

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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**REDWOOD COUNTY**  
**REDWOOD FALLS, MINNESOTA**

YEAR ENDED DECEMBER 31, 2005

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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

The State Auditor performs approximately 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

**Pension** - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

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

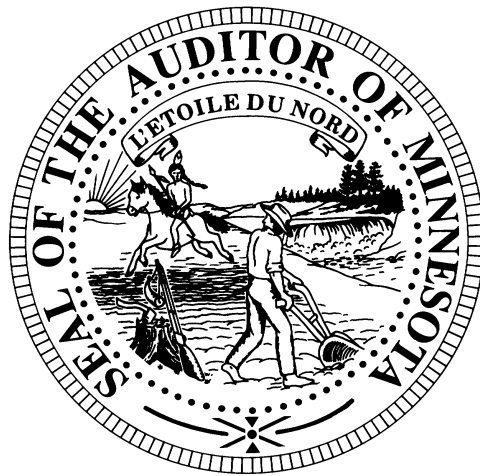
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**Year Ended December 31, 2005**



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

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

ORGANIZATION  
2005

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Brian Kletscher**	January 2009
2nd District	John Schueller*	January 2007
3rd District	Joseph Schouvieller	January 2007
4th District	Bruce Tolzmann	January 2007
5th District	Eugene Short	January 2009
<b>County Officers</b>		
<b>Elected</b>		
Attorney	Michelle Dietrich	January 2007
Auditor-Treasurer	Larry L. Bunting	January 2007
District Court Judge	David W. Peterson	January 2007
Recorder	Joyce Anderson	January 2007
Sheriff	Richard Morris	January 2007
<b>Appointed</b>		
Assessor	Kathy Hillmer	Indefinite
Coordinator	Vicki Knobloch	Indefinite
Environmental Services Director	Jon Mitchell	Indefinite
Highway Engineer	Ernest Fiala	Indefinite
License Center Director	Deb Tholkes	Indefinite
Maintenance Supervisor	Mark Schell	Indefinite
Medical Examiner	Dr. Dennis P. Nelson	Indefinite
Public Health Nursing	Genie Simon	Indefinite
Veterans Service Officer/ Emergency Management Director	Harold Read	Indefinite
Human Services Director	Patrick Bruflat	Indefinite

\*Chair 2005

\*\*Chair 2006

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# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Redwood County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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, 2005, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of Redwood County. The statement and schedule listed as supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of Redwood County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2006, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: April 27, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005  
(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, 2005. 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 assets are \$66,096,081, of which \$49,610,645 is invested in capital assets and \$3,282,006 is restricted to specific purposes. The \$13,203,430 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

The County's net assets increased by \$2,919,599 for the year ended December 31, 2005. A large part of the increase is attributable to the County's investing in capital assets net of accumulated depreciation without increasing long-term debt.

The net cost of governmental activities for the current fiscal year was \$6,256,617. The net cost was funded by general revenues totaling \$9,176,216.

Fund balances of the governmental funds increased by \$1,188,247. Most of the increase was due to more intergovernmental revenues in the Road and Bridge Department and an increase in taxes of the General Fund.

For the year ended December 31, 2005, the unreserved fund balance of the General Fund was \$4,432,984 or 76.2 percent of the total General Fund expenditures for the year, a decrease of 9.2 percent.

**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 level financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information.

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 assets presents information on all assets and liabilities of the County using the accrual basis of accounting, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. You will need 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 component units for which the County is legally accountable.

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

Fund level statements provide detailed information about the funds--not the County as a whole. Some funds are required to be established by state law and 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 balances 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, Ditch Special Revenue Fund, Solid Waste Special Revenue Fund, Building Special Revenue Fund, and Public

Health Services Special Revenue Fund. A budgetary comparison statement has been provided as required supplementary information for each of these funds to demonstrate compliance with this budget.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in a separate Statement of Fiduciary Net Assets shown as Exhibit 7.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$66,096,081 at the close of 2005. The largest portion of the net assets (75 percent) reflects its investment in capital assets (example: land, buildings, equipment, and infrastructure such as roads and bridges). However, it should be noted that these assets are not available for future spending. Comparative data with 2004 is presented.

<b>Governmental Activities Redwood County Net Assets (in thousands)</b>		
	2005	2004
<b>Assets</b>		
Current and other assets	\$ 18,441	\$ 17,022
Capital assets	49,921	48,100
Total Assets	\$ 68,362	\$ 65,122
<b>Liabilities</b>		
Long-term liabilities	\$ 1,261	\$ 1,240
Other liabilities	1,005	706
Total Liabilities	\$ 2,266	\$ 1,946
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 49,611	\$ 48,100
Restricted	3,282	3,520
Unrestricted	13,203	11,556
Total Net Assets	\$ 66,096	\$ 63,176

Unrestricted net assets--the part of net assets 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--are 20.0 percent of the net assets.

## Governmental Activities

The County's activities increased net assets by 4.6 percent (\$66,096,081 for 2005 compared to \$63,176,482 for 2004). Key elements in this increase in net assets are as follows for 2005, with comparative data for 2004.

<b>Governmental Activities Redwood County Changes in Net Assets (in thousands)</b>		
	2005	2004
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 2,152	\$ 2,066
Operating grants and contributions	5,400	5,250
Capital grants and contributions	2,251	2,342
General revenues		
Property taxes	6,889	6,315
Other	2,287	1,913
<b>Total Revenues</b>	<b>\$ 18,979</b>	<b>\$ 17,886</b>
<b>Expenses</b>		
General government	\$ 2,450	\$ 2,213
Public safety	2,364	2,355
Highways	4,000	2,719
Sanitation	471	488
Human services	4,589	4,254
Health	1,135	1,034
Culture and recreation	265	222
Conservation of natural resources	734	640
Economic development	38	21
Interest	13	-
<b>Total Expenses</b>	<b>\$ 16,059</b>	<b>\$ 13,946</b>
<b>Increase in Net Assets</b>	<b>\$ 2,920</b>	<b>\$ 3,940</b>
<b>Net Assets - January 1</b>	<b>63,176</b>	<b>59,236</b>
<b>Net Assets - December 31</b>	<b>\$ 66,096</b>	<b>\$ 63,176</b>

Total revenues for the County were \$18,978,960 while total expenses were \$16,059,361. This reflects a \$2,919,599 increase in net assets for the year ended December 31, 2005.

The cost of all governmental activities this year was \$16,059,361. However, as shown on the Statement of Activities (Exhibit 2), the amount that our taxpayers ultimately financed for these activities through County taxes was only \$6,889,369 because some of the cost was paid by those

who directly benefited from the programs (\$2,151,873) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,650,871). 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 interest.

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

**Governmental Activities  
Redwood County  
(in thousands)**

	Total Cost of Services 2005	Net Cost of Services 2005
Human services	\$ 4,590	\$ 2,291
Highways and streets	4,000	(940)
Public safety	2,364	1,963
General government	2,450	1,909
Health	1,135	527
All others	1,520	507
Totals	\$ 16,059	\$ 6,257

**FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

**Governmental Funds**

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$13,923,235, an increase of \$1,294,011 in comparison with the prior year. Of the combined ending fund balances, \$12,250,014 represents unreserved fund balance which is available for spending at the County’s discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons either by state law or grant agreements.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unreserved fund balance of \$4,432,984. As a measure of the General Fund’s liquidity, it may be useful to compare unreserved fund balance to total expenditures. The

General Fund unreserved fund balance represents 76.2 percent of total General Fund expenditures. During 2005, the ending fund balance increased by \$90,839. The County received \$945,392 more in revenue than expected and overspent its budget (mainly in the area of Public Safety) by \$854,915.

The Road and Bridge Special Revenue Fund had an unreserved fund balance of \$1,474,923 at fiscal year-end, representing 25.9 percent of its annual expenditures. The ending fund balance increased \$841,673 during 2005, primarily due to expenditures being under budget.

The Human Services Special Revenue Fund had an unreserved fund balance of \$1,645,699 at fiscal year-end, representing 36.1 percent of its annual expenditures. The ending fund balance increased \$183,329 during 2005, primarily due to expenditures being under budget.

