**

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

Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2025. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Financial Reporting Entity

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

Blended Component Unit

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

Component Units of the County

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

Joint Ventures and Jointly-Governed Organizations

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

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about Redwood County. These statements include the financial activities of the overall County 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. The County does not allocate indirect expenses to functions within the financial statements.

Fund Financial Statements

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

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

- The Human Services Special Revenue Fund accounts for assigned property tax and other revenues used for economic assistance and community social services programs.

- The Solid Waste Special Revenue Fund accounts for restricted special assessment revenues, miscellaneous revenues, and revenue resources from the state for the costs relating to disposal of the County's solid waste.

- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.

- The EDA Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as committed amounts to loan to County businesses.

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

Additionally, the County reports the following fund types:

- The Internal Service Fund accounts for health insurance premiums and payments.

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Cash and Cash Equivalents

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

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2025. A market approach is used to value all investments other than external investment pools, which are measured at net asset value (NAV). 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 2025 were $1,227,092.

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 NAV per share provided by the pool.

Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2020 through 2025 and noncurrent special assessments payable in 2026 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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

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

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (such as roads, bridges, sidewalks, and similar items), and right-to-use assets acquired under leasing and software subscription arrangements, are reported in the government-wide financial statements. Capital assets are defined by the County and its blended component unit as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (entry price) on the date of donation.

Additions, improvements, and other capital outlays that significantly extend the useful life or increase capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Property, plant, and equipment of Redwood County are depreciated using the straight-line method over the following estimated useful lives, while right-to-use assets are amortized over the shorter of the underlying asset's estimated useful life or the lease term:

Estimated Useful Lives of Capital Assets

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

Compensated Absences

The liability for compensated absences is reported in the government-wide financial statements. The leave consists of vacation leave, sick leave, and compensatory time that is attributable to services already rendered, it accumulates, and it is more likely than not to be used or settled through cash or noncash means. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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. The noncurrent portion consists of the remaining amount of vacation, sick leave, and compensatory time.

Long-Term Obligations

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

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

Pension Plan

For purposes of measuring the net pension asset, 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 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. Net pension liability is liquidated through the General Fund and other governmental funds that have personnel services.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. The governmental funds report unavailable revenue associated with receivables not collected within the period of availability. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This unavailable revenue is deferred and recognized as an inflow of resources in the period that the amount becomes available. The County reports deferred inflow of resources related to leases to defer the recognition of lease revenue over the lease terms on a straight-line basis. These amounts arise under both the modified and the full accrual basis of accounting and are reported in both the governmental funds balance sheet and the statement of net position. The County also reports deferred inflows of resources associated with defined benefit pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Unearned Revenue

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

Classification of Net Position

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

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

Classification of Fund Balances

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

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

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

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. On December 31, 2025, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

Use of Estimates

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

Correction of Errors

Capital Assets

The January 1, 2025, net position and capital assets of the governmental activities were restated to correct an understatement of capital assets due to the omission of four leased squad vehicles and related accumulated depreciation totaling $162,039.

Long-Term Liabilities

The January 1, 2025, net position and long-term liabilities of the governmental activities were restated to correct an understatement of long-term liabilities. In 2024, the County inadvertently omitted four leased squad vehicles totaling $162,659 from issued leases.

Correction of Errors

Net Position	Amount
Net Position, January 1, 2025, as previously reported	$ 150,343,961
Error correction	(620)
Net Position, January 1, 2025, as restated	$ 150,343,341

Note 2 – Stewardship, Compliance, and Accountability

Deficit Fund Balance

The Ditch Special Revenue Fund had a negative fund balance of $232,992 as of December 31, 2025; 43 of the 197 ditch systems had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties.

Summary of Ditch Systems

Ditch System Fund Balances	Amount
154 ditches with positive fund balances	$ 2,772,690
43 ditches with deficit fund balances	(3,005,682)
Total Fund Balance	$ (232,992)

Note 3 – Detailed Notes on All Funds

Assets and Deferred Outflows of Resources

Deposits and Investments

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

Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2025

Basic Financial Statement Accounts	Governmental Activities	Fiduciary Funds	Total
Cash and pooled investments	$ 25,924,729	$ 2,104,159	$ 28,028,888
Investments	3,717,457	-	3,717,457
Total	$ 29,642,186	$ 2,104,159	$ 31,746,345

Cash and Investments	Amount
Investments	$ 30,730,897
Checking	493,493
Savings	520,155
Petty cash and change funds	1,800
Total Cash and Investments	$ 31,746,345

Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2025, the County's deposits were not exposed to custodial credit risk.

Investments

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

(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) time deposits fully insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Interest Rate Risk of Investments as of December 31, 2025

Investment Type	Interest Rate Risk Maturity Date	Carrying (Fair) Value
U.S. government agency securities		
Federal Home Loan Bank Bonds	06/30/2026	$ 248,093
Federal Home Loan Bank Bonds	10/28/2026	993,300
Federal Home Loan Bank Bonds	10/28/2026	991,670
Federal Home Loan Bank Bonds	11/23/2026	747,375
Federal Home Loan Bank Bonds	12/15/2026	497,025
Total Federal Home Loan Bank Bonds		$ 3,477,463
Investment pools/mutual funds		
MAGIC Fund	N/A	27,013,439
Negotiable certificates of deposit	Varies	239,995
Total Investments		$ 30,730,897

N/A – Not Applicable

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.

Credit Risk of Investments as of December 31, 2025

Investment Type	Credit Rating	Rating Agency	Fair Value
Federal Home Loan Bank bonds	AAA	Moody's	$ 3,477,463
MAGIC Fund	N/R	N/A	27,013,439
Negotiable certificates of deposit	N/R	N/A	239,995
Total			$ 30,730,897

N/R – Not Rated
N/A – Not Applicable

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, 2025, 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. At December 31, 2025, the County's investments were primarily in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements. Investments in any one issuer that represent five percent or more of the County's remaining investments are as follows:

Concentration of Credit Risk of Investments as of December 31, 2025

Issuer	Fair Value
Federal Home Loan Bank	$ 3,477,463

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

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

Recurring Fair Value Measurements as of December 31, 2025

Debt Securities Investments by Fair Value Type	December 31, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Agency securities	$ 3,477,463	$ -	$ 3,477,463	$ -
Negotiable certificates of deposit	239,995	-	239,995	-
Total Investments Included in the Fair Value Hierarchy	$ 3,717,458	$ -	$ 3,717,458	$ -

Investments Measured at the NAV	December 31, 2025
MAGIC Portfolio	$ 27,013,439

Debt securities classified in Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

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 that of other counties to enhance the investment earnings accrued to each member. The MAGIC Fund currently consists of the MAGIC Portfolio.

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 if the County has enough shares to meet its redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical.

Receivables

Governmental Activities' Receivables as of December 31, 2025

Receivables – Governmental Activities	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes receivable – delinquent	$ 91,007	$ -	$ 91,007	$ -
Special assessments – noncurrent	1,508,364	-	1,508,364	954,531
Special assessments – delinquent	31,459	-	31,459	-
Accounts receivable	559,299	(222,910)	336,389	-
Interest	11,165	-	11,165	-
Due from other governments	8,372,429	-	8,372,429	-
Loans receivable	1,364,246	-	1,364,246	1,316,955
Leases receivable	485,701	-	485,701	292,846
Total Governmental Activities	$ 12,423,670	$ (222,910)	$ 12,200,760	$ 2,564,332

The County has entered into lease agreements as a lessor, and as of December 31, 2025, there are six active lease receivable agreements for land, equipment, buildings, and infrastructure with various lessees. Fixed annual lease receipts range between $100 and $132,756 and extend to periods ending January 31, 2026, through June 1, 2080. During 2025, the General Fund received total principal and interest payments of $202,062.

Loans Receivable

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

In 2009, the Redwood County Economic Development Authority (RCEDA) received a Rural Business Enterprise Grant through the United States Department of Agriculture with a match from the County to provide revolving loans to serve as a gap financing tool for new or existing businesses within the County. The County Board approves loans as recommended by the RCEDA. The County has four outstanding RCEDA loans as of December 31, 2025.

On May 16, 2017, the County Board approved expending loans up to $200,000 to initially fund the Redwood County Low Interest Septic Loan Program. On August 5, 2025, the County Board increased the loan amount by $100,000. The County has 24 outstanding septic loans totaling $228,233 as of December 31, 2025.

Changes in Loans Receivable for the Year Ended December 31, 2025

Loans Receivable	Beginning Balance	Increase	Decrease	Ending Balance
RRRSWA loan	$ 1,000,000	$ -	$ -	$ 1,000,000
RCEDA loans				
Scenic City Realty, LLC	3,704	-	(3,704)	-
South Forty Meat Market	19,122	-	(2,408)	16,714
Red Rock Chiropractic	37,894	-	(4,573)	33,321
Mind Body Spirit Wellness Center	52,405	-	(4,126)	48,279
VF Ag Services LLC	-	39,150	(1,451)	37,699
County septic loans	164,198	103,141	(39,106)	228,233
Total	$ 1,277,323	$ 142,291	$ (55,368)	$ 1,364,246

Of the loans receivable on December 31, 2025, $1,316,955 are not expected to be received within one year.

Capital Assets

Changes in Capital Assets for the Year Ended December 31, 2025

Capital Assets	Beginning Balance, as Restated*	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 816,360	$ -	$ -	$ 816,360
Right-of-way	1,729,900	51,831	-	1,781,731
Construction in progress	2,942,281	4,987,561	(1,057,569)	6,872,273
Total capital assets not depreciated	$ 5,488,541	$ 5,039,392	$ (1,057,569)	$ 9,470,364
Capital assets depreciated and amortized				
Buildings	$ 30,907,488	$ 40,519	$ -	$ 30,948,007
Improvements other than buildings	826,841	127,133	-	953,974
Machinery and equipment	14,287,617	1,196,352	(172,031)	15,311,938
Infrastructure	162,175,849	3,321,547	-	165,497,396
Lease equipment	611,952	101,912	-	713,864
Software subscriptions	69,490	456,321	(28,012)	497,799
Total capital assets depreciated and amortized	$ 208,879,237	$ 5,243,784	$ (200,043)	$ 213,922,978
Less: accumulated depreciation and amortization for				
Buildings	$ 7,005,513	$ 735,269	$ -	$ 7,740,782
Improvements other than buildings	328,618	38,968	-	367,586
Machinery and equipment	7,348,880	865,787	(162,744)	8,051,923
Infrastructure	46,805,556	3,264,663	-	50,070,219
Lease equipment	126,332	212,692	-	339,024
Software subscriptions	33,410	100,628	(25,677)	108,361
Total accumulated depreciation and amortization	$ 61,648,309	$ 5,218,007	$ (188,421)	$ 66,677,895
Total capital assets depreciated and amortized, net	$ 147,230,928	$ 25,777	$ (11,622)	$ 147,245,083
Total Capital Assets, Net	$ 152,719,469	$ 5,065,169	$ (1,069,191)	$ 156,715,447

*See Correction of Errors in Note 1

Construction in progress consists of amounts completed on open road projects, electronic vehicle charging stations, park improvements, and data center security cameras.

