

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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

**YEAR ENDED DECEMBER 31, 2006**

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

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

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

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

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

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

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

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

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

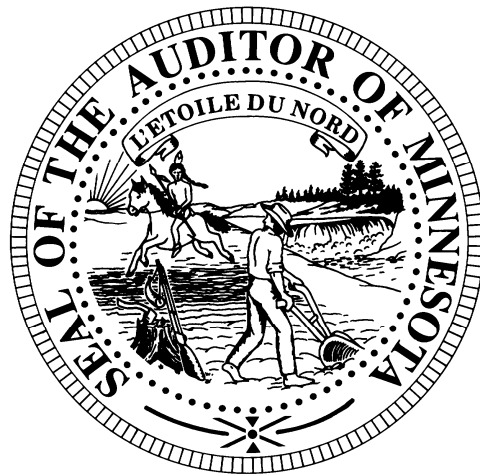
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@state.mn.us  
www.auditor.state.mn.us

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**Year Ended December 31, 2006**



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

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	12
Statement of Activities	Exhibit 2	13
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	14
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	21
Fiduciary Funds		
Statement of Fiduciary Net Assets - Agency Fund	Exhibit 7	22
Notes to the Financial Statements		23
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedules		
General Fund	Schedule 1	51
Road and Bridge Fund	Schedule 2	53
Human Services Fund	Schedule 3	54
Ditch Fund	Schedule 4	55
Solid Waste Fund	Schedule 5	56
Building Fund	Schedule 6	57
Public Health Services Fund	Schedule 7	58
Notes to the Required Supplementary Information		59

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
<b>Financial Section (Continued)</b>		
Supplementary Information		
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	Statement 1	60
Schedule of Intergovernmental Revenue	Schedule 8	62
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs	Schedule 9	63
Other Required Reports		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing     Standards</i>		88
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		91
Schedule of Expenditures of Federal Awards	Schedule 10	94



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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

ORGANIZATION  
2006

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
<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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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## 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, 2006, 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, 2006, 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 July 26, 2007, 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/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 26, 2007

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

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006  
(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, 2006. 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 \$70,086,991, of which \$55,232,098 is invested in capital assets and \$1,901,770 is restricted to specific purposes. The \$12,953,123 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

The County's net assets increased by \$3,990,910 for the year ended December 31, 2006. 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 \$5,708,191. The net cost was funded by general revenues totaling \$9,699,101.

Fund balances of the governmental funds decreased by \$200,179. Most of the decrease was due to more expenditures than revenues in the Road and Bridge Department and the purchase of property by the Building Fund.

For the year ended December 31, 2006, the unreserved fund balance of the General Fund was \$4,504,737, or 74.6 percent, of the total General Fund expenditures for the year, an increase of 1.6 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 financial 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 \$70,086,991 at the close of 2006. The largest portion of the net assets (79 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 2005 is presented.

<b>Governmental Activities</b>		
<b>Net Assets</b>		
<b>(in thousands)</b>		
	2006	2005
<b>Assets</b>		
Current and other assets	\$ 16,774	\$ 18,441
Capital assets	55,467	49,921
Total Assets	\$ 72,241	\$ 68,362
<b>Liabilities</b>		
Long-term liabilities	\$ 1,268	\$ 1,261
Other liabilities	886	1,005
Total Liabilities	\$ 2,154	\$ 2,266
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 55,232	\$ 49,611
Restricted	1,902	3,282
Unrestricted	12,953	13,203
Total Net Assets	\$ 70,087	\$ 66,096

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 18.5 percent of the net assets.

## Governmental Activities

The County's activities increased net assets by 6.0 percent (\$66,096,081 for 2005 compared to \$70,086,991 for 2006). Key elements in this increase in net assets are as follows for 2006, with comparative data for 2005.

<b>Governmental Activities Changes in Net Assets (in thousands)</b>		
	<u>2006</u>	<u>2005</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 2,279	\$ 2,152
Operating grants and contributions	6,067	5,400
Capital grants and contributions	2,268	2,251
General revenues		
Property taxes	7,151	6,889
Other	2,548	2,287
	<u>20,313</u>	<u>18,979</u>
<b>Total Revenues</b>	<b>\$ 20,313</b>	<b>\$ 18,979</b>
<b>Expenses</b>		
General government	\$ 2,582	\$ 2,450
Public safety	2,361	2,364
Highways	4,140	4,000
Sanitation	451	471
Human services	4,442	4,589
Health	1,117	1,135
Culture and recreation	277	265
Conservation of natural resources	799	734
Economic development	141	38
Interest	12	13
	<u>16,322</u>	<u>16,059</u>
<b>Total Expenses</b>	<b>\$ 16,322</b>	<b>\$ 16,059</b>
<b>Increase in Net Assets</b>	<b>\$ 3,991</b>	<b>\$ 2,920</b>
<b>Net Assets - January 1</b>	<b>66,096</b>	<b>63,176</b>
<b>Net Assets - December 31</b>	<b>\$ 70,087</b>	<b>\$ 66,096</b>

Total revenues for the County were \$20,312,515, while total expenses were \$16,321,605. This reflects a \$3,990,910 increase in net assets for the year ended December 31, 2006.