The Ditch Special Revenue Fund had an unreserved fund balance of \$2,812,571 at fiscal year-end. The ending fund balance increased \$199,703 during 2005, primarily due to the ditches needing less maintenance than was anticipated.

The Solid Waste Special Revenue Fund had an unreserved fund balance of \$578,759 at fiscal year-end, representing 122.3 percent of its annual expenditures. The ending fund balance decreased \$31,506 during 2005, primarily due to expenditures being over budget.

The Building Special Revenue Fund had an unreserved fund balance of \$393,981 at fiscal year-end, more than 4 times its annual expenditures. The ending fund balance increased \$23,211 during 2005, primarily due to expenditures being under budget.

The Public Health Service Special Revenue Fund had an unreserved fund balance of \$911,097 at fiscal year-end, representing 81.1 percent of its annual expenditures. The ending balance decreased \$13,238 during 2005, primarily due to revenues being under budget.

### **General Fund Budgetary Highlights**

Over the course of the year, the County Board does not revise the General Fund budget. No budget amendments were made.

The actual charges to appropriations (expenditures) were \$854,915 above the final budget amounts. The most significant positive variance (\$27,252) occurred in the County Ag Inspection Office, where the costs to operate were less than anticipated, resulting in a 24.2 percent reduction in expected expenditures. Reasons for other significant variances of actual expenditures from final budget include lower than anticipated attorney costs and overall departmental cuts.

On the other hand, resources available for appropriation were also \$945,392 above the final budgeted amount. Greater than expected collections for taxes, miscellaneous items, and intergovernmental revenues accounted for most of the increase.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County's capital assets for its governmental activities at December 31, 2005, totaled \$49,920,645 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased \$1,821,129, or 3.8 percent, from the previous year. The major capital asset events were:

Construction of highways and streets	\$1,586,521
Increase in construction in progress	\$1,244,863

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

	2005	2004
Land	\$ 1,661	\$ 1,586
Infrastructure	42,578	42,043
Buildings	2,242	2,342
Machinery and equipment	2,195	1,917
Construction in progress	1,245	211
Totals	<u>\$ 49,921</u>	<u>\$ 48,099</u>

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

### Long-Term Debt

The County has a net debt at December 31, 2005, of \$308,350. The debt is for financing the acquisition of capital equipment in the Sheriff's Department. The term is five years with the final payment on December 1, 2009.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2006 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Redwood County at the end of 2005 was 4.0 percent. This compares favorably with the state unemployment rate of 4.0 percent and shows an increase from the County's 3.9 percent rate of one year ago. This could impact the level of services requested by County residents. The 2004 County population is estimated at 16,245, a decrease of 570 from the 2000 census of 16,815.

- Mortgage interest rates have been extremely low, causing many to refinance their mortgages and/or finance new construction.
- The County's expenditures for 2006 are budgeted to decrease 10.4 percent (\$2,379,418) from the 2005 budget. The 2006 anticipated revenues, other than tax levy, state-aid, and special assessments, are budgeted to decrease 19.9 percent (\$2,975,395) from the 2005 budget.
- The property tax levy for the County increased 4.16 percent (\$348,026) from 2005 but, due to a state-aid decrease (\$17,413), the net tax levy (the amount spread to taxpayers) increased 4.85 percent from 2005.

### **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, Larry L. Bunting, Redwood County Courthouse, Box 130, Redwood Falls, Minnesota 56283.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

**Assets**

Cash and pooled investments	\$ 6,084,989
Investments	7,787,083
Receivables - net	4,242,227
Inventories	223,554
Prepaid items	95,863
Deferred charges	7,931
Capital assets	
Non-depreciable capital assets	2,905,547
Depreciable capital assets - net of accumulated depreciation	47,015,098
	<hr/>
<b>Total Assets</b>	<b>\$ 68,362,292</b>

**Liabilities**

Accounts payable and other current liabilities	\$ 791,662
Accrued interest payable	644
Unearned revenue	93,539
Long-term liabilities	
Due within one year	119,329
Due in more than one year	1,261,037
	<hr/>
<b>Total Liabilities</b>	<b>\$ 2,266,211</b>

**Net Assets**

Invested in capital assets - net of related debt	\$ 49,610,645
Restricted for	
Highways and streets	2,988,706
Public safety	212,700
Conservation of natural resources	35,331
Other purposes	45,269
Unrestricted	13,203,430
	<hr/>
<b>Total Net Assets</b>	<b>\$ 66,096,081</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Expenses	Fees, Charges, Fines, and Other	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
<b><u>Functions/Programs</u></b>					
<b>Governmental activities</b>					
General government	\$ 2,449,688	\$ 501,782	\$ 39,308	\$ -	\$ (1,908,598)
Public safety	2,364,121	171,129	229,501	-	(1,963,491)
Highways and streets	3,999,905	136,999	2,551,795	2,251,226	940,115
Sanitation	470,993	371,732	50,872	-	(48,389)
Human services	4,589,613	252,962	2,045,442	-	(2,291,209)
Health	1,134,909	371,113	236,437	-	(527,359)
Culture and recreation	265,146	39,839	44,938	-	(180,369)
Conservation of natural resources	733,710	306,317	201,352	-	(226,041)
Economic development	37,823	-	-	-	(37,823)
Interest	13,453	-	-	-	(13,453)
<b>Total governmental activities</b>	<b><u>\$ 16,059,361</u></b>	<b><u>\$ 2,151,873</u></b>	<b><u>\$ 5,399,645</u></b>	<b><u>\$ 2,251,226</u></b>	<b><u>\$ (6,256,617)</u></b>
<b>General Revenues</b>					
Property taxes					\$ 6,889,369
Other taxes					8,804
Payments in lieu of tax					94,705
Grants and contributions not restricted to specific programs					1,613,183
Unrestricted investment earnings					412,875
Miscellaneous					157,280
<b>Total general revenues</b>					<b><u>\$ 9,176,216</u></b>
<b>Change in net assets</b>					<b><u>\$ 2,919,599</u></b>
<b>Net Assets - Beginning</b>					<b><u>63,176,482</u></b>
<b>Net Assets - Ending</b>					<b><u>\$ 66,096,081</u></b>

**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 262,879	\$ 2,618,877	\$ 1,594,273
Petty cash and change funds	3,850	-	-
Undistributed cash in agency funds	105,743	27,029	49,607
Investments	4,468,083	-	-
Taxes receivable			
Prior	43,469	14,864	26,946
Special assessments receivable			
Prior	1,724	-	-
Noncurrent	272,299	-	-
Accounts receivable	1,990	1,153	48,187
Accrued interest receivable	49,626	-	-
Due from other funds	3,599	454	-
Due from other governments	56,272	3,016,017	268,272
Inventories	-	223,554	-
Prepaid items	95,863	-	-
<b>Total Assets</b>	<b><u>\$ 5,365,397</u></b>	<b><u>\$ 5,901,948</u></b>	<b><u>\$ 1,987,285</u></b>