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	Amount
General government	$ 724,322
Public safety	352,713
Highways and streets, including depreciation of infrastructure assets	4,068,561
Sanitation	2,025
Culture and recreation	24,838
Conservation of natural resources	45,548
Total Depreciation and Amortization Expense – Governmental Activities	$ 5,218,007

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

Interfund Balances as of December 31, 2025

Receivable Fund	Payable Fund	Amount
Ditch Special Revenue Fund	General Fund	$ 2,721
Road and Bridge Special Revenue Fund	General Fund	$ 245,430
Road and Bridge Special Revenue Fund	Ditch Special Revenue Fund	585
Total Due to Road and Bridge Special Revenue Fund		$ 246,015
Total Due To/From Other Funds		$ 248,736

The outstanding balance between funds results 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.

Advances To/From Other Funds

Advances To/From Other Funds as of December 31, 2025

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund	$ 385,816

The advance to the Ditch Special Revenue Fund is to provide financing for improvement project costs of the County's ditch systems. This balance will be paid from future ditch special assessments.

Interfund Transfers

Interfund Transfers for the Year Ended December 31, 2025

Fund Transferred From/To	Amount	Transfer Reason
Transfer from General Fund to Road and Bridge Special Revenue Fund	$ 326,376	Permanent transfer to reduce Road and Bridge levy
Transfer from General Fund to Human Services Special Revenue Fund	29,874	Permanent transfer for the Southwest Minnesota Adult Mental Health Consortium Joint Powers Agreement appropriation
Transfer from General Fund to Internal Service Fund	169,800	Permanent transfer to cover one-time health insurance premium
Transfer from EDA Special Revenue Fund to General Fund	261,542	Permanent transfer of Statewide Affordable Housing Aid to Housing Trust Fund
Total Interfund Transfers	$ 787,592	

Liabilities and Deferred Inflows of Resources

Accounts Payable

Governmental Activities' Payables as of December 31, 2025

Accounts Payable and Other Current Liabilities	Amount
Accounts payable	$ 273,533
Salaries payable	639,896
Contracts payable	1,647,754
Claims payable	171,245
Due to other governments	290,259
Accrued interest payable	305,715
Total Payables	$ 3,328,402

Construction and Other Commitments

The County has active construction projects and other commitments as of December 31, 2025. The projects and commitments include the following:

Active Construction Projects and Other Commitments as of December 31, 2025

Project Description	Spent-to-Date	Remaining Commitment
Various ditch FEMA projects	$ 2,021,912	$ 597,406
Security camera system	6,000	7,300
Park improvements	682,766	120,174
Law Enforcement Technology Group migration software	199,888	103,176
Zoom phone system	44,764	17,332
Axon body worn cameras	-	229,185
Morris Electronic contract	-	14,808
Snowplow	-	176,198

Deferred Inflows of Resources – Unavailable Revenue/Leases

Unavailable revenue consists of special assessments, taxes, state and federal grants, interest, and miscellaneous revenue not collected soon enough after year-end to pay liabilities of the current period.

Deferred Inflows of Resources by Fund as of December 31, 2025

Governmental Funds	Special Assessments	Taxes	Grants	Interest	Other	Total
General Fund	$ 6,459	$ 46,785	$ -	$ 8,585	$ 1,719,150	$ 1,780,979
Special Revenue Funds						
Road and Bridge	-	17,293	5,163,683	-	122,961	5,303,937
Human Services	-	17,046	-	-	-	17,046
EDA	-	444	-	-	136,013	136,457
Solid Waste	28,525	-	-	-	-	28,525
Ditch	1,504,839	-	931,047	-	55,615	2,491,501
Debt Service Fund	-	9,439	-	377	-	9,816
Total	$ 1,539,823	$ 91,007	$ 6,094,730	$ 8,962	$ 2,033,739	$ 9,768,261
Deferred inflows of resources						
Unavailable revenue	$ 1,539,823	$ 91,007	$ 6,094,730	$ 8,962	$ 1,575,333	$ 9,309,855
Leases	-	-	-	-	458,406	458,406
Total	$ 1,539,823	$ 91,007	$ 6,094,730	$ 8,962	$ 2,033,739	$ 9,768,261

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.

Loans Payable as of December 31, 2025

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2025
Redwood-Cottonwood River Septic Loan Program 2013	2027	$ 3,198	2.00	$ 84,950	$ 9,406

Note Payable

During 2024, Lyon County issued General Obligation Drainage Bonds, Series 2024A, on Joint Ditch No. 15 Improvement with Redwood County. Redwood County landowners are responsible for the $405,000 that will be collected by Redwood County through special assessments and paid to Lyon County for repayment on the bond. A note payable was signed during 2023 with amounts owed through 2039.

Note Payable as of December 31, 2025

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2025
Note payable to Lyon County related to Series 2024A Drainage Bonds	2039	$20,000-$35,000	4.00-5.00	$ 405,000	$ 385,000

General Obligation Bonds

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

In 2023, the County issued $9,170,000 General Obligation Capital Improvement Plan Bonds, Series 2023A, to finance certain capital improvements within the County as authorized in the County's 2023-2027 Capital Improvement Plan.

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

General Obligation Bonds as of December 31, 2025

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2025
2023 General Obligation Capital Improvement Plan Bonds, Series 2023A	2034	$600,000-$1,150,000	5.00	$ 9,170,000	$ 8,570,000
Add: Unamortized premium					689,312
Total Capital Improvement Plan Bonds					$ 9,259,312
2021 General Obligation Justice Center Bonds, Series 2021A	2042	$180,000-$695,000	2.00-5.00	9,185,000	$ 9,005,000
Add: Unamortized premium					627,233
Total Justice Center Bonds					$ 9,632,233
2021 General Obligation CSAH Bonds, Series 2021A	2037	$205,000-$520,000	2.00-5.00	6,095,000	$ 5,255,000
Add: Unamortized premium					638,179
Total CSAH Bonds					$ 5,893,179
2021 General Obligation Law Enforcement Center Refunding Bonds, Series 2021A	2028	$170,000-$245,000	5.00	1,285,000	$ 705,000
Add: Unamortized premium					84,905
Total Law Enforcement Center Bonds					$ 789,905
2021 General Obligation Recycling Facility Refunding Bonds, Series 2021A	2028	$100,000-$150,000	5.00	770,000	$ 420,000
Add: Unamortized premium					50,964
Total Recycling Facility Bonds					$ 470,964
Total General Obligation Bonds, Net					$ 26,045,593

Debt Service Requirements

Debt Service Requirements as of December 31, 2025

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Loans Payable Principal	Loans Payable Interest	Note Payable Principal	Note Payable Interest
2026	$ 1,660,000	$ 895,694	$ 6,239	$ 157	$ 20,000	$ 16,250
2027	1,745,000	810,569	3,167	32	20,000	15,250
2028	1,830,000	721,194	-	-	20,000	14,250
2029	1,775,000	631,068	-	-	25,000	13,125
2030	1,860,000	540,194	-	-	25,000	11,875
2031-2035	9,475,000	1,361,043	-	-	140,000	41,725
2036-2040	4,235,000	340,922	-	-	135,000	11,100
2041-2042	1,375,000	30,681	-	-	-	-
Total	$ 23,955,000	$ 5,331,365	$ 9,406	$ 189	$ 385,000	$ 123,575

Leases

The County has entered into lease agreements as lessee for financing the acquisition of squad cars for the Sheriff's Department, copier leases for various departments, and a postage machine. Leases range from three to five years and have been recorded at the present value of their future minimum lease payments as of the inception date. All lease payments are paid by the General Fund.

Future Minimum Lease Obligations and Present Value of Minimum Lease Payments as of December 31, 2025

Year Ending December 31	Principal	Interest
2026	$ 227,811	$ 7,488
2027	123,749	2,621
2028	24,238	753
2029	7,104	118
2030	2,132	24
Total Governmental Activities Lease Payments	$ 385,034	$ 11,004

Software Subscriptions

The County has entered into various agreements to finance software subscriptions. Software subscriptions range from two to five years and have been recorded at the present value of their future minimum payments as of the inception date. Software subscription payments are paid by the General Fund and the Road and Bridge Special Revenue Fund.

Future Minimum Software Subscription Obligations and Present Value of Minimum Software Subscription Payments as of December 31, 2025

Year Ending December 31	Principal	Interest
2026	$ 113,786	$ 9,208
2027	112,828	6,216
2028	88,145	3,507
2029	78,594	1,218
Total Governmental Activities Software Subscription Payments	$ 393,353	$ 20,149

Changes in Long-Term Liabilities

Changes in Long-Term Liabilities for the Year Ended December 31, 2025

Long-Term Liabilities	Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds					
Series 2023A Capital Improvement Plan	$ 9,170,000	$ -	$ (600,000)	$ 8,570,000	$ 780,000
Series 2021A Justice Center	9,185,000	-	(180,000)	9,005,000	185,000
Series 2021A CSAH	5,580,000	-	(325,000)	5,255,000	340,000
Series 2021A LEC Refunding	915,000	-	(210,000)	705,000	225,000
Series 2021A Recycling Refunding	550,000	-	(130,000)	420,000	130,000
Add: Unamortized premiums	2,302,552	-	(211,959)	2,090,593	-
Total bonds payable	$ 27,702,552	$ -	$ (1,656,959)	$ 26,045,593	$ 1,660,000
Clean water loans payable	27,227	-	(17,821)	9,406	6,239
Note payable	385,000	-	-	385,000	20,000
Compensated absences	1,145,890	119,515*	-	1,265,405	244,856
Leases**	494,856	101,912	(211,734)	385,034	227,811
Software subscription liability	35,115	456,321	(98,083)	393,353	113,786
Total Long-Term Liabilities	$ 29,790,640	$ 677,748	$ (1,984,597)	$ 28,483,791	$ 2,272,692

*The change in the compensated absences liability is presented as a net change.
**Beginning balance restated to account for four additional squad car leases. See Correction of Errors in Note 1.