The cost of all governmental activities this year was \$16,321,605. 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 \$7,150,572, because some of the cost was paid by those who directly benefited from the programs (\$2,278,944) or by other governments and

organizations that subsidized certain programs with grants and contributions (\$8,334,470). 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 following table 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.

<b>Governmental Activities</b>		
<b>(in thousands)</b>		
	Total Cost of Services 2006	Net Cost of Services 2006
Human services	\$ 4,442	\$ 2,077
Highways and streets	4,140	(1,197)
General government	2,582	1,701
Public safety	2,361	1,962
Health	1,117	437
All others	1,680	728
Totals	\$ 16,322	\$ 5,708

## **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 \$13,733,951, a decrease of \$189,284 in comparison with the prior year. Of the combined ending fund balances, \$12,200,751 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 \$4,504,737. 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 74.6 percent of total General Fund

expenditures. During 2006, the ending fund balance increased by \$327,876. The County received \$1,289,889 more in revenue than expected and overspent its budget (mainly in the area of general government) by \$846,117.

The Road and Bridge Special Revenue Fund had an unreserved fund balance of \$1,151,603 at fiscal year-end, representing 12.6 percent of its annual expenditures. The ending fund balance decreased \$819,464 during 2006, primarily due to expenditures being over budget.

The Human Services Special Revenue Fund had an unreserved fund balance of \$2,073,960 at fiscal year-end, representing 46.7 percent of its annual expenditures. The ending fund balance increased \$428,261 during 2006, primarily due to expenditures being under budget.

The Ditch Special Revenue Fund had an unreserved fund balance of \$2,766,510 at fiscal year-end. The ending fund balance decreased \$46,061 during 2006, primarily due to the revenues being less than expenditures in the budget and actual.

The Solid Waste Special Revenue Fund had an unreserved fund balance of \$646,997 at fiscal year-end, representing 153.4 percent of its annual expenditures. The ending fund balance increased \$113,238 during 2006, primarily due to revenues being over budget.

The Building Special Revenue Fund had an unreserved fund balance of \$31,752 at fiscal year-end, representing 6.0 percent of its annual expenditures. The ending fund balance decreased \$307,229 during 2006, primarily due to expenditures being over budget.

The Public Health Service Special Revenue Fund had an unreserved fund balance of \$1,025,192 at fiscal year-end, representing 91.4 percent of its annual expenditures. The ending balance increased \$114,095 during 2006, primarily due to expenditures being under budget.

### **General Fund Budgetary Highlights**

Over the course of the year, the County Board does not generally revise the General Fund budget. The only budget amendment was to budget for the debt service expenditures.

The actual charges to appropriations (expenditures) were \$846,117 above the final budget amounts. The most significant positive variance (\$92,666) occurred in the County Probation and Parole Office, where the costs to operate were less than anticipated, resulting in a 31.6 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 \$1,289,889 above the final budgeted amount. Greater than expected collections for taxes, miscellaneous items, investment earnings, 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, 2006, totaled \$55,467,098 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased \$5,546,453, or 11.1 percent, from the previous year. The major capital asset events were:

Construction of highways and streets	\$4,936,592
Increase in construction in progress	\$1,180,678

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

	2006	2005
Land	\$ 1,715	\$ 1,661
Infrastructure	47,514	42,578
Buildings	2,555	2,242
Machinery and equipment	2,502	2,195
Construction in progress	1,181	1,245
Totals	\$ 55,467	\$ 49,921

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, 2006, of \$233,762. 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 2007 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Redwood County at the end of 2006 was 4.5 percent. This compares unfavorably with the state unemployment rate of 4.2 percent and shows an increase from the County's 4.0 percent rate of one year ago. This could impact the level of services requested by County residents. The 2005 County population is estimated at 16,096, a decrease of 719 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 2007 are budgeted to increase 7.2 percent (\$1,476,128) from the 2006 budget. The 2007 anticipated revenues, other than tax levy, state-aid, and special assessments, are budgeted to increase 9.0 percent (\$1,078,636) from the 2006 budget.
- The property tax levy for the County increased 6.22 percent (\$541,686) from 2006 but, due to a state-aid decrease (\$24,742), the net tax levy (the amount spread to taxpayers) increased 7.18 percent from 2006.

## **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, 2006**

**Assets**

Cash and pooled investments	\$ 5,530,272
Investments	8,165,161
Receivables - net	2,822,213
Inventories	234,449
Prepaid items	15,639
Deferred charges	5,948
Capital assets	
Non-depreciable capital assets	2,895,863
Depreciable capital assets - net of accumulated depreciation	52,571,235
	<hr/>
<b>Total Assets</b>	<b>\$ 72,240,780</b>

**Liabilities**

Accounts payable and other current liabilities	\$ 756,967
Accrued interest payable	510
Long-term liabilities	
Due within one year	128,635
Due in more than one year	1,267,677
	<hr/>
<b>Total Liabilities</b>	<b>\$ 2,153,789</b>