**EXHIBIT 3**

<u>Ditch</u>	<u>Solid Waste</u>	<u>Building</u>	<u>Public Health Services</u>	<u>Total Governmental Funds</u>
\$ 174,574	\$ 234,179	\$ 97,992	\$ 886,101	\$ 5,868,875
-	30	-	200	4,080
8,721	11,033	-	9,901	212,034
2,605,000	419,000	295,000	-	7,787,083
-	-	-	5,392	90,671
979	11,638	-	-	14,341
278,172	-	-	-	550,471
-	17,025	-	27,933	96,288
47,440	8,383	4,122	-	109,571
-	-	-	536	4,589
14,964	2	-	25,358	3,380,885
-	-	-	-	223,554
-	-	-	-	95,863
<u>\$ 3,129,850</u>	<u>\$ 701,290</u>	<u>\$ 397,114</u>	<u>\$ 955,421</u>	<u>\$ 18,438,305</u>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 52,813	\$ 34,657	\$ 172,515
Salaries payable	105,019	55,082	72,034
Contracts payable	-	73,528	-
Due to other funds	906	-	3,273
Due to other governments	52,153	11,025	66,818
Deferred revenue - unavailable	317,492	2,983,542	26,946
Deferred revenue - unearned	-	-	-
	<b>\$ 528,383</b>	<b>\$ 3,157,834</b>	<b>\$ 341,586</b>
<b>Fund Balances</b>			
Reserved for			
Inventories	\$ -	\$ 223,554	\$ -
Prepaid items	95,863	-	-
Missing heirs	1,552	-	-
Recorder's technology fund	16,812	-	-
Recorder's compliance fund	18,898	-	-
Enhanced 911	200,087	-	-
Sheriff's contingency	2,616	-	-
Sheriff's forfeited property	9,997	-	-
Attorney's forfeited property	8,007	-	-
Septic/sewer loans	35,331	-	-
Gun permit fees	1,390	-	-
Victim assistance	13,477	-	-
Highway allotments	-	1,045,637	-
Unreserved			
Designated for future expenditures	3,565,566	1,250,000	1,200,000
Designated for compensated absences	278,416	180,416	191,054
Designated for postemployment benefits	86,870	11,395	-
Designated for future loans	-	-	-
Undesignated	502,132	33,112	254,645
	<b>\$ 4,837,014</b>	<b>\$ 2,744,114</b>	<b>\$ 1,645,699</b>
<b>Total Fund Balances</b>	<b>\$ 4,837,014</b>	<b>\$ 2,744,114</b>	<b>\$ 1,645,699</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,365,397</b>	<b>\$ 5,901,948</b>	<b>\$ 1,987,285</b>

**EXHIBIT 3**  
**(Continued)**

<u>Ditch</u>	<u>Solid Waste</u>	<u>Building</u>	<u>Public Health Services</u>	<u>Total Governmental Funds</u>
\$ 18,513	\$ 8,173	\$ 3,133	\$ 4,009	\$ 293,813
2,400	9,046	-	32,698	276,279
-	-	-	-	73,528
43	41	-	326	4,589
17,172	94	-	780	148,042
279,151	11,638	-	6,511	3,625,280
-	93,539	-	-	93,539
<b>\$ 317,279</b>	<b>\$ 122,531</b>	<b>\$ 3,133</b>	<b>\$ 44,324</b>	<b>\$ 4,515,070</b>
\$ -	\$ -	\$ -	\$ -	\$ 223,554
-	-	-	-	95,863
-	-	-	-	1,552
-	-	-	-	16,812
-	-	-	-	18,898
-	-	-	-	200,087
-	-	-	-	2,616
-	-	-	-	9,997
-	-	-	-	8,007
-	-	-	-	35,331
-	-	-	-	1,390
-	-	-	-	13,477
-	-	-	-	1,045,637
2,050,000	563,159	340,000	712,020	9,680,745
7,043	15,600	-	90,357	762,886
-	-	-	-	98,265
600,000	-	-	-	600,000
155,528	-	53,981	108,720	1,108,118
<b>\$ 2,812,571</b>	<b>\$ 578,759</b>	<b>\$ 393,981</b>	<b>\$ 911,097</b>	<b>\$ 13,923,235</b>
<b>\$ 3,129,850</b>	<b>\$ 701,290</b>	<b>\$ 397,114</b>	<b>\$ 955,421</b>	<b>\$ 18,438,305</b>

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

***EXHIBIT 4***

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>13,923,235</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		49,920,645
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,625,280
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Notes payable	\$ (310,000)	
Compensated absences	(762,662)	
Loans payable	(309,354)	
Deferred debt issuance charges	7,931	
Unamortized discount on notes	1,650	
Accrued interest payable	(644)	
	(1,373,079)	(1,373,079)
<b>Net assets of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>66,096,081</u></b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 3,440,093	\$ 1,069,817	\$ 1,973,597
Special assessments	64,502	-	-
Licenses and permits	30,062	-	-
Intergovernmental	1,206,834	5,150,372	2,514,695
Charges for services	595,415	48,141	205,195
Gifts and contributions	29,549	-	-
Investment earnings	204,900	80,073	-
Miscellaneous	208,526	87,194	47,767
<b>Total Revenues</b>	<b>\$ 5,779,881</b>	<b>\$ 6,435,597</b>	<b>\$ 4,741,254</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 2,286,095	\$ -	\$ -
Public safety	2,651,334	-	-
Highways and streets	-	5,354,129	-
Sanitation	-	-	-
Human services	-	-	4,557,925
Health	-	-	-
Culture and recreation	168,031	-	-
Conservation of natural resources	493,697	-	-
Economic development	37,823	-	-
<b>Intergovernmental</b>	75,792	345,559	-
<b>Debt service</b>			
Principal	91,380	-	-
Interest	11,207	-	-
Administrative (fiscal) charges	2,103	-	-
<b>Total Expenditures</b>	<b>\$ 5,817,462</b>	<b>\$ 5,699,688</b>	<b>\$ 4,557,925</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (37,581)</b>	<b>\$ 735,909</b>	<b>\$ 183,329</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(32,915)	-	-
Loans issued	161,335	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 128,420</b>	<b>\$ -</b>	<b>\$ -</b>

**EXHIBIT 5**

<u>Ditch</u>	<u>Solid Waste</u>	<u>Building</u>	<u>Public Health Services</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 393,920	\$ 6,877,427
348,958	206,158	-	-	619,618
-	-	-	-	30,062
274	50,879	-	337,605	9,260,659
100	-	-	366,324	1,215,175
-	-	-	1,068	30,617
87,323	16,136	18,137	6,306	412,875
4,685	168,737	64,512	4,789	586,210
<b>\$ 441,340</b>	<b>\$ 441,910</b>	<b>\$ 82,649</b>	<b>\$ 1,110,012</b>	<b>\$ 19,032,643</b>
\$ -	\$ -	\$ 92,353	\$ -	\$ 2,378,448
-	-	-	-	2,651,334
-	-	-	-	5,354,129
-	473,416	-	-	473,416
-	-	-	-	4,557,925
-	-	-	1,123,250	1,123,250
-	-	-	-	168,031
241,637	-	-	-	735,334
-	-	-	-	37,823
-	-	-	-	421,351
-	-	-	-	91,380
-	-	-	-	11,207
-	-	-	-	2,103
<b>\$ 241,637</b>	<b>\$ 473,416</b>	<b>\$ 92,353</b>	<b>\$ 1,123,250</b>	<b>\$ 18,005,731</b>
<b>\$ 199,703</b>	<b>\$ (31,506)</b>	<b>\$ (9,704)</b>	<b>\$ (13,238)</b>	<b>\$ 1,026,912</b>
\$ -	\$ -	\$ 32,915	\$ -	\$ 32,915
-	-	-	-	(32,915)
-	-	-	-	161,335
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,915</b>	<b>\$ -</b>	<b>\$ 161,335</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Net Change in Fund Balances	\$ 90,839	\$ 735,909	\$ 183,329
Fund Balance - January 1	4,746,175	1,902,441	1,462,370
Increase (decrease) in reserved for inventories	-	105,764	-
Fund Balance - December 31	<u>\$ 4,837,014</u>	<u>\$ 2,744,114</u>	<u>\$ 1,645,699</u>

**EXHIBIT 5**  
**(Continued)**

<u>Ditch</u>	<u>Solid Waste</u>	<u>Building</u>	<u>Public Health Services</u>	<u>Total Governmental Funds</u>
\$ 199,703	\$ (31,506)	\$ 23,211	\$ (13,238)	\$ 1,188,247
2,612,868	610,265	370,770	924,335	12,629,224
-	-	-	-	105,764
<u>\$ 2,812,571</u>	<u>\$ 578,759</u>	<u>\$ 393,981</u>	<u>\$ 911,097</u>	<u>\$ 13,923,235</u>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 1,188,247**

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 revenues between the fund statements and the statement of activities is the increase (decrease) in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 3,625,280	
Deferred revenue - January 1	(3,502,423)	122,857