Fund Balances

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

Fund Balance Classifications as of December 31, 2025

Fund Balance	General	Road and Bridge Special Revenue	Solid Waste Special Revenue	Ditch Special Revenue	EDA Special Revenue	Debt Service	Total
Nonspendable							
Inventories	$ -	$ 177,521	$ -	$ -	$ -	$ -	$ 177,521
Missing heirs	450	-	-	-	-	-	450
Advances	385,816	-	-	-	-	-	385,816
Prepaid items	73,817	51,345	-	215	-	-	125,377
Total nonspendable	$ 460,083	$ 228,866	$ -	$ 215	$ -	$ -	$ 689,164
Restricted							
Attorney's forfeited property	$ 53,576	$ -	$ -	$ -	$ -	$ -	$ 53,576
Broadband grant study	-	-	-	-	1,421	-	1,421
Combating Sexual Exploitation of Youth	1,200	-	-	-	-	-	1,200
County road projects (local sales tax and wheelage tax)	-	1,162,980	-	-	-	-	1,162,980
Debt service	-	-	-	-	-	1,952,538	1,952,538
Ditch maintenance, repair, and other	-	-	-	2,772,475	-	-	2,772,475
Enhanced 911	600,611	-	-	-	-	-	600,611
Gun permit	4,727	-	-	-	-	-	4,727
Highway allotments	-	186,743	-	-	-	-	186,743
Homeless prevention	20,924	-	-	-	-	-	20,924
Invasive species	83,762	-	-	-	-	-	83,762
Law library	111,928	-	-	-	-	-	111,928
Public safety	41,266	-	-	-	-	-	41,266
Recorder's compliance	159,894	-	-	-	-	-	159,894
Recorder's technology fund	116,789	-	-	-	-	-	116,789
Buffer administration	490,569	-	-	-	-	-	490,569
Septic system grant	15,889	-	-	-	-	-	15,889
Septic/sewer loans	2,947	-	-	-	-	-	2,947
Sheriff's contingency	1,268	-	-	-	-	-	1,268
Sheriff's contributions	4,662	-	-	-	-	-	4,662
Sheriff's DWI	394	-	-	-	-	-	394
Sheriff's forfeited property	10,969	-	-	-	-	-	10,969
Veteran service office grant	5,344	-	-	-	-	-	5,344
Victim assistance	21,884	-	-	-	-	-	21,884
VOTER (state election contribution)	10,011	-	-	-	-	-	10,011
Total restricted	$ 1,758,614	$ 1,349,723	$ -	$ 2,772,475	$ 1,421	$ 1,952,538	$ 7,834,771
Committed							
Outstanding contracts	$ 491,975	$ 176,198	$ -	$ -	$ -	$ -	$ 668,173
RCEDA revolving loan 2008	-	-	-	-	134,127	-	134,127
Retiree health insurance	636	-	-	-	-	-	636
County septic system revolving loan	109,489	-	-	-	-	-	109,489
Sheriff canteen	54,568	-	-	-	-	-	54,568
West Central Minnesota Communities Action Plan Valley Area Transit	14,635	-	-	-	-	-	14,635
Total committed	$ 671,303	$ 176,198	$ -	$ -	$ 134,127	$ -	$ 981,628

Fund Balance	General	Road and Bridge Special Revenue	Solid Waste Special Revenue	Ditch Special Revenue	EDA Special Revenue	Debt Service	Total
Assigned							
Assessor tax court	$ 25,495	$ -	$ -	$ -	$ -	$ -	$ 25,495
Attorney driving diversion program	247	-	-	-	-	-	247
Broadband	-	-	-	-	13,212	-	13,212
Building projects	3,196,018	-	-	-	-	-	3,196,018
Compensation study	2,000	-	-	-	-	-	2,000
Computer miscellaneous	74,449	-	-	-	-	-	74,449
Computer (Storage Area Network)	23,795	-	-	-	-	-	23,795
Courthouse car	30,000	-	-	-	-	-	30,000
Countywide housing study	-	-	-	-	7,410	-	7,410
EDA	-	-	-	-	127,442	-	127,442
EDA development grant program	-	-	-	-	2,919	-	2,919
Election	273,070	-	-	-	-	-	273,070
Forfeited tax	192,354	-	-	-	-	-	192,354
Grand jury	74,787	-	-	-	-	-	74,787
Highways and streets	-	3,293,742	-	-	-	-	3,293,742
Housing trust fund	261,542	-	-	-	-	-	261,542
Law enforcement dog fund	15,000	-	-	-	-	-	15,000
Maintenance equipment	21,430	-	-	-	-	-	21,430
Park equipment	2,958	-	-	-	-	-	2,958
Public health	126,179	-	-	-	-	-	126,179
Road and bridge transfers	1,046,869	-	-	-	-	-	1,046,869
Sheriff records system	75,000	-	-	-	-	-	75,000
Sheriff vehicle	64,177	-	-	-	-	-	64,177
Solid waste	-	-	33,869	-	-	-	33,869
Staff development	5,000	-	-	-	-	-	5,000
Sentencing to Service Program vehicle	37,000	-	-	-	-	-	37,000
Veterans service office donations	1,000	-	-	-	-	-	1,000
Veterans service office van purchase	29,202	-	-	-	-	-	29,202
Water quality loans	978,473	-	-	-	-	-	978,473
Workers' compensation/property casualty insurance	152,720	-	-	-	-	-	152,720
Total assigned	$ 6,708,765	$ 3,293,742	$ 33,869	$ -	$ 150,983	$ -	$ 10,187,359
Unassigned	$ 10,980,005	$ -	$ -	$ (3,005,682)	$ -	$ -	$ 7,974,323
Total Fund Balances	$ 20,578,770	$ 5,048,529	$ 33,869	$ (232,992)	$ 286,531	$ 1,952,538	$ 27,667,245

Other Postemployment Benefits (OPEB)

Plan Description

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

Redwood County pays the health insurance for qualified retired employees and elected officials. Employees who retire between age 55 and 65 with 25 years of public service, and with at least ten years of service with Redwood County, qualify for health insurance benefits. Elected officials qualify if they serve a minimum of two years as an elected Redwood County official. The elected official and his or her surviving spouse and dependents will receive one year of paid or partially paid medical insurance for every two years of service to Redwood County. Additional years, not a multiple of two, are prorated. A maximum of six years of paid insurance is available to elected officials. Elected officials taking office on or before January 4, 2011, qualify for health insurance benefits when retiring between age 55 and 65, with at least ten years of service with Redwood County.

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

Funding Policy

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

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

Employees Covered by the OPEB Benefit Terms as of the January 1, 2025, Actuarial Valuation

OPEB Participants	Total
Active plan participants	115
Inactive employees or beneficiaries currently receiving benefit payments	10
Total	125

Total OPEB Liability

The County's total OPEB liability of $1,760,045 was measured as of December 31, 2025, and was determined by an actuarial valuation dated January 1, 2025. The OPEB liability is liquidated through the General Fund and other governmental funds that have personnel services.

The total OPEB liability in the fiscal year-end December 31, 2025, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- The actuarial cost method is entry age normal percent of salary.
- The current inflation rate is 2.25 percent.
- The salary increases follow the most recent PERA of Minnesota actuarial valuations.
- The health care cost trend is 8.00 percent, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent.
- The current year discount rate is 4.83 percent. The discount rate was selected from a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
- Mortality rates are based on SOA Pub-2010 General Headcount Weighted Mortality table, SOA Pub-2010 Public Safety Headcount Weighted Mortality table, and SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality table fully generational using Scale MP-2021.

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation for PERA as of July 1, 2025.

Changes in the Total OPEB Liability

**Changes in the Total OPEB Liability
For the Year Ended December 31, 2025**

OPEB Liability Changes	Amount
Total OPEB liability, balance at December 31, 2024	$ 1,546,659
Service cost	$ 103,997
Interest	67,138
Differences between expected and actual experience	88,363
Changes in assumptions	119,650
Benefit payments	(165,762)
Net change	$ 213,386
Total OPEB liability, balance at December 31, 2025	$ 1,760,045

OPEB Liability Sensitivity

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

**Sensitivity of the Total OPEB Liability to Changes in the
Discount Rate as of December 31, 2025**

Change in Discount Rate	1% Decrease (3.83%)	Discount Rate (4.83%)	1% Increase (5.83%)
Total OPEB liability	$ 1,870,458	$ 1,760,045	$ 1,655,312

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

**Sensitivity of the Total OPEB Liability to Changes in the
Health Care Trend Rates as of December 31, 2025**

Change in Health Care Trend Rate	1% Decrease (7.00% Decreasing to 3.50%)	Health Care Cost Trend Rate (8.00% Decreasing to 4.50%)	1% Increase (9.00% Decreasing to 5.50%)
Total OPEB liability	$ 1,595,171	$ 1,760,045	$ 1,951,759

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

For the year ended December 31, 2025, the County recognized OPEB expense of $307,233.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience of the plan	$ 543,335	$ 26,529
Changes in actuarial assumptions	158,417	53,162
Total	$ 701,752	$ 79,691

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

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2025

Year Ended December 31	OPEB Expense Amount
2026	$ 98,089
2027	102,169
2028	95,870
2029	109,576
2030	109,583
Thereafter	106,774

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2025:

- The discount rate used changed from 4.28 percent to 4.83 percent.
- Health care trend rates have been revised to an initial rate of 8.00 percent for 2025, decreasing 0.25 percent annually to an ultimate rate of 4.50 percent.

Pension Plans

Defined Benefit Pension Plans

Plan Description

All full-time and certain part-time employees of Redwood County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General 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, while the Basic Plan and Minneapolis Employees Retirement Fund members are not covered. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members in 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after three 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, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

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

Benefits Provided

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

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 1.50 percent. The 2025 annual increase was 1.25 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 2.50 percent. The 2025 annual increase was 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years, or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Benefits are based on a member’s highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service earned before July 1, 2025, and 2.20 percent of average salary for years of service earned on or after July 1, 2025.

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 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 and disability qualification requirements vary by plan.

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. Correctional Plan member and employer contribution rates increased 1.00 percent and 1.50 percent, respectively, on July 1, 2025.

Member and Employer Required Contribution Rates

Pension Plan	Member Required Contribution	Employer Required Contribution
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80%	17.70%
Correctional Plan	6.83%	10.25%

Employer Contributions for the Year Ended December 31, 2025

Pension Plan	Contribution	
General Employees Plan	$	420,132
Police and Fire Plan		215,606
Correctional Plan		97,459

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

Pension Costs

General Employees Plan

At December 31, 2025, the County reported a liability of $1,988,381 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the County's proportion was 0.0614 percent. It was 0.0648 percent measured as of June 30, 2024. The County recognized pension expense of ($185,644) for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. The County recognized an additional ($7,357) as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2025

Total General Employees Plan Net Pension Liability Associated with the County	Amount	
The County's proportionate share of the net pension liability	$	1,988,381
State of Minnesota's proportionate share of the net pension liability associated with the County		47,966
Total	$	2,036,347

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

General Employees Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 189,449	$ -
Changes in actuarial assumptions	47,908	457,520
Difference between projected and actual investment earnings	-	791,196
Changes in proportion	19,332	206,512
Contributions paid to PERA subsequent to the measurement date	213,434	-
Total	$ 470,123	$ 1,455,228

The $213,434 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2025

Year Ended December 31	Pension Expense Amount
2026	$ (283,079)
2027	(457,180)
2028	(318,305)
2029	(139,975)

Police and Fire Plan

At December 31, 2025, the County reported a liability of $933,668 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the County's proportion was 0.0797 percent. It was 0.0883 percent measured as of June 30, 2024. The County recognized pension expense of $149,543 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota contributed $18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2025. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of $9 million on October 1. The direct state aid payment will increase by $17.7 million, which began on October 1, 2025. Thereafter, by October 1 of each year, the state will pay $26.7 million to the Police and Fire Fund until the fund is 110 percent funded for a minimum of three consecutive years. The County recognized an additional $8,488 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, until the Police and Fire Plan and the State Patrol Plan are 100 percent funded for three consecutive years. The County recognized $7,172 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan.