**Net Assets**

Invested in capital assets - net of related debt	\$ 55,232,098
Restricted for	
Highways and streets	1,272,014
Public safety	318,118
Equipment	110,292
Other purposes	201,346
Unrestricted	12,953,123
	<hr/>
<b>Total Net Assets</b>	<b>\$ 70,086,991</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Revenues			Net (Expense)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
<b>Functions/Programs</b>				
<b>Governmental activities</b>				
General government	\$ 2,582,325	\$ 537,924	\$ 343,896	\$ -
Public safety	2,360,850	160,570	232,126	5,675
Highways and streets	4,139,449	148,204	2,926,087	2,261,957
Sanitation	451,374	392,389	142,618	-
Human services	4,442,221	263,364	2,101,773	-
Health	1,117,297	448,023	232,126	-
Culture and recreation	276,608	47,457	49,145	-
Conservation of natural resources	798,614	281,013	35,367	-
Economic development	140,502	-	3,700	-
Interest	12,365	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 16,321,605</b>	<b>\$ 2,278,944</b>	<b>\$ 6,066,838</b>	<b>\$ 2,267,632</b>
<b>General Revenues</b>				
Property taxes				\$ 7,150,572
Other taxes				8,042
Payments in lieu of tax				48,239
Grants and contributions not restricted to specific programs				1,635,225
Unrestricted investment earnings				695,288
Miscellaneous				161,735
<b>Total general revenues</b>				<b>\$ 9,699,101</b>
<b>Change in net assets</b>				<b>\$ 3,990,910</b>
<b>Net Assets - Beginning</b>				<b>66,096,081</b>
<b>Net Assets - Ending</b>				<b>\$ 70,086,991</b>

**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<u>Assets</u>			
Cash and pooled investments	\$ 299,151	\$ 1,829,547	\$ 1,968,541
Petty cash and change funds	3,850	-	-
Undistributed cash in agency funds	101,977	24,238	44,905
Investments	4,832,161	-	-
Taxes receivable			
Prior	50,397	16,747	30,797
Special assessments receivable			
Prior	-	-	-
Noncurrent	375,822	-	-
Accounts receivable	3,815	967	21,137
Accrued interest receivable	68,805	-	-
Loans receivable	-	-	-
Due from other funds	11,258	-	-
Due from other governments	88,886	1,445,753	268,251
Inventories	-	234,449	-
Prepaid items	6,304	9,335	-
	<b>\$ 5,842,426</b>	<b>\$ 3,561,036</b>	<b>\$ 2,333,631</b>
<b>Total Assets</b>	<b>\$ 5,842,426</b>	<b>\$ 3,561,036</b>	<b>\$ 2,333,631</b>

**EXHIBIT 3**

<u>Ditch</u>	<u>Solid Waste</u>	<u>Building</u>	<u>Public Health Services</u>	<u>Total</u>
\$ 88,586	\$ 88,771	\$ 54,326	\$ 1,002,819	\$ 5,331,741
-	30	-	200	4,080
3,265	9,819	944	9,303	194,451
2,738,000	595,000	-	-	8,165,161
-	-	531	6,337	104,809
952	19,539	-	-	20,491
210,054	-	-	-	585,876
-	17,404	-	4,891	48,214
72,260	15,865	-	-	156,930
-	-	55,000	-	55,000
-	-	-	883	12,141
5,023	2	-	42,978	1,850,893
-	-	-	-	234,449
-	-	-	-	15,639
<u>\$ 3,118,140</u>	<u>\$ 746,430</u>	<u>\$ 110,801</u>	<u>\$ 1,067,411</u>	<u>\$ 16,779,875</u>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 51,900	\$ 48,812	\$ 123,409
Salaries payable	112,029	50,905	71,157
Contracts payable	-	77,345	-
Due to other funds	658	-	7,435
Due to other governments	44,111	7,681	26,873
Deferred revenue - unavailable	468,838	1,451,643	30,797
<b>Total Liabilities</b>	<b>\$ 677,536</b>	<b>\$ 1,636,386</b>	<b>\$ 259,671</b>
<b>Fund Balances</b>			
Reserved for			
Inventories	\$ -	\$ 234,449	\$ -
Loans receivable	-	-	-
Prepaid items	6,304	9,335	-
Missing heirs	1,552	-	-
Recorder's technology fund	50,081	-	-
Recorder's compliance fund	58,674	-	-
Enhanced 911	277,895	-	-
Sheriff's contingency	3,291	-	-
Sheriff's forfeited property	26,459	-	-
Attorney's forfeited property	10,473	-	-
Victim assistance	16,800	-	-
Gun permit fees	3,365	-	-
Highway allotments	-	529,263	-
Septic/sewer loans	48,928	-	-
Election equipment grant	46,039	-	-
Capital equipment	110,292	-	-
Unspent grant monies	-	-	-
Unreserved			
Designated for future expenditures	3,384,256	970,363	1,500,000
Designated for compensated absences	266,178	164,685	186,603
Designated for postemployment benefits	103,444	16,555	-
Designated for future loans	-	-	-
Undesignated	750,859	-	387,357
<b>Total Fund Balances</b>	<b>\$ 5,164,890</b>	<b>\$ 1,924,650</b>	<b>\$ 2,073,960</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,842,426</b>	<b>\$ 3,561,036</b>	<b>\$ 2,333,631</b>