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 3,753,955	
Net book value of assets disposed of	(277,937)	
Current year depreciation	(1,654,889)	1,821,129

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments		
General obligation notes	\$ 65,000	
Loans payable	26,380	
Loan interest paid	2,141	93,521

Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are:

Debt issued		
ISTS loans		(161,335)

ISTS loans previously reported in the funds as due to other governments are now reported solely in the government-wide statements.		(176,540)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ 111	
Change in compensated absences	(71,760)	
Change in inventories	105,764	
Amortization of discounts and deferred issuance charges	(2,395)	31,720

**Change in net assets of governmental activities (Exhibit 2) \$ 2,919,599**

**FIDUCIARY FUNDS**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

***EXHIBIT 7***

**STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
DECEMBER 31, 2005**

<u>Assets</u>	
Cash and pooled investments	<u>\$ 505,996</u>
 <u>Liabilities</u>	
Accounts payable	\$ 250,223
Due to other governments	<u>255,773</u>
<b>Total Liabilities</b>	<b><u>\$ 505,996</u></b>

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**REDWOOD COUNTY**  
**REDWOOD FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2005. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Redwood County was established February 6, 1862, and is an organized County having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. 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 Auditor-Treasurer, elected on a County-wide basis, serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures

The County participates in several joint ventures which are described in Note 6.B. The County also participates in jointly-governed organizations which are described in Note 6.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about Redwood County. These statements include the financial activities of the overall County government,

**REDWOOD COUNTY**  
**REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported in a single column.

In the government-wide statement of net assets, 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 assets are reported in three parts: (1) invested in capital assets, (2) restricted net assets, and (3) unrestricted net assets. 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 that are 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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

**REDWOOD COUNTY**  
**REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

The Solid Waste Special Revenue Fund is used to account for the costs relating to disposal of the County's solid waste. Financing is provided by special assessments, miscellaneous revenue, grants from the state, and through an appropriation from the General Fund.

The Building Special Revenue Fund is used to account for the cost of constructing and maintaining County buildings. Financing is provided from miscellaneous revenue and investment earnings on taxes and penalties' investments.

The Public Health Services Special Revenue Fund is used to account for the community health programs. Financing comes primarily from an annual tax levy and intergovernmental revenue provided by the state and federal governments.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2005, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2005 were \$87,607.

Redwood County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

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

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

All receivables are shown net of an allowance for uncollectibles.

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 on May 15 and the second half payment due October 15.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

5. Capital Assets

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

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

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

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

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

6. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and fiduciary fund financial statements. 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.

7. Deferred Revenue

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

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

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.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

<u>Fund</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General	\$ 5,817,462	\$ 4,962,547	\$ 854,915
Solid Waste	473,416	324,824	148,592

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 6,084,989
Investments	7,787,083
Statement of fiduciary net assets	
Cash and pooled investments	<u>505,996</u>
 Total Cash and Investments	 <u><u>\$ 14,378,068</u></u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest 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, revenue obligations rated "AA" or better; irrevocable standard 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 that is not owned or controlled by the financial institution furnishing the collateral.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. The County's deposits in banks at December 31, 2005, were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

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

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does not have a policy on 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.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Concentration of Credit Risk (Continued)

The following table presents the County's investment balances at December 31, 2005, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency security Governmental National Mortgage Association	N/R	N/A	<5%	10/15/2008	\$ 5,084
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	N/A	N/A	\$ 3,646,596
Federated Prime Obligations Fund	N/R	N/A	N/A	N/A	1,812,037
Total investment pools/mutual funds					\$ 5,458,633
Repurchase agreement	N/A	N/A	N/A	N/A	\$ 369,321
Total investments					\$ 5,833,038
Checking					(113,760)
Savings					872,711
Certificates of deposit					7,781,999
Petty cash					4,080
Total Cash and Investments					\$ 14,378,068

N/A - Not Applicable

N/R - Not Rated

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

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2005, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 90,671	\$ -
Special assessments	564,812	550,471
Accounts	96,288	-
Interest	109,571	-
Due from other governments	3,380,885	-
Total Governmental Activities	\$ 4,242,227	\$ 550,471

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 436,148	\$ -	\$ -	\$ 436,148
Right-of-way	1,149,387	75,149	-	1,224,536
Construction in progress	211,530	1,244,863	211,530	1,244,863
Total capital assets not depreciated	\$ 1,797,065	\$ 1,320,012	\$ 211,530	\$ 2,905,547
Capital assets depreciated				
Buildings	\$ 5,252,661	\$ -	\$ 6,785	\$ 5,245,876
Machinery and equipment	5,465,211	847,422	593,286	5,719,347
Infrastructure	52,479,813	1,586,521	-	54,066,334
Total capital assets depreciated	\$ 63,197,685	\$ 2,433,943	\$ 600,071	\$ 65,031,557

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 2,910,387	\$ 100,049	\$ 6,785	\$ 3,003,651
Machinery and equipment	3,548,464	502,598	526,879	3,524,183
Infrastructure	<u>10,436,383</u>	<u>1,052,242</u>	<u>-</u>	<u>11,488,625</u>
 Total accumulated depreciation	 <u>\$ 16,895,234</u>	 <u>\$ 1,654,889</u>	 <u>\$ 533,664</u>	 <u>\$ 18,016,459</u>
 Total capital assets depreciated, net	 <u>\$ 46,302,451</u>	 <u>\$ 779,054</u>	 <u>\$ 66,407</u>	 <u>\$ 47,015,098</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 48,099,516</u>	 <u>\$ 2,099,066</u>	 <u>\$ 277,937</u>	 <u>\$ 49,920,645</u>

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

General government	\$ 89,295
Public safety	78,065
Highways and streets, including depreciation of infrastructure assets	1,411,549
Sanitation	31,419
Human services	8,896
Health	7,038
Culture and recreation	25,317
Conservation of natural resources	<u>3,310</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 1,654,889</u>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services Public Health Services	\$ 3,273 326
Total Due to General Fund		\$ 3,599
Road and Bridge	General Ditch Solid Waste	\$ 370 43 41
Total Due to Road and Bridge Fund		\$ 454
Public Health Services	General	\$ 536
Total Due To/From Other Funds		\$ 4,589

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfer to Building Fund from General Fund      \$ 32,915      Provide funding

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2005, were as follows:

	Governmental Activities
Accounts	\$ 293,813
Salaries	276,279
Contracts	73,528
Due to other governments	148,042
Total Payables	\$ 791,662

2. Construction Commitments

The government has active construction projects as of December 31, 2005. The projects include the following:

	Spent-to-Date	Remaining Commitment
Roads and bridges	\$ 1,472,264	\$ 2,953,383

3. Other Postemployment Benefits

Retired Officials' and Employees' Health Insurance Benefits

The County pays the health insurance for qualified retired employees and elected officials. Employees who retire between age 55 and 65 with 25 years of public service, and with at least 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 or 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. For retired employees, the County rates

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

3. Other Postemployment Benefits

Retired Officials' and Employees' Health Insurance Benefits (Continued)

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 for retired employees and after a maximum of six years for elected officials. As of year-end December 31, 2005, the County has 10 eligible participants, four elected officials, and six employees. The County finances the plan on a pay-as-you-go basis. During 2005, the County expended \$34,680 for these benefits.

4. Long-Term Debt

Loans Payable

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

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2005</u>
Clean water loans					
Cottonwood River	2014	\$ 14,514	2.00	\$ 200,007	\$ 157,914
Redwood River				151,440	151,440

The Redwood River clean water loans do not have a fixed amortization schedule.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

Notes Payable

In 2005, Redwood County issued a capital note for \$375,000 to finance the requisition of capital equipment in the Sheriff's Department. Payments on the notes payable will be made in the General Fund.