Police and Fire Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2025

Total Police and Fire Plan Net Pension Liability Associated with the County		Amount
The County's proportionate share of the net pension liability	$	933,668
State of Minnesota's proportionate share of the net pension liability associated with the County		32,366
Total	$	966,034

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

Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual economic experience	$	431,384	$	-
Changes in actuarial assumptions		708,019		1,169,846
Difference between projected and actual investment earnings		-		416,709
Changes in proportion		121,106		212,286
Contributions paid to PERA subsequent to the measurement date		111,148		-
Total	$	1,371,657	$	1,798,841

The $111,148 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2025

Year Ended December 31	Pension Expense Amount
2026	$ 205,148
2027	(210,647)
2028	(495,089)
2029	(37,493)
2030	(251)

Correctional Plan

At December 31, 2025, the County reported an asset of $250,722 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2025, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the County's proportion was 0.3790 percent. It was 0.3937 percent measured as of June 30, 2024. The County recognized pension expense of ($399,864) for its proportionate share of the Correctional Plan's pension expense.

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

Correctional Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 43,376	$ -
Changes in actuarial assumptions	-	164,409
Difference between projected and actual investment earnings	-	209,805
Changes in proportion	9,669	15,123
Contributions paid to PERA subsequent to the measurement date	51,253	-
Total	$ 104,298	$ 389,337

The $51,253 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2025

Year Ended December 31	Pension Expense Amount
2026	$ (42,565)
2027	(177,887)
2028	(79,507)
2029	(36,333)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2025, was ($435,965).

Actuarial Assumptions

The total pension liability in the June 30, 2025, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2025

Actuarial Assumptions	General Employees Plan	Police and Fire Plan	Correctional Plan
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	7.00%	7.00%	7.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.50 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, 2025, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 29, 2023. The experience study for the Police and Fire Plan and Correctional Plan was dated July 31, 2024. For all plans, a review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2025, which remains consistent with 2024. 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.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2025:

General Employees Plan

- The combined service annuity loading factors increased from 15 percent to 19 percent for vested terminated members and from 3.00 percent to 44 percent for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25 percent to 1.50 percent.
- The post-retirement benefit increase formula changed to 100 percent of the Social Security annual increase, between 1.00 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85 percent for the last two consecutive annual valuations or is less than 80 percent in the most recent actuarial valuation, the maximum is reduced to 1.50 percent. Previously, the benefit increase was 50 percent of the Social Security annual increase, between 1.00 percent and 1.50 percent.
- The 1.00 percent additional employer contribution is eliminated when the plan reaches 98 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100 percent funded status.

Police and Fire Plan

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.

- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued to use the Pub-2010 Public Safety Mortality table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70 percent to 65 percent.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33 percent to 13 percent for vested, terminated members and from 2.00 percent to 38 percent for non-vested, terminated members.
- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1.00 percent to 3.00 percent; subsequent January 1 increases will be 1.00 percent.
- The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years to 100 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 2048, or 100 percent funded for a minimum of three consecutive years to 110 percent funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

Correctional Plan

- Assumed rates of salary increases were reduced slightly and changed to service-based (vs. age-based).
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and reduced (early) retirements.
- Assumed rates of withdrawal were changed from age-based rates after three years of service to service-based for all years; the new rates result in an increase in predicted terminations for males and females.
- Minor changes were made to assumed rates of disability retirements.

- Continued to use the Pub-2010 Public Safety Mortality table, with no adjustments.
- Minor changes were made to the assumed percent married, beneficiary age difference, and form of payment assumptions for future retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load was changed from 35 percent to 9.00 percent for vested, terminated members, and from 1.00 percent to 119 percent for non-vested, terminated members.
- The benefit payable to a member who qualifies for a duty disability benefit was changed to 47.50 percent of average salary plus, for each year of service in excess of 25 years, 1.90 percent for each year of allowable service before July 1, 2025, and 2.20 percent for each year of allowable service beginning after June 30, 2025.
- Actuarial equivalent factors were updated to reflect changes in assumptions

Pension Liability Sensitivity

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

Sensitivity of the Employer's Proportionate Share of the
Net Pension Liability to Changes in the Discount Rate
As of December 31, 2025

Change in Discount Rate	General Employees Plan Discount Rate	General Employees Plan Net Pension Liability (Asset)	Police and Fire Plan Discount Rate	Police and Fire Plan Net Pension Liability (Asset)	Correctional Plan Discount Rate	Correctional Plan Net Pension Liability (Asset)
1% Decrease	6.00%	$ 4,829,465	6.00%	$ 2,446,407	6.00%	$ 593,658
Current	7.00%	1,988,381	7.00%	933,668	7.00%	(250,722)
1% Increase	8.00%	(316,378)	8.00%	(308,530)	8.00%	(923,014)

Pension Plan Fiduciary Net Position

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

Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually. For the year ended December 31, 2025, the total employee and employer contributions were each $5,763, which represents five percent of covered payroll.

Note 4 – Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $1,000,000 per claim in 2025 and 2026. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

Redwood County established additional risk management for Network Security and Privacy (Cyber) Liability insurance starting in July 2024. Cyber insurance protects the County from financial consequences of cyberattacks, data breaches, and other cyber incidents. It covers costs such as incident response, forensic investigations, legal fees, regulatory fines, and business interruption. The County holds a policy managed by Marsh McLennan Agency as its broker, with coverage at $1,000,000 per claim.

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. Benton County joined as of January 1, 2018, and Chippewa County joined as of January 1, 2020. Premiums are withheld from employees and transferred into an internal service fund. Claims are managed and paid by a third party, and the County will be billed weekly, in aggregate, for claims incurred.

The County established a limited risk management program for health coverage in 2014. Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a $60,000 stop-loss per person insured (employee and eligible dependent) per year with an aggregate stop loss of 125 percent of the estimated monthly covered benefits. 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.

The December 31, 2025, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through March 31, 2026.

Changes in Claims Liabilities
For the Years Ended December 31, 2024, and 2025

Claims Liabilities	2024	2025
Unpaid claims, January 1	$ 253,676	$ 124,047
Incurred claims	1,689,826	1,967,179
Claims payments	(1,819,455)	(1,919,981)
Unpaid Claims, December 31	$ 124,047	$ 171,245

Note 5 – Summary of Significant Contingencies and Other Items

Contingent Liabilities

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

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

Lincoln-Pipestone Rural Water System

At December 31, 2024, the Lincoln-Pipestone Rural Water System had $29,407,000 of general obligation bonds and other loans outstanding through 2059. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specifically benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and taxing powers are pledged. The participating counties (Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted Board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn.

Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the ten participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

Joint Ventures

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

Lincoln-Pipestone Rural Water System

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

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

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2025, were $28,147,000.

Complete financial statements of the Lincoln-Pipestone Rural Water System can be obtained at 415 East Benton Street, PO Box 188, Lake Benton, Minnesota 56149-0188.

Red Rock Rural Water System

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

The governing body is composed of nine members appointed to three-year terms by the District Court. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System.

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

Redwood/Renville Regional Solid Waste Authority

The Redwood/Renville Regional Solid Waste Authority (RRRSWA) joint powers agreement was established by an agreement between Redwood County and Renville County under the authority of Minn. Stat. § 471.59. The agreement was made to facilitate development and operation of an integrated solid waste management system to serve the counties and to provide for a separate, free-standing public entity. The governing board is composed of seven members. Three members are appointed by the Redwood County Board of Commissioners, three members are appointed by the Renville County Board of Commissioners, and one at-large member is jointly appointed by the two 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. These loans are expected to start being paid back to the counties in 2028, after the bonded debt is paid in full.

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

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

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

Southwest Health and Human Services

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

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

SWHHS is governed by the:

- Joint Health and Human Services Board ("Joint Board") – responsible for financial, personnel, budget, and general administration of the agency, and is made up of one County Commissioner (or alternate) from each county serving on the Community Health Board and one County Commissioner (or alternate) serving on the Human Services Board;

- Human Services Board – responsible for duties set forth in Minn. Stat. ch. 393 and made up of two County Commissioners appointed annually and one layperson to be appointed consistent with the requirement of the Commissioner of Human Services; and

- Community Health Board – responsible for all duties set forth in Minn. Stat. ch. 145A and made up of one County Commissioner and one alternate from each member county, unless such county has a population in excess of twice that of any other member county, in which case, it shall have two Commissioners and two alternates.

Financing is provided by state and federal grants and appropriations from member counties. Redwood County's contribution in 2025 for the human services function was $3,379,163, and its contribution to the health services function was $235,231.

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 2025, Redwood County made contributions of $39,843 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 2025, Redwood County paid $74,539 to the Task Force.

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

Plum Creek Library System

Redwood County, along with 19 cities and eight other counties, participates in the Plum Creek Library System. The Plum Creek Library System was created as a public library service on May 29, 1974, by the act of contracting with various public libraries in its region to provide expanded library service, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without such services. The Plum Creek Library System is governed by a board of trustees which consists of two representatives from each county. One is appointed by the County Commissioners, and the second from the board of the participating libraries. During 2025, Redwood County provided $109,323 to the Plum Creek Library System.

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

697, Worthington, Minnesota 56187.

Counties Providing Technology

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

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

Financing is primarily from county member contributions. During 2025, Redwood County did not provide any contributions to CPT.

Current financial information can be obtained from Counties Providing Technology, 509 Atlantic Avenue, Morris, Minnesota 56267.

PrimeWest Health

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Health) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. In 2008, Beltrami, Clearwater, and Hubbard Counties joined the partnership. In 2023, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, Lincoln, Lyon, Nobles, Redwood, Swift, and Yellow Medicine Counties were added to PrimeWest Health. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

Control of PrimeWest Health is vested in a Joint Powers Board of Directors, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board of Directors is appointed by the County Commissioners of the county represented.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Redwood County did not provide any contributions to PrimeWest Health during 2025.

Complete financial information can be obtained from its administrative office at PrimeWest Health, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

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 $12,123 to the Project.