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

<u>Ditch</u>	<u>Solid Waste</u>	<u>Building</u>	<u>Public Health Services</u>	<u>Total</u>
\$ 14,195	\$ 11,309	\$ 23,518	\$ 3,221	\$ 276,364
2,308	7,549	-	31,650	275,598
-	-	-	-	77,345
4,048	-	-	-	12,141
47,813	171	-	1,011	127,660
283,266	35,404	531	6,337	2,276,816
<b>\$ 351,630</b>	<b>\$ 54,433</b>	<b>\$ 24,049</b>	<b>\$ 42,219</b>	<b>\$ 3,045,924</b>
\$ -	\$ -	\$ -	\$ -	\$ 234,449
-	-	55,000	-	55,000
-	-	-	-	15,639
-	-	-	-	1,552
-	-	-	-	50,081
-	-	-	-	58,674
-	-	-	-	277,895
-	-	-	-	3,291
-	-	-	-	26,459
-	-	-	-	10,473
-	-	-	-	16,800
-	-	-	-	3,365
-	-	-	-	529,263
-	-	-	-	48,928
-	-	-	-	46,039
-	-	-	-	110,292
-	45,000	-	-	45,000
2,000,000	580,237	30,000	794,944	9,259,800
6,794	16,527	-	83,721	724,508
-	-	-	-	119,999
600,000	-	-	-	600,000
159,716	50,233	1,752	146,527	1,496,444
<b>\$ 2,766,510</b>	<b>\$ 691,997</b>	<b>\$ 86,752</b>	<b>\$ 1,025,192</b>	<b>\$ 13,733,951</b>
<b>\$ 3,118,140</b>	<b>\$ 746,430</b>	<b>\$ 110,801</b>	<b>\$ 1,067,411</b>	<b>\$ 16,779,875</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, 2006**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>13,733,951</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.		55,467,098
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,276,816
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Notes payable	\$ (235,000)	
Compensated absences	(740,168)	
Loans payable	(422,382)	
Deferred debt issuance charges	5,948	
Unamortized discount on notes	1,238	
Accrued interest payable	(510)	
	(1,390,874)	(1,390,874)
<b>Net assets of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>70,086,991</u></b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 3,500,640	\$ 1,100,109	\$ 2,051,223
Special assessments	56,465	-	-
Licenses and permits	29,475	-	-
Intergovernmental	1,534,136	6,964,537	2,554,876
Charges for services	572,207	81,212	244,118
Gifts and contributions	7,942	-	-
Investment earnings	318,708	121,207	-
Miscellaneous	263,669	69,719	19,246
<b>Total Revenues</b>	<b>\$ 6,283,242</b>	<b>\$ 8,336,784</b>	<b>\$ 4,869,463</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 2,715,390	\$ -	\$ -
Public safety	2,295,123	-	-
Highways and streets	-	8,827,838	-
Sanitation	-	-	-
Human services	-	-	4,441,202
Health	-	-	-
Culture and recreation	173,639	-	-
Conservation of natural resources	505,914	-	-
Economic development	140,502	-	-
<b>Intergovernmental</b>	<b>89,899</b>	<b>339,305</b>	<b>-</b>
<b>Debt service</b>			
Principal	105,897	-	-
Interest	9,673	-	-
Administrative (fiscal) charges	431	-	-
<b>Total Expenditures</b>	<b>\$ 6,036,468</b>	<b>\$ 9,167,143</b>	<b>\$ 4,441,202</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 246,774</b>	<b>\$ (830,359)</b>	<b>\$ 428,261</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(59,448)	-	-
Loans issued	138,082	-	-
Proceeds from sale of assets	2,468	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 81,102</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 327,876</b>	<b>\$ (830,359)</b>	<b>\$ 428,261</b>
<b>Fund Balances - January 1</b>	<b>4,837,014</b>	<b>2,744,114</b>	<b>1,645,699</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>10,895</b>	<b>-</b>
<b>Fund Balances - December 31</b>	<b>\$ 5,164,890</b>	<b>\$ 1,924,650</b>	<b>\$ 2,073,960</b>

**EXHIBIT 5**

<b>Ditch</b>	<b>Solid Waste</b>	<b>Building</b>	<b>Public Health Services</b>	<b>Total</b>
\$ -	\$ -	\$ 61,441	\$ 431,063	\$ 7,144,476
162,009	203,487	-	-	421,961
-	200	-	-	29,675
183	142,623	13,448	331,056	11,540,859
-	-	-	442,018	1,339,555
-	-	-	1,307	9,249
66,373	7,943	25,737	24,576	564,544
5,243	180,801	63,509	5,052	607,239
<b>\$ 233,808</b>	<b>\$ 535,054</b>	<b>\$ 164,135</b>	<b>\$ 1,235,072</b>	<b>\$ 21,657,558</b>
\$ -	\$ -	\$ 530,812	\$ -	\$ 3,246,202
-	-	-	-	2,295,123
-	-	-	-	8,827,838
-	421,816	-	-	421,816
-	-	-	-	4,441,202
-	-	-	1,121,930	1,121,930
-	-	-	-	173,639
279,869	-	-	-	785,783
-	-	-	-	140,502
-	-	-	-	429,204
-	-	-	-	105,897
-	-	-	-	9,673
-	-	-	-	431
<b>\$ 279,869</b>	<b>\$ 421,816</b>	<b>\$ 530,812</b>	<b>\$ 1,121,930</b>	<b>\$ 21,999,240</b>
<b>\$ (46,061)</b>	<b>\$ 113,238</b>	<b>\$ (366,677)</b>	<b>\$ 113,142</b>	<b>\$ (341,682)</b>
\$ -	\$ -	\$ 59,448	\$ -	\$ 59,448
-	-	-	-	(59,448)
-	-	-	-	138,082
-	-	-	953	3,421
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 59,448</b>	<b>\$ 953</b>	<b>\$ 141,503</b>
<b>\$ (46,061)</b>	<b>\$ 113,238</b>	<b>\$ (307,229)</b>	<b>\$ 114,095</b>	<b>\$ (200,179)</b>
2,812,571	578,759	393,981	911,097	13,923,235
-	-	-	-	10,895
<b>\$ 2,766,510</b>	<b>\$ 691,997</b>	<b>\$ 86,752</b>	<b>\$ 1,025,192</b>	<b>\$ 13,733,951</b>