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
2005 General Obligation Capital Notes, Series 2005A	2009	\$65,000 - \$80,000	2.05 to 2.85	<u>\$ 375,000</u>	\$ 310,000
Less: unamortized discount					<u>(1,650)</u>
Total General Obligation Notes, Net					<u>\$ 308,350</u>

5. Debt Service Requirements

Debt service requirements at December 31, 2005, were as follows:

Year Ending December 31	General Obligation Capital Notes	
	Principal	Interest
2006	\$ 75,000	\$ 7,732
2007	75,000	6,120
2008	80,000	4,320
2009	<u>80,000</u>	<u>2,280</u>
Total	<u>\$ 310,000</u>	<u>\$ 20,452</u>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Debt Service Requirements (Continued)

Year Ending December 31	Loans Payable	
	Principal	Interest
2006	\$ 10,204	\$ 1,941
2007	10,409	1,736
2008	10,618	1,526
2009	10,832	1,313
2010	11,049	1,095
2011 - 2014	46,464	2,115
Total	<u>\$ 99,576</u>	<u>\$ 9,726</u>

The Redwood River clean water loans are not included in the debt service requirements because a fixed repayment schedule was not available.

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable					
General obligation notes	\$ 375,000	\$ -	\$ 65,000	\$ 310,000	\$ 75,000
Less: deferred amounts for issuance discounts	(2,062)	-	(412)	(1,650)	-
Total bonds payable	\$ 372,938	\$ -	\$ 64,588	\$ 308,350	\$ 75,000
Clean water loans payable	176,540	161,335	28,521	309,354	12,145
Compensated absences	690,902	71,760	-	762,662	32,184
Governmental Activity Long-Term Liabilities	<u>\$ 1,240,380</u>	<u>\$ 233,095</u>	<u>\$ 93,109</u>	<u>\$ 1,380,366</u>	<u>\$ 119,329</u>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit 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). The PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.5 percent. Public Employees Police and Fire Fund members were required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

	2005	2006
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	5.53	6.00
Public Employees Police and Fire Fund	9.30	10.50
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2005	\$ 277,323	\$ 52,688	\$ 30,877
2004	244,160	46,480	30,517
2003	254,476	41,209	29,004

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

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contributions for the years ending December 31, 2005, 2004, and 2003, were \$3,100, \$2,524, and \$2,513, respectively, equal to the contractually required contributions for each year as set by state statute.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and dental coverage; or natural disasters. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. For risks related to certain equipment and for hospitalization, medical, dental, and major medical for its employees, the County purchases commercial insurance. The County retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of 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 \$760,000 per claim in 2005 and \$390,000 in 2006. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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5. Risk Management (Continued)

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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.

B. Joint Ventures

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, Lyon, Murray, Redwood, and Watonwan Counties have agreed to guarantee their share of debt arising within each respective county. The Red Rock Rural Water System provides water for participating rural water users and cities within the water district.

The Red Rock Rural Water System is governed by a nine-member Board appointed for terms of three years by the District Court.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Red Rock Rural Water System (Continued)

Each county is responsible for levying and collecting the special assessments from the benefited properties within the county. A bond issue and notes payable are shown as long-term debt on the financial statements of the Red Rock Rural Water System. Outstanding bonds at December 31, 2003 (the latest information available), were \$7,115,000, and notes payable were \$55,437. Retained earnings were \$1,164,138.

A complete financial report can be obtained at 305 West Whited Street, Jeffers, Minnesota 56145.

Minnesota River Basin

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

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

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

During 2005, the County made no contributions to the Joint Powers Board. Complete financial statements for the Minnesota River Basin Joint Powers Board can be obtained from its administrative office at Administration Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with several counties and the Lincoln, Lyon, & Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board under the authority of Minn. Stat. § 471.59. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

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

The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2003 (the latest information available):

Total assets	\$ 220,978
Total liabilities	5,230
Total equity	215,748
Total revenues	889,414
Total expenditures	856,904
Net increase to fund balance	32,510

The Consortium Board reported no long-term obligations at December 31, 2003.

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

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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

C. Jointly-Governed Organizations

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

Family Service Collaborative

The Family Service Collaborative was established to create opportunities to enhance family strengths and support through service coordination and access to informal communication. Redwood County, in an agent capacity, reports the cash transactions of the Collaborative as an agency fund in its financial statements. Redwood County has no operational or financial control over the Collaborative.

Area II Minnesota River Basin Project

The Area II Minnesota River Basin Project provides programs for flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County contributed \$10,735 to the Project.