Redwood-Cottonwood Rivers Control Area

The Redwood-Cottonwood Rivers Control Area (RCRCA) works to improve water quality, reduce erosion, and enhance recreational opportunities by providing education, outreach, monitoring, and technical assistance within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. The RCRCA consists of Brown, Cottonwood, Lincoln, Lyon, Murray, Pipestone, Redwood, and Yellow Medicine Counties. During 2025, Redwood County contributed $26,480 to the RCRCA.

Subsequent Event

On May 7, 2026, the County issued $1,505,000 of General Obligation Ditch Bonds, Series 2026A. The proceeds will be used to fund all or a portion of the costs of improvements to Joint Ditch 5. Redwood County is responsible for $685,000, while Brown County is responsible for the remaining $820,000. Principal and interest will be paid from revenues derived primarily from assessments levied against properties specifically benefited.

Required Supplementary Information

Redwood County
Redwood Falls, Minnesota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Property taxes	$ 9,020,664	$ 9,020,664	$ 9,048,586	$ 27,922
Other taxes	13,000	13,000	18,323	5,323
Special assessments	27,968	27,968	47,296	19,328
Licenses and permits	50,005	50,005	59,063	9,058
Intergovernmental	3,096,527	3,096,527	3,626,988	530,461
Charges for services	822,500	822,500	933,618	111,118
Gifts and contributions	-	-	14,789	14,789
Investment earnings	604,382	604,382	1,098,342	493,960
Miscellaneous	333,285	333,285	451,337	118,052
Total Revenues	**$ 13,968,331**	**$ 13,968,331**	**$ 15,298,342**	**$ 1,330,011**
Expenditures				
Current				
General government				
Commissioners	$ 278,148	$ 278,148	$ 272,050	$ 6,098
Law library	8,500	8,500	11,019	(2,519)
County administrator	497,959	521,359	544,196	(22,837)
Administrator	435,941	435,941	421,472	14,469
Auditor-Treasurer	492,907	492,907	478,849	14,058
License center	257,104	257,104	245,622	11,482
Assessor	623,952	623,952	527,164	96,788
Elections	66,700	66,700	19,524	47,176
Computer	598,158	598,158	615,225	(17,067)
Attorney	1,147,801	1,147,801	957,146	190,655
Recorder	361,971	361,971	354,551	7,420
Building and plant	898,305	887,555	738,653	148,902
Veterans service officer	209,239	209,239	188,764	20,475
Other general government	-	-	29	(29)
Total general government	**$ 5,876,685**	**$ 5,889,335**	**$ 5,374,264**	**$ 515,071**
Public safety				
Sheriff	$ 5,202,755	$ 5,157,824	$ 5,129,356	$ 28,468
Coroner	30,000	30,000	32,049	(2,049)
E-911 system	124,522	124,522	130,570	(6,048)
Probation and parole	391,145	391,145	367,096	24,049
Restorative justice	107,311	107,311	98,904	8,407
Sentencing to Service	119,120	119,120	77,297	41,823
Emergency management	115,666	115,666	108,358	7,308
Other public safety	35,000	35,000	49,671	(14,671)
Total public safety	**$ 6,125,519**	**$ 6,080,588**	**$ 5,993,301**	**$ 87,287**
Culture and recreation				
Museum	$ 4,500	$ 4,500	$ 4,129	$ 371
Parks	166,349	177,099	928,891	(751,792)
Minnesota trails	92,027	92,027	104,005	(11,978)
Other culture and recreation	67,600	67,600	67,100	500
Total culture and recreation	**$ 330,476**	**$ 341,226**	**$ 1,104,125**	**$ (762,899)**

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

Redwood County
Redwood Falls, Minnesota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Conservation of natural resources				
Extension	$ 161,712	$ 161,712	$ 135,714	$ 25,998
Agricultural inspection	395,295	395,295	399,443	(4,148)
Soil and water conservation	553,834	559,377	552,320	7,057
Water quality loan program	-	-	137,254	(137,254)
Other conservation of natural resources	41,604	41,604	41,603	1
Total conservation of natural resources	**$ 1,152,445**	**$ 1,157,988**	**$ 1,266,334**	**$ (108,346)**
Economic development				
Other economic development	**$ 11,262**	**$ 11,262**	**$ -**	**$ 11,262**
Intergovernmental				
Health	$ 235,231	$ 235,231	$ 235,231	$ -
Culture and recreation				
Library	109,323	109,323	109,323	-
Total intergovernmental	**$ 344,554**	**$ 344,554**	**$ 344,554**	**$ -**
Debt service				
Principal	$ 8,628	$ 8,628	$ 319,555	$ (310,927)
Interest	502	502	21,043	(20,541)
Total debt service	**$ 9,130**	**$ 9,130**	**$ 340,598**	**$ (331,468)**
Total Expenditures	**$ 13,850,071**	**$ 13,834,083**	**$ 14,423,176**	**$ (589,093)**
Excess of Revenues Over (Under) Expenditures	**$ 118,260**	**$ 134,248**	**$ 875,166**	**$ 740,918**
Other Financing Sources (Uses)				
Leases issued	$ -	$ -	$ 101,912	$ 101,912
Software subscriptions issued	-	-	437,026	437,026
Transfers in	-	-	261,542	261,542
Transfers out	(326,376)	(326,376)	(526,050)	(199,674)
Insurance recoveries	-	-	53,037	53,037
Total Other Financing Sources (Uses)	**$ (326,376)**	**$ (326,376)**	**$ 327,467**	**$ 653,843**
Net Change in Fund Balance	**$ (208,116)**	**$ (192,128)**	**$ 1,202,633**	**$ 1,394,761**
Fund Balance – January 1	**19,376,137**	**19,376,137**	**19,376,137**	**-**
Fund Balance – December 31	**$ 19,168,021**	**$ 19,184,009**	**$ 20,578,770**	**$ 1,394,761**

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

Exhibit A-2

Redwood County
Redwood Falls, Minnesota

Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Property taxes	$ 3,493,079	$ 3,493,079	$ 3,494,690	$ 1,611
Other taxes	1,534,000	1,534,000	1,645,798	111,798
Licenses and permits	24,800	24,800	28,900	4,100
Intergovernmental	14,649,541	14,649,541	10,271,715	(4,377,826)
Charges for services	12,089	12,089	10,230	(1,859)
Investment earnings	-	-	240,278	240,278
Miscellaneous	158,367	158,367	114,208	(44,159)
Total Revenues	**$ 19,871,876**	**$ 19,871,876**	**$ 15,805,819**	**$ (4,066,057)**
Expenditures				
Current				
Highways and streets				
Administration	$ 694,725	$ 694,725	$ 717,040	$ (22,315)
Maintenance	4,505,379	4,505,379	4,317,879	187,500
Construction	12,224,323	12,224,323	8,676,434	3,547,889
Equipment and maintenance shops	1,170,642	1,170,642	826,297	344,345
Total highways and streets	**$ 18,595,069**	**$ 18,595,069**	**$ 14,537,650**	**$ 4,057,419**
Intergovernmental				
Highways and streets	**$ 720,556**	**$ 720,556**	**$ 850,340**	**$ (129,784)**
Debt service				
Principal	$ 325,000	$ 325,000	$ 333,083	$ (8,083)
Interest	196,525	196,525	196,561	(36)
Administrative (fiscal) charges	-	-	198	(198)
Total debt service	**$ 521,525**	**$ 521,525**	**$ 529,842**	**$ (8,317)**
Total Expenditures	**$ 19,837,150**	**$ 19,837,150**	**$ 15,917,832**	**$ 3,919,318**
Excess of Revenues Over (Under) Expenditures	**$ 34,726**	**$ 34,726**	**$ (112,013)**	**$ (146,739)**
Other Financing Sources (Uses)				
Software subscriptions issued	$ -	$ -	$ 19,295	$ 19,295
Transfers in	326,376	326,376	326,376	-
Insurance recoveries	-	-	37,589	37,589
Proceeds from sale of capital assets	35,000	35,000	3,878	(31,122)
Total Other Financing Sources (Uses)	**$ 361,376**	**$ 361,376**	**$ 387,138**	**$ 25,762**
Net Change in Fund Balance	**$ 396,102**	**$ 396,102**	**$ 275,125**	**$ (120,977)**
Fund Balance – January 1	**4,740,352**	**4,740,352**	**4,740,352**	**-**
Increase (decrease) in inventories	**-**	**-**	**33,052**	**33,052**
Fund Balance – December 31	**$ 5,136,454**	**$ 5,136,454**	**$ 5,048,529**	**$ (87,925)**

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

Exhibit A-3

Redwood County
Redwood Falls, Minnesota

Budgetary Comparison Schedule
Human Services Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 3,298,912	$ 3,298,912	$ 3,295,829	$ (3,083)
Intergovernmental	134,096	134,096	134,526	430
Settlements	50,000	50,000	62,264	12,264
Total Revenues	**$ 3,483,008**	**$ 3,483,008**	**$ 3,492,619**	**$ 9,611**
Expenditures				
Intergovernmental				
Human services	**3,483,008**	**3,483,008**	**3,522,493**	**(39,485)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (29,874)**	**$ (29,874)**
Other Financing Sources (Uses)				
Transfers in	-	-	29,874	29,874
Net Change in Fund Balance	**$ -**	**$ -**	**$ -**	**$ -**
Fund Balance – January 1	**-**	**-**	**-**	**-**
Fund Balance – December 31	**$ -**	**$ -**	**$ -**	**$ -**

Exhibit A-4

Redwood County
Redwood Falls, Minnesota

Budgetary Comparison Schedule
Solid Waste Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Special assessments	$ 620,154	$ 620,154	$ 602,635	$ (17,519)
Licenses and permits	2,000	2,000	2,200	200
Intergovernmental	227,440	227,440	241,004	13,564
Miscellaneous	300	300	393	93
Total Revenues	**$ 849,894**	**$ 849,894**	**$ 846,232**	**$ (3,662)**
Expenditures				
Current				
Sanitation				
Administration	$ 4,500	$ 4,500	$ 4,471	$ 29
Equipment and maintenance shops	1,200	1,200	1,964	(764)
Total sanitation	**$ 5,700**	**$ 5,700**	**$ 6,435**	**$ (735)**
Intergovernmental				
Sanitation				
Solid waste	**$ 692,594**	**$ 692,594**	**$ 734,103**	**$ (41,509)**
Debt service				
Principal	$ 130,000	$ 130,000	$ 130,000	$ -
Interest	24,250	24,250	24,250	-
Administrative (fiscal) charges	750	750	26	724
Total debt service	**$ 155,000**	**$ 155,000**	**$ 154,276**	**$ 724**
Total Expenditures	**$ 853,294**	**$ 853,294**	**$ 894,814**	**$ (41,520)**
Net Change in Fund Balance	**$ (3,400)**	**$ (3,400)**	**$ (48,582)**	**$ (45,182)**
Fund Balance – January 1	**82,451**	**82,451**	**82,451**	**-**
Fund Balance – December 31	**$ 79,051**	**$ 79,051**	**$ 33,869**	**$ (45,182)**