**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, 2006**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (200,179)**

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	\$ 2,276,816	
Deferred revenue - January 1	<u>(3,625,280)</u>	(1,348,464)

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	\$ 7,319,055	
Current year depreciation	<u>(1,772,602)</u>	5,546,453

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	\$ 75,000	
Loans payable	<u>30,897</u>	105,897

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:

Septic/ISTS loans		(143,925)
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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	\$ 134	
Change in compensated absences	22,494	
Change in inventories	10,895	
Amortization of discounts and deferred issuance charges	<u>(2,395)</u>	<u>31,128</u>

**Change in net assets of governmental activities (Exhibit 2) \$ 3,990,910**

**FIDUCIARY FUNDS**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
DECEMBER 31, 2006**

<u>Assets</u>	
Cash and pooled investments	<u>\$ 454,761</u>
 <u>Liabilities</u>	
Accounts payable	\$ 157,997
Due to other governments	<u>296,764</u>
<b>Total Liabilities</b>	<u><b>\$ 454,761</b></u>

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2006. 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.

Blended Component Unit

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

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

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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, 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 not classified as program revenues, including all taxes, are presented as general revenues.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**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 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.

Additionally, the County reports the following fund type:

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

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

**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, 2006, 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 2006 were \$163,259.

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.

**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)

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. 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. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of 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.

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.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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

5. 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.

6. 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)

7. 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.

8. 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.

9. 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	\$ 6,036,468	\$ 5,190,351	\$ 846,117
Road and Bridge	9,167,143	7,244,000	1,923,143
Solid Waste	421,816	338,396	83,420
Building	530,812	300,000	230,812

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 5,530,272
Investments	8,165,161
Statement of fiduciary net assets	
Cash and pooled investments	454,761
Total Cash and Investments	\$ 14,150,194
Deposits	
Checking	\$ (20,507)
Money market savings	1,039,134
Certificates of deposit	8,162,127
Invested in MAGIC Fund	3,585,975
Invested in mutual funds	1,168,369
Invested in repurchase agreement	207,982
Invested in GNMA account	3,034
Petty cash and change funds	4,080
Total Deposits, Cash on Hand, and Investments	\$ 14,150,194

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 County 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

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit, and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2006, the County's deposits were not exposed to custodial credit risk.

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;

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31, 2006, the County's investments were not exposed to custodial credit risk.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The following table presents the County's investment balances at December 31, 2006, 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	\$ 3,034
Investment pools/mutual funds MAGIC Fund	N/R	N/A	N/A	N/A	\$ 3,585,975
Federated Prime Obligations Fund	N/R	N/A	N/A	N/A	1,168,369
Total investment pools/mutual funds					\$ 4,754,344
Repurchase agreement	N/A	N/A	N/A	N/A	\$ 207,982
Total investments					\$ 4,965,360
Checking					(20,507)
Savings					1,039,134
Certificates of deposit					8,162,127
Petty cash					4,080
Total Cash and Investments					\$ 14,150,194

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, 2006, 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	\$ 104,809	\$ -
Special assessments	606,367	461,404
Accounts	48,214	-
Interest	156,930	-
Due from other governments	1,850,893	-
Loans	55,000	-
Total Governmental Activities	\$ 2,822,213	\$ 461,404

3. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 436,148	\$ -	\$ -	\$ 436,148
Right-of-way	1,224,536	54,501	-	1,279,037
Construction in progress	1,244,863	1,180,678	1,244,863	1,180,678
Total capital assets not depreciated	\$ 2,905,547	\$ 1,235,179	\$ 1,244,863	\$ 2,895,863
Capital assets depreciated				
Buildings	\$ 5,245,876	\$ 414,389	\$ -	\$ 5,660,265
Machinery and equipment	5,719,347	886,376	329,857	6,275,866
Infrastructure	54,066,334	6,027,974	-	60,094,308
Total capital assets depreciated	\$ 65,031,557	\$ 7,328,739	\$ 329,857	\$ 72,030,439