Redwood-Cottonwood Rivers Control Area

The Redwood-Cottonwood Rivers Control Area (RCRCA) promotes orderly water quality improvement and management within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. The County contributed \$17,874 to the RCRCA in 2005.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 3,238,800	\$ 3,238,800	\$ 3,440,093	\$ 201,293
Special assessments	-	-	64,502	64,502
Licenses and permits	23,200	23,200	30,062	6,862
Intergovernmental	986,774	986,774	1,206,834	220,060
Charges for services	480,215	480,215	595,415	115,200
Gifts and contributions	2,500	2,500	29,549	27,049
Investment earnings	65,000	65,000	204,900	139,900
Miscellaneous	38,000	38,000	208,526	170,526
<b>Total Revenues</b>	<b>\$ 4,834,489</b>	<b>\$ 4,834,489</b>	<b>\$ 5,779,881</b>	<b>\$ 945,392</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 218,941	\$ 218,941	\$ 220,041	\$ (1,100)
Courts	-	-	513	(513)
Law library	-	-	23,053	(23,053)
County administration	145,526	145,526	172,580	(27,054)
County auditor-treasurer	283,775	283,775	280,385	3,390
License center	117,001	117,001	115,234	1,767
County assessor	203,159	203,159	194,969	8,190
Elections	9,279	9,279	488	8,791
Computer	50,038	50,038	68,191	(18,153)
Personnel coordinator	116,674	116,674	118,393	(1,719)
Attorney	329,592	329,592	306,989	22,603
Recorder	219,743	219,743	240,777	(21,034)
Buildings and plant	254,364	254,364	247,148	7,216
Veterans service officer	193,554	193,554	177,644	15,910
Other general government	-	-	119,690	(119,690)
<b>Total general government</b>	<b>\$ 2,141,646</b>	<b>\$ 2,141,646</b>	<b>\$ 2,286,095</b>	<b>\$ (144,449)</b>
<b>Public safety</b>				
Sheriff	\$ 1,904,790	\$ 1,904,790	\$ 2,208,240	\$ (303,450)
Coroner	10,000	10,000	5,735	4,265
E-911 system	22,500	22,500	143,208	(120,708)
Probation and parole	280,461	280,461	279,788	673
Civil defense	-	-	13,605	(13,605)
Other public safety	-	-	758	(758)
<b>Total public safety</b>	<b>\$ 2,217,751</b>	<b>\$ 2,217,751</b>	<b>\$ 2,651,334</b>	<b>\$ (433,583)</b>
<b>Culture and recreation</b>				
Museum	\$ 3,200	\$ 3,200	\$ 5,872	\$ (2,672)
Parks	90,985	90,985	90,178	807
Minnesota trails	-	-	41,648	(41,648)
Other	22,700	22,700	30,333	(7,633)
<b>Total culture and recreation</b>	<b>\$ 116,885</b>	<b>\$ 116,885</b>	<b>\$ 168,031</b>	<b>\$ (51,146)</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Conservation of natural resources</b>				
Extension	\$ 64,841	\$ 64,841	\$ 67,957	\$ (3,116)
Agricultural inspection	112,812	112,812	85,560	27,252
Water quality loan program	-	-	162,218	(162,218)
Other	137,975	137,975	177,962	(39,987)
<b>Total conservation of natural resources</b>	<b>\$ 315,628</b>	<b>\$ 315,628</b>	<b>\$ 493,697</b>	<b>\$ (178,069)</b>
<b>Economic development</b>				
Other	\$ 24,800	\$ 24,800	\$ 37,823	\$ (13,023)
<b>Intergovernmental</b>				
Library	\$ 75,792	\$ 75,792	\$ 75,792	\$ -
<b>Debt service</b>				
Principal	\$ 70,045	\$ 70,045	\$ 91,380	\$ (21,335)
Interest	\$ -	\$ -	\$ 11,207	\$ (11,207)
Administrative (fiscal) charges	\$ -	\$ -	\$ 2,103	\$ (2,103)
<b>Total Expenditures</b>	<b>\$ 4,962,547</b>	<b>\$ 4,962,547</b>	<b>\$ 5,817,462</b>	<b>\$ (854,915)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (128,058)</b>	<b>\$ (128,058)</b>	<b>\$ (37,581)</b>	<b>\$ 90,477</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (32,915)	\$ (32,915)
Loans issued	-	-	161,335	161,335
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 128,420</b>	<b>\$ 128,420</b>
<b>Net Change in Fund Balance</b>	<b>\$ (128,058)</b>	<b>\$ (128,058)</b>	<b>\$ 90,839</b>	<b>\$ 218,897</b>
<b>Fund Balance - January 1</b>	<b>4,746,175</b>	<b>4,746,175</b>	<b>4,746,175</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,618,117</b>	<b>\$ 4,618,117</b>	<b>\$ 4,837,014</b>	<b>\$ 218,897</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,320,000	\$ 1,320,000	\$ 1,069,817	\$ (250,183)
Intergovernmental	8,056,000	8,056,000	5,150,372	(2,905,628)
Charges for services	50,000	50,000	48,141	(1,859)
Investment earnings	20,000	20,000	80,073	60,073
Miscellaneous	125,000	125,000	87,194	(37,806)
<b>Total Revenues</b>	<b>\$ 9,571,000</b>	<b>\$ 9,571,000</b>	<b>\$ 6,435,597</b>	<b>\$ (3,135,403)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 334,371	\$ 334,371	\$ 308,702	\$ 25,669
Maintenance	2,051,740	2,051,740	1,731,712	320,028
Construction	7,132,501	7,132,501	2,646,788	4,485,713
Equipment and maintenance shops	686,388	686,388	666,927	19,461
<b>Total highways and streets</b>	<b>\$ 10,205,000</b>	<b>\$ 10,205,000</b>	<b>\$ 5,354,129</b>	<b>\$ 4,850,871</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	345,559	(345,559)
<b>Total Expenditures</b>	<b>\$ 10,205,000</b>	<b>\$ 10,205,000</b>	<b>\$ 5,699,688</b>	<b>\$ 4,505,312</b>
<b>Net Change in Fund Balance</b>	<b>\$ (634,000)</b>	<b>\$ (634,000)</b>	<b>\$ 735,909</b>	<b>\$ 1,369,909</b>
<b>Fund Balance - January 1</b>	<b>1,902,441</b>	<b>1,902,441</b>	<b>1,902,441</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>105,764</b>	<b>105,764</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,268,441</b>	<b>\$ 1,268,441</b>	<b>\$ 2,744,114</b>	<b>\$ 1,475,673</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,430,185	\$ 2,430,185	\$ 1,973,597	\$ (456,588)
Intergovernmental	2,207,837	2,207,837	2,514,695	306,858
Charges for services	219,466	219,466	205,195	(14,271)
Miscellaneous	81,500	81,500	47,767	(33,733)
<b>Total Revenues</b>	<b>\$ 4,938,988</b>	<b>\$ 4,938,988</b>	<b>\$ 4,741,254</b>	<b>\$ (197,734)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,226,515	\$ 1,226,515	\$ 1,282,386	\$ (55,871)
Social services	3,712,473	3,712,473	3,275,539	436,934
<b>Total Expenditures</b>	<b>\$ 4,938,988</b>	<b>\$ 4,938,988</b>	<b>\$ 4,557,925</b>	<b>\$ 381,063</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 183,329</b>	<b>\$ 183,329</b>
<b>Fund Balance - January 1</b>	<b>1,462,370</b>	<b>1,462,370</b>	<b>1,462,370</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,462,370</b>	<b>\$ 1,462,370</b>	<b>\$ 1,645,699</b>	<b>\$ 183,329</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 313,000	\$ 313,000	\$ 348,958	\$ 35,958
Intergovernmental	-	-	274	274
Charges for services	-	-	100	100
Investment earnings	51,000	51,000	87,323	36,323
Miscellaneous	-	-	4,685	4,685
<b>Total Revenues</b>	<b>\$ 364,000</b>	<b>\$ 364,000</b>	<b>\$ 441,340</b>	<b>\$ 77,340</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	375,000	375,000	241,637	133,363
<b>Net Change in Fund Balance</b>	<b>\$ (11,000)</b>	<b>\$ (11,000)</b>	<b>\$ 199,703</b>	<b>\$ 210,703</b>
<b>Fund Balance - January 1</b>	<b>2,612,868</b>	<b>2,612,868</b>	<b>2,612,868</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,601,868</b>	<b>\$ 2,601,868</b>	<b>\$ 2,812,571</b>	<b>\$ 210,703</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 198,000	\$ 198,000	\$ 206,158	\$ 8,158
Intergovernmental	49,500	49,500	50,879	1,379
Investment earnings	-	-	16,136	16,136
Miscellaneous	42,314	42,314	168,737	126,423
<b>Total Revenues</b>	<b>\$ 289,814</b>	<b>\$ 289,814</b>	<b>\$ 441,910</b>	<b>\$ 152,096</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 245,944	\$ 245,944	\$ 254,609	\$ (8,665)
Recycling	78,880	78,880	209,622	(130,742)
Hazardous waste	-	-	7,392	(7,392)
Waste to energy	-	-	1,793	(1,793)
<b>Total Expenditures</b>	<b>\$ 324,824</b>	<b>\$ 324,824</b>	<b>\$ 473,416</b>	<b>\$ (148,592)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (35,010)</b>	<b>\$ (35,010)</b>	<b>\$ (31,506)</b>	<b>\$ 3,504</b>
<b>Fund Balance - January 1</b>	<b>610,265</b>	<b>610,265</b>	<b>610,265</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 575,255</b>	<b>\$ 575,255</b>	<b>\$ 578,759</b>	<b>\$ 3,504</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
BUILDING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Investment earnings	\$ 15,000	\$ 15,000	\$ 18,137	\$ 3,137
Miscellaneous	63,500	63,500	64,512	1,012
<b>Total Revenues</b>	<b>\$ 78,500</b>	<b>\$ 78,500</b>	<b>\$ 82,649</b>	<b>\$ 4,149</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Buildings and plant	100,000	100,000	92,353	7,647
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (21,500)</b>	<b>\$ (21,500)</b>	<b>\$ (9,704)</b>	<b>\$ 11,796</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	32,915	32,915
<b>Net Change in Fund Balance</b>	<b>\$ (21,500)</b>	<b>\$ (21,500)</b>	<b>\$ 23,211</b>	<b>\$ 44,711</b>
<b>Fund Balance - January 1</b>	<b>370,770</b>	<b>370,770</b>	<b>370,770</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 349,270</b>	<b>\$ 349,270</b>	<b>\$ 393,981</b>	<b>\$ 44,711</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 7*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 405,940	\$ 405,940	\$ 393,920	\$ (12,020)
Intergovernmental	331,148	331,148	337,605	6,457
Charges for services	386,531	386,531	366,324	(20,207)
Gifts and contributions	1,000	1,000	1,068	68
Investment earnings	4,000	4,000	6,306	2,306
Miscellaneous	11,200	11,200	4,789	(6,411)
<b>Total Revenues</b>	<b>\$ 1,139,819</b>	<b>\$ 1,139,819</b>	<b>\$ 1,110,012</b>	<b>\$ (29,807)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	1,303,025	1,303,025	1,123,250	179,775
<b>Net Change in Fund Balance</b>	<b>\$ (163,206)</b>	<b>\$ (163,206)</b>	<b>\$ (13,238)</b>	<b>\$ 149,968</b>
<b>Fund Balance - January 1</b>	<b>924,335</b>	<b>924,335</b>	<b>924,335</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 761,129</b>	<b>\$ 761,129</b>	<b>\$ 911,097</b>	<b>\$ 149,968</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

1. General Budget Policies

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

The budgets may be amended or modified at any time by the County Board. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund and the special revenue funds.

2. Budget Basis of Accounting

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

3. Budget Amendments

Expenditure budgets were not amended during the year.