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

Exhibit A-5

Redwood County
Redwood Falls, Minnesota

Budgetary Comparison Schedule
Ditch Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Special assessments	$ -	$ 1,278,141	$ 1,748,121	$ 469,980
Intergovernmental	-	-	624,075	624,075
Investment earnings	-	-	3,075	3,075
Miscellaneous	-	-	50,341	50,341
Total Revenues	**$ -**	**$ 1,278,141**	**$ 2,425,612**	**$ 1,147,471**
Expenditures				
Current				
Conservation of natural resources				
Other	$ 2,077,048	$ 2,077,048	$ 3,892,280	$ (1,815,232)
Debt service				
Interest	-	8,375	8,375	-
Administrative (fiscal) charges	-	605	6,093	(5,488)
Total debt service	**$ -**	**$ 8,980**	**$ 14,468**	**$ (5,488)**
Total Expenditures	**$ 2,077,048**	**$ 2,086,028**	**$ 3,906,748**	**$ (1,820,720)**
Net Change in Fund Balance	**$ (2,077,048)**	**$ (807,887)**	**$ (1,481,136)**	**$ (673,249)**
Fund Balance – January 1	**1,248,144**	**1,248,144**	**1,248,144**	**-**
Fund Balance – December 31	**$ (828,904)**	**$ 440,257**	**$ (232,992)**	**$ (673,249)**

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

Exhibit A-6

Redwood County
Redwood Falls, Minnesota

Budgetary Comparison Schedule
EDA Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Property taxes	$ 110,406	$ 110,406	$ 110,168	$ (238)
Special assessments	-	-	16,262	16,262
Intergovernmental	41,314	41,314	624,687	583,373
Charges for services	-	-	470	470
Gifts and contributions	-	-	650	650
Investment earnings	-	-	7,456	7,456
Miscellaneous	-	-	3,060	3,060
Total Revenues	**$ 151,720**	**$ 151,720**	**$ 762,753**	**$ 611,033**
Expenditures				
Current				
Economic development	**334,086**	**334,086**	**755,262**	**(421,176)**
Excess of Revenues Over (Under) Expenditures	**$ (182,366)**	**$ (182,366)**	**$ 7,491**	**$ 189,857**
Other Financing Sources (Uses)				
Transfers out	-	-	(261,542)	261,542
Net Change in Fund Balance	**$ (182,366)**	**$ (182,366)**	**$ (254,051)**	**$ 451,399**
Fund Balance – January 1	**540,582**	**540,582**	**540,582**	**-**
Fund Balance – December 31	**$ 358,216**	**$ 358,216**	**$ 286,531**	**$ 451,399**

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

Exhibit A-7

Redwood County
Redwood Falls, Minnesota

Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	$ 103,997	$ 75,720	$ 61,228	$ 71,668
Interest	67,138	44,824	37,434	21,308
Differences between expected and actual experience	88,363	464,908	165,027	(22,421)
Changes of assumption or other inputs	119,650	(26,744)	65,412	(73,515)
Benefit payments	(165,762)	(112,718)	(70,734)	(59,823)
Net change in total OPEB liability	**$ 213,386**	**$ 445,990**	**$ 258,367**	**$ (62,783)**
Total OPEB Liability – Beginning	**1,546,659**	**1,100,669**	**842,302**	**905,085**
Total OPEB Liability – Ending	**$ 1,760,045**	**$ 1,546,659**	**$ 1,100,669**	**$ 842,302**
Covered-employee payroll	$ 8,172,043	$ 7,288,156	$ 7,840,094	$ 6,604,853
Total OPEB liability (asset) as a percentage of covered-employee payroll	21.54%	21.22%	14.04%	12.75%

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

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

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

Exhibit A-8

Redwood County
Redwood Falls, Minnesota

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2025

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 (%)
2025	0.0614	$ 1,988,381	$ 47,966	$ 2,036,347	$ 5,637,545	35.27	90.78
2024	0.0648	2,334,395	60,363	2,394,758	5,344,234	43.68	89.08
2023	0.0671	3,651,503	100,659	3,752,162	5,196,163	70.27	83.10
2022	0.0659	5,076,741	148,656	5,225,397	4,797,750	105.82	76.67
2021	0.0682	2,822,766	86,304	2,909,070	4,762,149	59.28	87.00
2020	0.0636	3,813,111	117,473	3,930,584	4,534,093	84.10	79.06
2019	0.0613	3,389,140	105,329	3,494,469	4,334,873	78.18	80.23
2018	0.0587	3,256,435	106,772	3,363,207	3,944,996	82.55	79.53
2017	0.0611	3,900,584	49,037	3,949,621	3,935,467	99.11	75.90
2016	0.0587	4,766,149	32,178	4,798,327	3,640,899	130.91	68.91

The measurement date for each year is June 30.

Exhibit A-9

Redwood County
Redwood Falls, Minnesota

Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2025

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) (%)
2025	$ 420,132	$ 420,132	$ -	$ 5,601,462	7.50
2024	401,961	401,961	-	5,360,955	7.50
2023	400,814	400,814	-	5,344,188	7.50
2022	373,653	373,653	-	4,982,752	7.50
2021	355,143	355,143	-	4,735,247	7.50
2020	349,737	349,737	-	4,662,177	7.50
2019	339,683	339,683	-	4,528,280	7.50
2018	304,275	304,275	-	4,057,508	7.50
2017	288,156	288,156	-	3,842,075	7.50
2016	279,393	279,393	-	3,725,245	7.50

The County's year-end is December 31.

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

Redwood County
Redwood Falls, Minnesota

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2025

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 (%)
2025	0.0797	$ 933,668	$ 32,366	$ 966,034	$ 1,239,211	75.34	91.78
2024	0.0883	1,161,601	44,280	1,205,881	1,231,848	94.30	90.17
2023	0.0839	1,448,844	58,374	1,507,218	1,102,021	131.47	86.47
2022	0.0944	4,107,915	179,595	4,287,510	1,147,106	358.11	70.53
2021	0.0793	612,112	27,530	639,642	957,651	63.92	93.66
2020	0.0830	1,094,029	25,787	1,119,816	936,431	116.83	87.19
2019	0.0870	926,203	N/A	926,203	917,918	100.90	89.26
2018	0.0851	907,078	N/A	907,078	897,325	101.09	88.84
2017	0.0820	1,107,098	N/A	1,107,098	843,180	131.30	85.43
2016	0.0780	3,130,276	N/A	3,130,276	751,672	416.44	63.88

The measurement date for each year is June 30.
N/A – Not Applicable

Exhibit A-11

Redwood County
Redwood Falls, Minnesota

Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2025

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) (%)
2025	$ 215,606	$ 215,606	$ -	$ 1,218,113	17.70
2024	225,498	225,498	-	1,274,001	17.70
2023	198,346	198,346	-	1,120,596	17.70
2022	202,340	202,340	-	1,143,165	17.70
2021	181,718	181,718	-	1,026,657	17.70
2020	166,709	166,709	-	941,856	17.70
2019	154,918	154,918	-	913,969	16.95
2018	148,964	148,964	-	919,531	16.20
2017	139,165	139,165	-	859,114	16.20
2016	126,981	126,981	-	783,830	16.20

The County's year-end is December 31.

Exhibit A-12

Redwood County
Redwood Falls, Minnesota

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2025

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 (%)
2025	0.3790	$ (250,722)	$ 1,032,554	(24.28)	105.18
2024	0.3937	120,002	980,898	12.23	97.54
2023	0.3724	168,343	873,282	19.28	95.94
2022	0.3763	1,250,821	826,668	151.31	74.58
2021	0.3511	(57,679)	761,435	(7.58)	101.61
2020	0.3433	93,151	746,977	12.47	96.67
2019	0.3240	44,858	691,091	6.49	98.17
2018	0.3218	52,926	657,220	8.05	97.64
2017	0.3100	883,503	615,745	143.49	67.89
2016	0.3000	1,095,942	565,304	193.87	58.16

The measurement date for each year is June 30.

Exhibit A-13

Redwood County
Redwood Falls, Minnesota

Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2025

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) (%)
2025	$ 97,459	$ 97,459	$ -	$ 1,028,315	9.48
2024	87,877	87,877	-	1,004,312	8.75
2023	83,678	83,678	-	956,315	8.75
2022	74,569	74,569	-	852,215	8.75
2021	68,159	68,159	-	778,955	8.75
2020	66,410	66,410	-	758,856	8.75
2019	62,624	62,624	-	715,515	8.75
2018	59,540	59,540	-	680,366	8.75
2017	55,347	55,347	-	632,539	8.75
2016	49,708	49,708	-	568,085	8.75

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, 2025

Note 1 – General Budget Policies

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

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

Note 2 – Budget Basis of Accounting

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

Note 3 – Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2025:

Excess of Expenditures Over Appropriations as of December 31, 2025

Fund	Expenditures	Final Budget	Excess
General Fund	$ 14,423,176	$ 13,834,083	$ 589,093
Human Services Special Revenue Fund	3,522,493	3,483,008	39,485
Solid Waste Special Revenue Fund	894,814	853,294	41,520
Ditch Special Revenue Fund	3,906,748	2,086,028	1,820,720
EDA Special Revenue Fund	755,262	334,086	421,176

Note 4 – Employer Contributions to Other Postemployment Benefits

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

The following changes in actuarial assumptions occurred:

<u>2025</u>

- The discount rate used changed from 4.28 percent to 4.83 percent.
- Health care trend rates have been revised to an initial rate of 8.00 percent for 2025, decreasing 0.25 percent annually to an ultimate rate of 4.50 percent.

2024

- The discount rate used changed from 4.00 percent to 4.28 percent.

- Mortality tables have been updated from SOA Pub-2010 General Headcount Weighted Mortality table fully generational using scale MP-2020 to SOA Pub-2010 General Headcount Weighted Mortality table fully generational using scale MP-2021 for general employees.

- Mortality tables have been updated from SOA Pub-2010 Public Safety Headcount Weighted Mortality table fully generational using scale MP-2020 to SOA Pub-2010 Public Safety Headcount Weighted Mortality table fully generational using scale MP-2021 for sheriff employees.

- Mortality tables have been updated from SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality table fully generational using scale MP-2020 to SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality table fully generational using scale MP-2021 for surviving spouses.

- Health care trend rates have been revised to an initial rate of 7.50 percent for 2024, decreasing 0.50 percent annually to an ultimate rate of 4.50 percent.

2023

- The discount rate used changed from 4.31 percent to 4.00 percent.

- Health care trend rates have been revised to an initial rate of 8.00 percent for 2023, decreasing 0.50 percent annually to an ultimate rate of 4.50 percent.