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 3,003,651	\$ 101,328	\$ -	\$ 3,104,979
Machinery and equipment	3,524,183	579,892	329,857	3,774,218
Infrastructure	11,488,625	1,091,382	-	12,580,007
 Total accumulated depreciation	 \$ 18,016,459	 \$ 1,772,602	 \$ 329,857	 \$ 19,459,204
 Total capital assets depreciated, net	 \$ 47,015,098	 \$ 5,556,137	 \$ -	 \$ 52,571,235
 Governmental Activities Capital Assets, Net	 \$ 49,920,645	 \$ 6,791,316	 \$ 1,244,863	 \$ 55,467,098

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

General government	\$ 123,453
Public safety	98,511
Highways and streets, including depreciation of infrastructure assets	1,488,123
Sanitation	29,467
Human services	5,081
Health	8,354
Culture and recreation	12,404
Conservation of natural resources	7,209
 Total Depreciation Expense - Governmental Activities	 \$ 1,772,602

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2006, is as follows:

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 7,210
	Ditch	4,048
		\$ 11,258
Total Due to General Fund		
Public Health Services	General	\$ 658
	Human Services	225
		\$ 883
Total Due to Public Health Services Fund		
Total Due To/From Other Funds		\$ 12,141

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, consisted of the following:

Transfer to Building Fund from General Fund	<u>\$ 59,448</u>	Provide funding
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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2006, were as follows:

	Governmental Activities
Accounts	\$ 276,364
Salaries	275,598
Contracts	77,345
Due to other governments	127,660
Total Payables	\$ 756,967

2. Construction Commitments

The government has active construction projects as of December 31, 2006. The projects include the following:

	Spent-to-Date	Remaining Commitment
Roads and bridges	\$ 1,598,323	\$ 1,088,240

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, 2006, the County has 11 eligible participants--four elected officials and seven employees. The County finances the plan on a pay-as-you-go basis. During 2006, the County expended \$35,746 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 Amount</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2006</u>
Clean water loans					
Cottonwood River	2014	\$ 14,514	2.00	\$ 376,377	\$ 306,985
Redwood River	-	-	-	123,047	115,397

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

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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 acquisition 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 Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2006
2005 General Obligation Capital Notes, Series 2005A	2009	\$65,000 - \$80,000	2.05 to 2.85	<u>\$ 375,000</u>	\$ 235,000
Less: unamortized discount					<u>(1,238)</u>
Total General Obligation Notes, Net					<u>\$ 233,762</u>

5. Debt Service Requirements

Debt service requirements at December 31, 2006, were as follows:

Year Ending December 31	General Obligation Capital Notes	
	Principal	Interest
2007	\$ 75,000	\$ 6,120
2008	80,000	4,320
2009	80,000	2,280
Total	<u>\$ 235,000</u>	<u>\$ 12,720</u>

Year Ending December 31	Loans Payable	
	Principal	Interest
2007	\$ 10,409	\$ 1,736
2008	10,618	1,526
2009	10,832	1,313
2010	11,049	1,095
2011	11,272	873
2012 - 2014	35,192	1,243
Total	<u>\$ 89,372</u>	<u>\$ 7,786</u>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

5. Debt Service Requirements (Continued)

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, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable					
General obligation notes	\$ 310,000	\$ -	\$ 75,000	\$ 235,000	\$ 75,000
Less: deferred amounts for issuance discounts	(1,650)	-	(412)	(1,238)	-
Total bonds payable	\$ 308,350	\$ -	\$ 74,588	\$ 233,762	\$ 75,000
Clean water loans payable	309,354	138,082	25,054	422,382	10,409
Compensated absences	762,662	-	22,494	740,168	43,226
Governmental Activity Long-Term Liabilities	<u>\$ 1,380,366</u>	<u>\$ 138,082</u>	<u>\$ 122,136</u>	<u>\$ 1,396,312</u>	<u>\$ 128,635</u>

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.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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.

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.

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members were required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007. 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 2006 and 2007:

	2006	2007
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.00	6.25
Public Employees Police and Fire Fund	10.50	11.70
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2006, 2005, and 2004, 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
2006	\$ 316,912	\$ 64,545	\$ 33,577
2005	277,323	52,688	30,877
2004	244,160	46,480	30,517

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, 2006, 2005, and 2004, were \$4,077, \$3,100, and \$2,524, 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 \$390,000 per claim 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 that 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, 2005 (the latest information available), were \$6,740,000, and notes payable were \$13,397. Net assets were \$17,443,502.

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 2006, Redwood County made no contributions to the Joint Powers Board. Complete financial statements for the Minnesota River Basin Joint Powers Board can be obtained from its administrative office at 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 Consortium Board's geographic jurisdiction a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2005 (the latest information available):

Total assets	\$ 1,148,132
Total liabilities	497,546
Total net assets	650,586
Total revenues	1,960,287
Total expenditures	1,671,076
Net change in net assets	289,211

The Consortium Board reported no long-term obligations at December 31, 2005.

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 \$18,867 to the RCRCA in 2006.