4. Excess of Expenditures Over Budget

<u>Fund</u>	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General	\$ 5,817,462	\$ 4,962,547	\$ 854,915
Solid Waste	473,416	324,824	148,592

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**SUPPLEMENTARY INFORMATION**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Statement 1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>FAMILY SERVICES COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 234,741	\$ 510,031	\$ 497,615	\$ 247,157
<b><u>Liabilities</u></b>				
Accounts payable	\$ 234,741	\$ 510,031	\$ 497,615	\$ 247,157
 <b><u>SOCIAL SERVICES SPECIAL PROJECTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 2,302	\$ 6,650	\$ 5,886	\$ 3,066
<b><u>Liabilities</u></b>				
Accounts payable	\$ 2,302	\$ 6,650	\$ 5,886	\$ 3,066
 <b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 50,107	\$ 1,108,524	\$ 1,158,640	\$ (9)
<b><u>Liabilities</u></b>				
Accounts payable	\$ 50,107	\$ -	\$ 50,107	\$ -
Due to other governments	-	1,108,524	1,108,533	(9)
<b>Total Liabilities</b>	<b>\$ 50,107</b>	<b>\$ 1,108,524</b>	<b>\$ 1,158,640</b>	<b>\$ (9)</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Statement 1*  
*(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 216,757	\$ 15,422,084	\$ 15,383,059	\$ 255,782
<b><u>Liabilities</u></b>				
Due to other governments	\$ 216,757	\$ 15,422,084	\$ 15,383,059	\$ 255,782
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 503,907	\$ 17,047,289	\$ 17,045,200	\$ 505,996
<b><u>Liabilities</u></b>				
Accounts payable	\$ 287,150	\$ 516,681	\$ 553,608	\$ 250,223
Due to other governments	216,757	16,530,608	16,491,592	255,773
<b>Total Liabilities</b>	<b>\$ 503,907</b>	<b>\$ 17,047,289</b>	<b>\$ 17,045,200</b>	<b>\$ 505,996</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**Schedule 8**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Shared Revenue**

**State**

Highway users tax	\$	4,893,086
County program aid		809,011
PERA rate reimbursement		27,752
Disparity reduction aid		45,162
Police aid		46,480
Enhanced 911		69,001
Market value credit		730,258
		730,258

**Total Shared Revenue** **\$ 6,620,750**

**Reimbursement for Services**

Minnesota Department of Human Services	\$	974,040
		974,040

**Payments**

**Local**

Payments in lieu of taxes	\$	94,705
Waste to energy local contributions		1,793
Local		1,000
		1,000

**Total Payments** **\$ 97,498**

**Grants**

**State**

Minnesota Department/Board of		
Corrections	\$	49,609
Health		103,150
Human Services		702,836
Natural Resources		44,938
Water and Soil Resources		35,367
Office of Environmental Assistance		28,539
Pollution Control Agency		24,540
Peace Officers Board		3,172
		3,172

**Total State** **\$ 992,151**

**Federal**

Department of		
Agriculture	\$	67,360
Justice		30,000
Labor		5,000
Health and Human Services		460,255
Homeland Security		13,605
		13,605

**Total Federal** **\$ 576,220**

**Total State and Federal Grants** **\$ 1,568,371**

**Total Intergovernmental Revenue** **\$ 9,260,659**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 9*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses an unqualified opinion on the basic financial statements of Redwood County.
- B. Reportable conditions in internal control were disclosed by the audit of financial statements of Redwood County and are reported in the "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*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Redwood County were disclosed during the audit.
- D. No reportable conditions relating to the audit of the major federal award program are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Redwood County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- |                                      |              |
|--------------------------------------|--------------|
| Women, Infants, and Children         | CFDA #10.557 |
| Social Services Block Grant Title XX | CFDA #93.667 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Redwood County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

99-1 Internal Accounting Controls

Due to the limited number of office personnel within the various County departments, proper segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Although this is not unusual in small departmental situations, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

We recommend that County management be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff.

Client's Response:

*The County is aware of this and segregates duties whenever possible.*

99-2 Fiscal Agent for Collaborative

Currently, an employee in the County Human Services Department acts as the fiscal agent and maintains the checkbook for the Redwood County Family Services Collaborative. Permitting a County employee to control large amounts of money outside the internal controls created by statutes applicable to counties is undesirable from an accounting perspective.

We recommend that this situation be reviewed by the County Attorney regarding the proper delegation of County authority. Further, we recommend that the County, except in those areas permitted by law, allow only the County Auditor-Treasurer to control County funds or other funds in the County's possession.

Client's Response:

*Audits of Redwood County Collaborative continue to be performed by the State Auditor's Office and as per State Auditor, Patricia Anderson, "unqualified opinions" have been issued stating the "the financial statements of the Collaborative conform with applicable accounting standards." The Collaborative will continue to engage the State Auditor's Office in audit performance apart from the Human Services audit. Adding Collaborative accounts to the County G/L as Collaborative funding is decreasing would not appear to be efficient or cost-effective at this time.*

ITEM ARISING THIS YEAR

05-4 County Sheriff's Canteen Operations

The Sheriff's Department offers a canteen to inmates where they can purchase various items. During our review of the Sheriff's canteen fund, we noted the following areas of concern:

- A separate checking account is used for the canteen fund. The Sheriff had not reconciled this account since August of 2004.
- For 2005, the ending cash balance was \$29,374. The canteen funds are not being remitted to the County Auditor-Treasurer's office on a regular basis.

We recommend that the Sheriff reconcile this account and remit cash proceeds to the County Auditor-Treasurer's office on a regular basis.

Client's Response:

*We will start remitting cash proceeds when new staff is hired.*

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

02-2 Collateral Assignments for the Collaborative

The County did not have documentation demonstrating a perfected interest in pledged collateral with Bremer Bank. In a Federal Court decision, the Court ruled that if a municipality fails to perfect a security interest under federal law, its right to such collateral in the event of default is not enforceable.

The County is not complying with the collateral requirement unless it obtains an enforceable assignment of pledged collateral. To obtain an enforceable assignment under federal law (12 U.S.C. § 1823(e)), the County must obtain a written assignment of collateral which is approved by the depository bank's Board of Directors or loan committee and is a continuous official record of the bank.

We recommend that the County obtain the documentation indicating it has perfected a security interest in pledged collateral.

Client's Response:

*We continue to receive monthly confirmation reports of pledged collateral on Collaborative accounts as well as copies of safekeeping receipts as pledged collateral verifications. I have continued to annually request "collateral perfections" from the financial institution but have not received documents as requested. The Fiscal Supervisor will more aggressively pursue the appropriate documents as recommended.*

ITEMS ARISING THIS YEAR

05-1 Depository Pledge Agreement

The depository pledge agreement between the County and Minnwest Bank M.V. and Bremer Bank states that the County is required to give notice of a failure, insolvency, or breach to the bank and wait at least three business days after the notice before the County can collect the collateral from the Custodian so the bank has time to cure the default.

Minn. Stat. § 118A.03, subd. 4, states “The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.”

We recommend that the County review this security agreement to ensure that it is consistent with the default language of Minn. Stat. § 118A.03, subd. 4, and that the required language is included.

Client’s Response:

*This has been referred to the County Attorney.*

05-2

Collateral Substitution

The procedures used for pledging new collateral and for collateral substitutions changed for various banks. The Depository Pledge Agreement states the

“...Bank may substitute Eligible Securities for any of the Collateral held by Custodian at any time by providing Custodian with a substitution notice signed by an authorized representative of the Bank, provided that the market value of the Collateral following such substitution would equal or exceed the Required Collateral Value. If Bank elects to require Depositor’s written consent on a substitution notice in connection with any substitution complies with the proceeding sentence, Depositor agrees to provide it promptly upon Bank’s request.”

Minn. Stat. § 118A.03, subd. 5, states “[a] financial institution may withdraw excess collateral or substitute other collateral after giving written notice to the governmental entity and receiving confirmation.” The processes described by the bank do not meet this standard because they allow the financial institution to substitute collateral before it gives any notice to the governmental entity.