2022

- Mortality tables have been updated from MP-2020 to MP-2021.

- The salary scale rate assumptions have been updated to follow the PERA General Employees and Police and Fire plans from July 1, 2020, to July 1, 2021.

- The discount rate used changed from 2.25 percent to 4.31 percent.

2021

- Health care trend rates have been revised to an initial rate of 7.50 percent for 2021, decreasing 0.50 percent annually to an ultimate rate of 4.50 percent.

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

2020

- Mortality tables have been updated from SOA RPH-2018 Total Dataset Mortality table fully generational using Scale MP-2018 to SOA Pub-2010 General Headcount Weighted Mortality table fully generational using scale MP-2020 for general employees.

- Mortality tables have been updated from SOA RPH-2018 Total Dataset Mortality table fully generational using Scale MP-2018 to SOA Pub-2010 Public Safety Headcount Weighted Mortality table fully generational using scale MP-2020 for sheriff employees.

- Mortality tables have been updated from SOA RPH-2018 Total Dataset Mortality table fully generational using Scale MP-2018 to SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality table fully generational using scale MP-2020 for surviving spouses.

- Salary scale assumptions have been updated to follow the most recent actuarial valuations for the Public Employees Retirement Association (PERA) as of July 1, 2019.

- Health care trend rates have been revised to an initial rate of 8.00 percent for fiscal 2020, decreasing 0.50 percent annually to an ultimate rate of 4.50 percent.

- The discount rate used changed from 3.26 percent to 2.12 percent.

2019

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

2018

- The actuarial cost method used changed from the Projected Unit Credit with Linear Proration to Decrement to the Entry Age Normal Percent of Salary.

- The discount rate used changed from 3.44 percent to 4.11 percent.

- Salary increase rates have been updated to follow the most recent actuarial valuations for the General Employees and Police and Fire Plans as of July 1, 2017.

- Mortality tables have been updated from SOA RPH-2015 Total Dataset Mortality table fully generational using Scale MP-2015 to SOA RPH-2018 Total Dataset Mortality table fully generational using Scale MP-2018.

- Health care trend rates have been revised to an initial rate of 8.00 percent for fiscal 2019, decreasing 0.50 percent annually to an ultimate rate of 4.50 percent.

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

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

General Employees Retirement Plan

2025

- The combined service annuity loading factors increased from 15 percent to 19 percent for vested terminated members and from 3.00 percent to 44 percent for non-vested, terminated members.

- The assumed post-retirement benefit increase changed from 1.25 percent to 1.50 percent.

- The post-retirement benefit increase formula changed to 100 percent of the Social Security annual increase, between 1.00 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85 percent for the last two consecutive annual valuations or is less than 80 percent in the most recent actuarial valuation, the maximum is reduced to 1.50 percent. Previously, the benefit increase was 50 percent of the Social Security annual increase, between 1.00 percent and 1.50 percent.

- The 1.00 percent additional employer contribution is eliminated when the plan reaches 98 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100 percent funded status.

2024

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.

- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.

- Assumed rates of withdrawal were increased for both males and females.

- Assumed rates of disability were decreased.

- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.

- Minor changes to form of payment assumptions were applied for male and female retirees.

- Minor changes to assumptions were made with respect to missing participant data.

- The workers' compensation offset for disability benefits was eliminated.

- The actuarial equivalent factors were updated to reflect changes in assumptions.

2023

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

- A one-time direct state aid contribution of $170.1 million occurred on October 1, 2023.

- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.

- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

<u>2022</u>

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

<u>2021</u>

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

<u>2020</u>

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations

occurring after June 30, 2020.

2019

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

2018

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

2017

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

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2025

- Assumed rates of salary increases were reduced slightly.

- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.

- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.

- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.

- Continued to use the Pub-2010 Public Safety Mortality table with rates adjusted to better fit observed experience.

- Percent married assumption for female retirees lowered from 70 percent to 65 percent.

- Minor changes were made to form of payment assumptions for retirees.

- Minor changes were made to assumptions made with respect to missing participant data.

- The combined service annuity load changed from 33 percent to 13 percent for vested, terminated members and from 2.00 percent to 38 percent for non-vested, terminated members.

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).

- The January 1, 2026, benefit increase changed from 1.00 percent to 3.00 percent; subsequent January 1 increases will be 1.00 percent.

- The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years to 100 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years (on an actuarial value of assets basis).

- The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 2048, or 100 percent funded for a minimum of three consecutive years to 110 percent funded for a minimum of three consecutive years (on an actuarial value of assets basis).

- An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.

- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

<u>2024</u>

- The state contribution of $9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90 percent funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90 percent funded status for one year.

- The additional $9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

<u>2023</u>

- The investment return assumption was changed from 6.50 percent to 7.00 percent.

- The single discount rate changed from 5.40 percent to 7.00 percent.

- A one-time direct state aid contribution of $19.4 million occurred on October 1, 2023.

- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.

- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.

- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member’s occupation.

- A total and permanent duty disability benefit was added effective July 1, 2023.

<u>2022</u>

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

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

<u>2021</u>

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

<u>2020</u>

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

<u>2019</u>

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

<u>2018</u>

- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years with no trigger.
- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

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

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

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

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

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

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2025

- Assumed rates of salary increases were reduced slightly and changed to service-based (vs. age-based).
- Assumed rates of retirement were adjusted resulting in an overall increase in unreduced (full) retirements and reduced (early) retirements.
- Assumed rates of withdrawal were changed from age-based rates after three years of service to service-based for all years; the new rates result in an increase in predicted terminations for males and females.
- Minor changes were made to assumed rates of disability retirements.
- Continued to use the Pub-2010 Public Safety Mortality table, with no adjustments.
- Minor changes were made to the assumed percent married, beneficiary age difference, and form of payment assumptions for future retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load was changed from 35 percent to 9.00 percent for vested, terminated members, and from 1.00 percent to 119 percent for non-vested, terminated members.
- The benefit payable to a member who qualifies for a duty disability benefit was changed to 47.50 percent of average salary plus, for each year of service in excess of 25 years, 1.90 percent for each year of allowable service before July 1, 2025, and 2.20 percent for each year of allowable service beginning after June 30, 2025.
- Actuarial equivalent factors were updated to reflect changes in assumptions.

2024

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75 percent of pay to 10.25 percent of pay, effective July 1, 2025.
- The benefit multiplier was changed from 1.9 percent to 2.2 percent for service earned after June 30, 2025.

2023

- The investment return rate was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of $5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

2022

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

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).

- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Supplementary Information

Governmental Fund

Exhibit B-1

Redwood County
Redwood Falls, Minnesota

Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Property taxes	$ 1,925,951	$ 1,925,951	$ 1,923,620	$ (2,331)
Intergovernmental	52,639	52,639	53,363	724
Investment earnings	-	-	6,575	6,575
Total Revenues	**$ 1,978,590**	**$ 1,978,590**	**$ 1,983,558**	**$ 4,968**
Expenditures				
Debt service				
Principal	$ 990,000	$ 990,000	$ 990,000	$ -
Interest	752,544	752,544	752,544	-
Administrative (fiscal) charges	2,321	2,321	876	1,445
Total Expenditures	**$ 1,744,865**	**$ 1,744,865**	**$ 1,743,420**	**$ 1,445**
Net Change in Fund Balance	**$ 233,725**	**$ 233,725**	**$ 240,138**	**$ 6,413**
Fund Balance – January 1	**1,712,400**	**1,712,400**	**1,712,400**	**-**
Fund Balance – December 31	**$ 1,946,125**	**$ 1,946,125**	**$ 1,952,538**	**$ 6,413**

Fiduciary Funds

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

Forfeited Tax Custodial Fund – to account for all funds collected under state statute for the sale of property forfeited for unpaid tax.

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

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

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

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

Exhibit C-1

Redwood County
Redwood Falls, Minnesota

Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2025

	Taxes and Penalties	Forfeited Tax
Assets		
Cash and pooled investments	$ 281,486	$ 18,291
Taxes receivable for other governments	324,430	-
Total Assets	**$ 605,916**	**$ 18,291**
Liabilities		
Due to other governments	$ 281,449	$ 300
Due to others	37	-
Total Liabilities	**$ 281,486**	**$ 300**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 324,430**	**$ 17,991**

State Revenue		Soil and Water Conservation District		Jail Canteen		Sheriff Writ of Execution		Total Custodial Funds
$	686	$	1,777,469	$	26,160	$	67	$ 2,104,159
	-		-		-			324,430
$	**686**	**$**	**1,777,469**	**$**	**26,160**	**$**	**67**	**$ 2,428,589**
$	686	$	-	$	-	$	-	$ 282,435
	-		-		-		-	37
$	**686**	**$**	**-**	**$**	**-**	**$**	**-**	**$ 282,472**
$	**-**	**$**	**1,777,469**	**$**	**26,160**	**$**	**67**	**$ 2,146,117**

Exhibit C-2

Redwood County
Redwood Falls, Minnesota

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2025

	Taxes and Penalties	Forfeited Tax
Additions		
Appropriations from counties	$ -	$ -
Contributions from individuals	-	-
Interest earnings	-	-
Property tax collections for other governments	18,332,593	-
Fees collected for the state	1,201,861	3,077
Fees collected for other governments	-	47,034
Property tax overpayments from individuals/entities	48,856	-
Refunds collected for court-ordered tax abatement	20,385	-
Tax forfeited surplus proceeds being held	-	17,991
Miscellaneous	-	-
Total Additions	**$ 19,603,695**	**$ 68,102**
Deductions		
Payments of property taxes to other governments	$ 18,310,399	$ -
Payment of fees to other governments	-	46,277
Payments to the state	1,196,207	3,077
Payments to other individuals/entities	71,475	757
Payments to other governments	-	-
Total Deductions	**$ 19,578,081**	**$ 50,111**
Change in Net Position	**$ 25,614**	**$ 17,991**
Net Position – January 1	**298,816**	**-**
Net Position – December 31	**$ 324,430**	**$ 17,991**

State Revenue	Soil and Water Conservation District	Jail Canteen	Sheriff Writ of Execution	Total Custodial Funds
$ -	$ 120,000	$ -	$ -	$ 120,000
-	-	196,732	-	196,732
-	69,456	-	-	69,456
-	-	-	-	18,332,593
9,036,144	-	-	-	10,241,082
245	1,455,401	-	-	1,502,680
-	-	-	-	48,856
-	-	-	-	20,385
-				17,991
-	20,272	-	-	20,272
$ 9,036,389	**$ 1,665,129**	**$ 196,732**	**$ -**	**$ 30,570,047**
$ -	$ -	$ -	$ -	$ 18,310,399
245	-	39,693	-	86,215
9,036,144	-	106,275	-	10,341,703
-	690,574	39,744	-	802,550
-	518,325	-	-	518,325
$ 9,036,389	**$ 1,208,899**	**$ 185,712**	**$ -**	**$ 30,059,192**
$ -	**$ 456,230**	**$ 11,020**	**$ -**	**$ 510,855**
-	**1,321,239**	**15,140**	**67**	**1,635,262**
$ -	**$ 1,777,469**	**$ 26,160**	**$ 67**	**$ 2,146,117**