**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, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,296,200	\$ 3,296,200	\$ 3,500,640	\$ 204,440
Special assessments	-	-	56,465	56,465
Licenses and permits	22,700	22,700	29,475	6,775
Intergovernmental	992,453	992,453	1,534,136	541,683
Charges for services	537,500	537,500	572,207	34,707
Gifts and contributions	1,500	1,500	7,942	6,442
Investment earnings	100,000	100,000	318,708	218,708
Miscellaneous	43,000	43,000	263,669	220,669
<b>Total Revenues</b>	<b>\$ 4,993,353</b>	<b>\$ 4,993,353</b>	<b>\$ 6,283,242</b>	<b>\$ 1,289,889</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 227,722	\$ 227,722	\$ 238,443	\$ (10,721)
Courts	-	-	220	(220)
Law library	-	-	25,235	(25,235)
County administration	110,600	110,600	222,553	(111,953)
Coordinator	158,925	158,925	204,904	(45,979)
Auditor-Treasurer	293,792	293,792	282,652	11,140
License center	121,345	121,345	119,207	2,138
Assessor	221,651	221,651	224,447	(2,796)
Elections	10,100	10,100	292,234	(282,134)
Computer	51,980	51,980	91,204	(39,224)
Attorney	305,043	305,043	272,608	32,435
Recorder	226,264	226,264	227,866	(1,602)
Buildings and plant	263,714	263,714	252,505	11,209
Veterans service officer	200,760	200,760	238,752	(37,992)
Other general government	-	-	22,560	(22,560)
<b>Total general government</b>	<b>\$ 2,191,896</b>	<b>\$ 2,191,896</b>	<b>\$ 2,715,390</b>	<b>\$ (523,494)</b>
<b>Public safety</b>				
Sheriff	\$ 2,020,739	\$ 2,020,739	\$ 2,022,860	\$ (2,121)
Coroner	10,000	10,000	6,421	3,579
E-911 system	24,000	24,000	15,177	8,823
Probation and parole	293,482	293,482	200,816	92,666
Emergency management	-	-	22,043	(22,043)
Other public safety	-	-	27,806	(27,806)
<b>Total public safety</b>	<b>\$ 2,348,221</b>	<b>\$ 2,348,221</b>	<b>\$ 2,295,123</b>	<b>\$ 53,098</b>
<b>Culture and recreation</b>				
Museum	\$ 3,200	\$ 3,200	\$ 2,171	\$ 1,029
Parks	95,041	95,041	93,873	1,168
Minnesota trails	-	-	49,145	(49,145)
Other	28,500	28,500	28,450	50
<b>Total culture and recreation</b>	<b>\$ 126,741</b>	<b>\$ 126,741</b>	<b>\$ 173,639</b>	<b>\$ (46,898)</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<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	\$ 69,398	\$ 69,398	\$ 75,472	\$ (6,074)
Agricultural inspection	112,058	112,058	92,406	19,652
Water quality loan program	-	-	138,082	(138,082)
Other	139,969	139,969	199,954	(59,985)
<b>Total conservation of natural resources</b>	<b>\$ 321,425</b>	<b>\$ 321,425</b>	<b>\$ 505,914</b>	<b>\$ (184,489)</b>
<b>Economic development</b>				
Other	\$ 25,300	\$ 25,300	\$ 140,502	\$ (115,202)
<b>Intergovernmental</b>				
Library	\$ 89,899	\$ 89,899	\$ 89,899	\$ -
<b>Debt service</b>				
Principal	\$ -	\$ 75,000	\$ 105,897	\$ (30,897)
Interest	\$ -	\$ 11,869	\$ 9,673	\$ 2,196
Administrative (fiscal) charges	\$ -	\$ -	\$ 431	\$ (431)
<b>Total Expenditures</b>	<b>\$ 5,103,482</b>	<b>\$ 5,190,351</b>	<b>\$ 6,036,468</b>	<b>\$ (846,117)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (110,129)</b>	<b>\$ (196,998)</b>	<b>\$ 246,774</b>	<b>\$ 443,772</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (59,448)	\$ (59,448)
Loans issued	-	-	138,082	138,082
Proceeds from sale of assets	-	-	2,468	2,468
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 81,102</b>	<b>\$ 81,102</b>
<b>Net Change in Fund Balance</b>	<b>\$ (110,129)</b>	<b>\$ (196,998)</b>	<b>\$ 327,876</b>	<b>\$ 524,874</b>
<b>Fund Balance - January 1</b>	<b>4,837,014</b>	<b>4,837,014</b>	<b>4,837,014</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,726,885</b>	<b>\$ 4,640,016</b>	<b>\$ 5,164,890</b>	<b>\$ 524,874</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,211,242	\$ 1,211,242	\$ 1,100,109	\$ (111,133)
Intergovernmental	5,375,458	5,375,458	6,964,537	1,589,079
Charges for services	60,000	60,000	81,212	21,212
Investment earnings	50,000	50,000	121,207	71,207
Miscellaneous	90,000	90,000	69,719	(20,281)
<b>Total Revenues</b>	<b>\$ 6,786,700</b>	<b>\$ 6,786,700</b>	<b>\$ 8,336,784</b>	<b>\$ 1,550,084</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 503,880	\$ 503,880	\$ 522,962	\$ (19,082)
Maintenance	1,972,360	1,972,360	1,709,753	262,607
Construction	4,029,200	4,029,200	6,032,818	(2,003,618)
Equipment and maintenance shops	738,560	738,560	562,305	176,255
<b>Total highways and streets</b>	<b>\$ 7,244,000</b>	<b>\$ 7,244,000</b>	<b>\$ 8,827,838</b>	<b>\$ (1,583,838)</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	339,305	(339,305)