We recommend that the County Attorney review these procedural changes for compliance with Minn. Stat. § 118A.03, subd. 5.

Client’s Response:

*This has been referred to the County Attorney.*

05-3      Claims/Disbursements

While reviewing claims submitted to the County Board, it was noted that, in some cases, the claims were paid from a summary statement. In other cases, meals were charged to the hotel bill, and the claim did not have any other supporting documentation attached. We also noted finance charges on a statement from Elan Financial Services for \$51.60 and from Card Member Services for \$30.89 that were paid by the County.

Minn. Stat. § 471.38 provides that where claims can be itemized in the ordinary course of business, the county board shall audit and allow the claim only after it has been reduced to writing in items. Minn. Stat. § 471.41 states that, “Every member of such board who shall audit and allow any claim required to be itemized, without the same having been first duly itemized and verified, shall be guilty of a gross misdemeanor.”

We recommend that the County follow Minn. Stat. § 471.38 and allow only claims to be paid that have the proper itemization, supporting documentation attached, and have been properly audited and verified by the officer authorized by law to audit and allow claims to be paid.

Client’s Response:

*The County will change the policy to have the responsible employee pay for financing charges.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Quotes (04-2)**

The County Veterans Service Officer expended federal grant funds for a pickup without receiving competitive quotes.

**Resolution**

The County complied with Minn. Stat. § 471.345 by obtaining two or more quotes when required by statute.

**Debt Service Levy (04-1)**

During 2004, the County set the 2005 debt levy at less than an amount to satisfy the 105 percent requirement of Minn. Stat. § 475.61, subd. 1. The County levied \$70,045 for these bonds for 2005 when it should have levied \$77,768, less unused discount and accrued interest on the issue--a shortage of \$3,058.

**Resolution**

The County corrected this by using reserves from the General Fund.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

00-6 Budgeting Procedures

Although the County adopts a formal budget, expenditure estimates and the annual budget appropriations to the various operational funds within the County are not always clear. The County adopts the budget in summary form.

While reviewing budgeting, we noted that the Board-approved budget did not agree with the Revenue and Expenditure Budget Reports on the Integrated Financial System (IFS). County budget information on the IFS is incomplete and inaccurate.

County Financial Accounting and Reporting Standards (COFARS) recommends that the expenditure estimates and the annual budget be appropriated to the various operational entities within the County and that line-item budget detail by fund be available. The appropriations constitute maximum expenditure authorizations during the fiscal year and cannot legally be exceeded unless subsequently amended by the Board. Sound budgeting practices include: (1) an annual budget adopted by the governmental unit; (2) an accounting system that provides the basis for appropriate budgetary control; and (3) use of common terminology and classifications consistently throughout the budget, accounts, and financial reports of each fund.

The County Board should be adopting an accurate budget to be followed by the County. The adopted budget should be designed so that comparisons can be made between the current year amounts and budget year amounts. Any amendments to the budget should be Board approved and documented in the Board minutes and agree with the Revenue and Expenditure Budget Reports on the IFS.

We recommend that the County implement procedures to better comply with COFARS by having in the County Board minutes the amounts approved for each fund's revenue and expenditure budget. We also recommend that any changes to the original budget be approved by formal Board resolution and documented.

Client's Response:

*The County will follow the recommendations.*

04-3 Preparation of the Annual Financial Statements

The County Board has oversight responsibility to ensure that the annual financial report is prepared for audit in a timely manner. Generally, this means that the County Board should provide the necessary directives to County staff for the preparation and the timely completion of the annual financial report. The annual financial report consists of County fund financial statements prepared in accordance with generally accepted accounting principles for governments, related notes to the financial statements, and schedules. As part of the fund financial statements, summary schedules and worksheets should be prepared by County staff to demonstrate how the accounts in the financial records are classified/summarized for the financial report.

These objectives can be achieved by using the IFS. The IFS has been upgraded to accommodate the modified accrual basis of accounting in a separate general ledger system. The first step in the process is that counties change their accounting practices and account structure to be COFARS compliant and that all receipts and disbursements be coded to revenue and expenditure accounts.

During our audit, we noted the following that will prevent the IFS from providing modified accrual financial statements:

- The County is fiscal agent for the Family Services Collaborative and the Social Services Special Projects Agency Funds but does not account for their financial information on the IFS.
- County budget information on the IFS is incomplete and inaccurate.

*Schedule 9*  
*(Continued)*

- Both the Auditor-Treasurer's Office and the Road and Bridge accountant entered transactions into the Road and Bridge Fund, which resulted in double entries for both tax settlements and state-paid credits, among other items.
- Within the General Fund, unlike functions are combined into one. The Veterans Services Officer, a general government function, is combined with civil defense, which is a public safety function; and the Agriculture Inspector, a conservation function, is combined with the Zoning Inspector, which is a general government function.
- Reimbursements from other funds and other governments are mapped to revenue accounts rather than as a reduction of expenditures.
- Some federal grants are coded to state grant accounts.
- Market value and County program aids are coded to HACA, which no longer exists.
- Department expenditures are mapped to Capital Outlay accounts when the budgeted expenditures are still in the individual departments.
- The County made numerous transfers between balance sheet, revenue, and disbursement account codes. The report translations go to various functions. It is not clear why these transactions are not entered directly to their respective functions.
- Credit transactions for the Library are not easily identifiable in the general ledger.

We recommend that the County Board work directly with County staff to provide the necessary directives to prepare modified accrual financial statements on the IFS. In order to accomplish this, the County Board should ensure that staff assigned to prepare this information have a good understanding of generally accepted accounting principles for governments and the time necessary to have the draft financial report completed by the date mutually agreed to with the Office of the State Auditor.

Client's Response:

*The County will follow the recommendations.*

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, like what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the County Board will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;

**Schedule 9**  
***(Continued)***

- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

If applicable for Redwood County, GASB Statements 43 and 45 would be implemented for the years ended December 31, 2007 and 2008, respectively.

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## **OTHER REQUIRED REPORTS**

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Redwood County

We have audited the financial statements of Redwood County as of and for the year ended December 31, 2005, and have issued our report thereon dated April 27, 2006. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Redwood County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 99-1, 99-2, and 05-4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions indicated above is a material weakness.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Redwood County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 02-2, and 05-1 through 05-3.

This report is intended solely for the information and use of the Board of County Commissioners and management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: April 27, 2006



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PATRICIA ANDERSON  
STATE AUDITOR

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Redwood County

Compliance

We have audited the compliance of Redwood County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Redwood County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Redwood County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Redwood County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

### Internal Control Over Compliance

The management of Redwood County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of Redwood County as of and for the year ended December 31, 2005, and have issued our report thereon dated April 27, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: April 27, 2006

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 10*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 58,845
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	8,515
<b>Total U.S. Department of Agriculture</b>		<b>\$ 67,360</b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety Local Law Enforcement Block Grant Program	16.592	<b>\$ 30,000</b>
<b>U.S. Department of Labor</b>		
Passed Through Minnesota Department of Labor and Industry Occupational Safety and Health - State Program	17.503	<b>\$ 5,000</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health Immunization Grants	93.268	\$ 593
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	38,213
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	13,576
Temporary Assistance for Needy Families (TANF)	93.558	114,238
Child Care and Development Block Grant	93.575	24,551
Community-Based Child Abuse Prevention Grants	93.590	3,000
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	39,578
Foster Care - Title IV-E	93.658	36,385
Social Services Block Grant	93.667	147,123
Chafee Foster Care Independence Program	93.674	13,944
Block Grants for Community Mental Health Services	93.958	9,280
Passed Through Minnesota Department of Health Maternal and Child Health Services Block Grant to the States	93.994	19,774
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 460,255</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 10*  
*(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety Homeland Security Grant Program	97.067	\$ <u>13,605</u>
<b>Total Federal Awards</b>		<b>\$ <u>576,220</u></b>

Notes to Schedule of Expenditures of Federal Awards.

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Redwood County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. During 2005, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.