Other Schedules

Redwood County
Redwood Falls, Minnesota

Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2025

Appropriations and Shared Revenue		
State		
Highway users tax	$	5,867,064
County program aid		905,999
PERA state aid		38,280
Disparity reduction aid		44,832
Police aid		217,117
Enhanced 911		177,913
Market value credit		405,292
Casino credit		74,910
Select Committee on Recycling and the Environment (SCORE)		86,705
Aquatic invasive species aid		19,548
Out-of-home placement aid		51,193
Local homeless prevention aid		16,940
Statewide affordable housing aid		38,567
Riparian protection aid		159,986
Cannabis aid		5,454
Voting Operations, Technology, and Election Resources (VOTER)		13,823
Total appropriations and shared revenue	**$**	**8,123,623**
Reimbursement for Services		
Counties	$	635,507
Cities and townships		412,194
State		89,885
Soil and Water Conservation District		457,432
Southwest Health and Human Services		2,157
Redwood/Renville Regional Solid Waste Authority		154,299
Total reimbursement for services	**$**	**1,751,474**
Payments		
Local		
Payments in lieu of taxes	**$**	**297,793**
Grants		
State		
Minnesota Department/Board of		
Corrections	$	93,519
Natural Resources		398,826
Public Safety		35,905
Transportation		3,548,323
Veterans Affairs		7,500
Minnesota IT Services		140,837
Peace Officer Standards and Training Board		11,933
Total state	**$**	**4,236,843**
Federal		
Department of		
Justice	$	64,956
Transportation		270,680
Treasury		745,220
Homeland Security		85,769
Total federal	**$**	**1,166,625**
Total state and federal grants	**$**	**5,403,468**
Total Intergovernmental Revenue	**$**	**15,576,358**

Exhibit D-2

Redwood County
Redwood Falls, Minnesota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing 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-2024-RCAO-14362	$ 14,576
Crime Victim Assistance	16.575	F-CVS-2024-RCAO-14927	15,212
Crime Victim Assistance	16.575	F-CVS-2024-RCAO-15316	15,941
Crime Victim Assistance	16.575	F-CVS-2026-RCAO-15648	19,227
(Total Crime Victim Assistance 16.575 $64,956)			
Total U.S. Department of Justice			**$ 64,956**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction	20.205	6424301	$ 258,903
Passed Through City of Marshall, Minnesota			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC25-2025-MARSHAPD-001	1,311
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC25-2025-MARSHAPD-001	929
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 $1,291)			
Passed Through Lyon County, Minnesota			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC26-2026-LYONSD-002	362
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 $1,291)			
Total U.S. Department of Transportation			**$ 261,505**
U.S. Department of the Treasury			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		**$ 745,220**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	REDWOOD FBE 04-04-2025	$ 604
Passed Through Minnesota Department of Public Safety			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR4797 PW799 (761132)	65,475
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	ID 127-UJNE1-00 FEMA-4442-DR-MN, GM Project 185643-PW 1616	31,471
(Total Disaster Grants – Public Assistance (Presidentially Declared Disasters) 97.036 $96,946)			
Emergency Management Performance Grants	97.042	F-EMPG-2023-REDWOOCO-0241	19,690
Total U.S. Department of Homeland Security			**$ 117,240**
Total Federal Awards			**$ 1,188,921**

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2025.

Totals by Cluster	
Total expenditures for Highway Safety Cluster	$ 1,311

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

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2025

Note 1 – Summary of Significant Accounting Policies

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.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Redwood County under programs of the federal government for the year ended December 31, 2025. 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 of Expenditures of Federal Awards presents only a selected portion of the operations of Redwood County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Redwood County.

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

Note 2 – De Minimis Cost Rate

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

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Reconciling Items	Amount
Federal grant revenue per Schedule of Intergovernmental Revenue	$ 1,166,625
Grants received more than 60 days after year-end, considered unavailable revenue in 2025	
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Assistance Listing Number 97.036)	31,471
Unavailable revenue in 2024, recognized as revenue in 2025	
Highway Planning and Construction (Assistance Listing Number 20.205)	(9,175)
Expenditures per Schedule of Expenditures of Federal Awards	$ 1,188,921

Management and Compliance Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of County Commissioners
Redwood County
Redwood Falls, Minnesota

We have audited, in accordance with the 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, 2025, 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 15, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Redwood County's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redwood County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial

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statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, we noted that Redwood County failed to comply with the provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as items 2025-001 and 2025-002. Also, 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 depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Other Items

Included in the Schedule of Findings and Questioned Costs is a management practice comment. We believe this recommendation and information to be of benefit to the County, and it is reported for that purpose.

Redwood County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Redwood County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and 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/Lisa Young

Lisa Young, CPA
Deputy State Auditor

July 15, 2026

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Board of County Commissioners
Redwood County
Redwood Falls, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Redwood County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Redwood County's major federal program for the year ended December 31, 2025. 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.

In our opinion, Redwood County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2025.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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Auditor’s Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and

- obtain an understanding of the County’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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	*/s/Lisa Young*
Julie Blaha State Auditor	Lisa Young, CPA Deputy State Auditor

July 15, 2026

Redwood County
Redwood Falls, Minnesota

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

Section 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 generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over the major federal program:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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)? **No**

Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: $1,000,000.

Redwood County qualified as a low-risk auditee? **Yes**

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Other Findings and Recommendations

2025-001 **Contracting and Bidding – Withholding Affidavit of Contractors (Form IC-134)**
Prior Year Finding Number: N/A
Year of Finding Origination: 2025
Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 270C.66, states that, before making final settlement with any contractor under a contract requiring the employment of employees for wages by the contractor and by subcontractors, the County is required to obtain proof of compliance with the withholding requirements of Minn. Stat. § 290.92. This requirement can be satisfied through the receipt of Form IC-134 from the Commissioner of Revenue certifying compliance.

Condition: For three of the five finalized contracts tested that included the employment of individuals for wages by the contractor, the County issued final payment prior to receiving a Minnesota Department of Revenue approved Form IC-134, which certifies the reporting of employee withholdings.

Context: Individual County departments are responsible for overseeing the contracting and bidding process for their own projects and for obtaining the required certificate prior to submitting the final payment for processing.

Effect: The County is not in compliance with Minn. Stat. § 270C.66.

Cause: The County overlooked the requirement in error.

Recommendation: We recommend the County obtain the required Form IC-134 withholding affidavit before final payment is made to contractors and subcontractors on all construction contracts requiring the employment of employees for wages.

View of Responsible Official: Acknowledge

2025-002 **Contract Compliance**
Prior Year Finding Number: N/A
Year of Finding Origination: 2025
Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 471.425, subdivision 4a, states that each contract of a municipality must require the prime contractor to pay any subcontractor within ten days of the prime contractor's receipt of payment from the municipality or pay interest of one and one-half percent per month, or any part of a month, to the subcontractor on any undisputed amount not paid on time to the subcontractor.

Condition: For two of the three contracts tested for compliance with the State of Minnesota contracting and bid laws, the County entered into a contract that did not contain the required disclosure regarding prompt payment to subcontractors.

Context: Individual County departments are responsible for overseeing the contracting and bidding process for their own projects and for ensuring statutory requirements are included.

Effect: The County is not in compliance with Minn. Stat. § 471.425.

Cause: County staff did not ensure that the contract or bid specification contained the required disclosure regarding prompt payment to subcontractors.

Recommendation: We recommend the County review the statutory requirements with all County staff involved with contracting to ensure compliance with applicable contracting and bidding statutes for all future contracts.

View of Responsible Official: Acknowledge

2025-003 **<u>Deficit Fund Balance – Ditch Special Revenue Fund</u>**
Prior Year Finding Number: N/A
Year of Finding Origination: 2025
Type of Finding: Management Practice

Criteria: Each County fund should be maintained with a positive fund balance to ensure financial obligations can be met.

Condition: As of December 31, 2025, the Ditch Special Revenue Fund had a deficit fund balance of $232,992.

Context: As of December 31, 2025, 43 of the 197 ditch systems had deficit balances totaling $3,005,682. Ditch systems with deficit balances have been advanced cash from the General Fund to finance system costs. These advances will be paid back with interest at the established annual special assessment interest rate of four percent. As of December 31, 2025, advances from the General Fund totaled $385,816.

Effect: Ditch systems with deficit fund balances indicate that measures may need to be taken to ensure that the ditch systems can meet financial obligations. In carrying deficit balances, the financial burden of maintaining ditch systems is temporarily placed on the General Fund and the county as a whole. Assets that would otherwise be available for use in the General Fund are made unavailable until advances can be returned.

Cause: The County indicated that their practice is to approve ditch assessments for costs after they have been incurred or after projects have been completed. In some cases, costs have been significant enough to necessitate levying assessments over multiple years producing a deficit fund balance until the necessary assessments are fully levied and collected.

Recommendation: We recommend the County continue to monitor the balances of the ditch systems and eliminate deficit fund balances by approving necessary special assessments as soon as practical for each system.

View of Responsible Official: Acknowledge

Representation of Redwood County
Redwood Falls, Minnesota

Corrective Action Plan

For the Year Ended December 31, 2025

Finding Number: 2025-001
Finding Title: Contracting and Bidding – Withholding Affidavit of Contractors (Form IC-134)

Name of Contact Person Responsible for Corrective Action:

Jacqueline Reck
Vicki Kletscher
Nick Brozek

Corrective Action Planned:

We will obtain the missing IC-134 forms, and, going forward, we will review and ensure all required documents are obtained before issuing final payment.

Anticipated Completion Date:

7/1/2026

Finding Number: 2025-002
Finding Title: Contract Compliance

Name of Contact Person Responsible for Corrective Action:

Nick Brozek

Corrective Action Planned:

When entering into contracts, we will inform the County Attorney's Office and our project consulting firm (if any) about this requirement and make sure it is in contracts moving forward.

Anticipated Completion Date:

7/1/2026

Redwood County Board of Commissioners
P.O Box 130 Redwood Falls, MN 56283

Finding Number: 2025-003
Finding Title: Deficit Fund Balance – Ditch Special Revenue Fund

Name of Contact Person Responsible for Corrective Action:

Nick Brozek

Corrective Action Planned:

FEMA drainage grants submitted for payment in July of 2025 have not been received in the amount of $931,047 of which would have reduced the amount of the deficit fund balance.

Anticipated Completion Date:

12/31/2026