<b>Total Expenditures</b>	<b>\$ 7,244,000</b>	<b>\$ 7,244,000</b>	<b>\$ 9,167,143</b>	<b>\$ (1,923,143)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (457,300)</b>	<b>\$ (457,300)</b>	<b>\$ (830,359)</b>	<b>\$ (373,059)</b>
<b>Fund Balance - January 1</b>	<b>2,744,114</b>	<b>2,744,114</b>	<b>2,744,114</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>10,895</b>	<b>10,895</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,286,814</b>	<b>\$ 2,286,814</b>	<b>\$ 1,924,650</b>	<b>\$ (362,164)</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,493,560	\$ 2,493,560	\$ 2,051,223	\$ (442,337)
Intergovernmental	2,200,576	2,200,576	2,554,876	354,300
Charges for services	223,070	223,070	244,118	21,048
Miscellaneous	71,775	71,775	19,246	(52,529)
<b>Total Revenues</b>	<b>\$ 4,988,981</b>	<b>\$ 4,988,981</b>	<b>\$ 4,869,463</b>	<b>\$ (119,518)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,249,778	\$ 1,249,778	\$ 1,361,646	\$ (111,868)
Social services	3,739,203	3,739,203	3,079,556	659,647
<b>Total Expenditures</b>	<b>\$ 4,988,981</b>	<b>\$ 4,988,981</b>	<b>\$ 4,441,202</b>	<b>\$ 547,779</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 428,261</b>	<b>\$ 428,261</b>
<b>Fund Balance - January 1</b>	<b>1,645,699</b>	<b>1,645,699</b>	<b>1,645,699</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,645,699</b>	<b>\$ 1,645,699</b>	<b>\$ 2,073,960</b>	<b>\$ 428,261</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 155,000	\$ 155,000	\$ 162,009	\$ 7,009
Intergovernmental	-	-	183	183
Investment earnings	104,000	104,000	66,373	(37,627)
Miscellaneous	-	-	5,243	5,243
<b>Total Revenues</b>	<b>\$ 259,000</b>	<b>\$ 259,000</b>	<b>\$ 233,808</b>	<b>\$ (25,192)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	350,000	350,000	279,869	70,131
<b>Net Change in Fund Balance</b>	<b>\$ (91,000)</b>	<b>\$ (91,000)</b>	<b>\$ (46,061)</b>	<b>\$ 44,939</b>
<b>Fund Balance - January 1</b>	<b>2,812,571</b>	<b>2,812,571</b>	<b>2,812,571</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,721,571</b>	<b>\$ 2,721,571</b>	<b>\$ 2,766,510</b>	<b>\$ 44,939</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 198,000	\$ 198,000	\$ 203,487	\$ 5,487
Licenses and permits	-	-	200	200
Intergovernmental	49,500	49,500	142,623	93,123
Investment earnings	15,000	15,000	7,943	(7,057)
Miscellaneous	27,314	27,314	180,801	153,487
<b>Total Revenues</b>	<b>\$ 289,814</b>	<b>\$ 289,814</b>	<b>\$ 535,054</b>	<b>\$ 245,240</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 256,766	\$ 256,766	\$ 255,745	\$ 1,021
Recycling	71,230	71,230	157,579	(86,349)
Hazardous waste	10,400	10,400	7,653	2,747
Waste to energy	-	-	839	(839)
<b>Total Expenditures</b>	<b>\$ 338,396</b>	<b>\$ 338,396</b>	<b>\$ 421,816</b>	<b>\$ (83,420)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (48,582)</b>	<b>\$ (48,582)</b>	<b>\$ 113,238</b>	<b>\$ 161,820</b>
<b>Fund Balance - January 1</b>	<b>578,759</b>	<b>578,759</b>	<b>578,759</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 530,177</b>	<b>\$ 530,177</b>	<b>\$ 691,997</b>	<b>\$ 161,820</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
BUILDING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 55,000	\$ 55,000	\$ 61,441	\$ 6,441
Intergovernmental	9,000	9,000	13,448	4,448
Investment earnings	35,000	35,000	25,737	(9,263)
Miscellaneous	63,500	63,500	63,509	9
<b>Total Revenues</b>	<b>\$ 162,500</b>	<b>\$ 162,500</b>	<b>\$ 164,135</b>	<b>\$ 1,635</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Buildings and plant	300,000	300,000	530,812	(230,812)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (137,500)</b>	<b>\$ (137,500)</b>	<b>\$ (366,677)</b>	<b>\$ (229,177)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	59,448	59,448
<b>Net Change in Fund Balance</b>	<b>\$ (137,500)</b>	<b>\$ (137,500)</b>	<b>\$ (307,229)</b>	<b>\$ (169,729)</b>
<b>Fund Balance - January 1</b>	<b>393,981</b>	<b>393,981</b>	<b>393,981</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 256,481</b>	<b>\$ 256,481</b>	<b>\$ 86,752</b>	<b>\$ (169,729)</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 7*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 434,990	\$ 434,990	\$ 431,063	\$ (3,927)
Intergovernmental	331,148	331,148	331,056	(92)
Charges for services	411,086	411,086	442,018	30,932
Gifts and contributions	1,000	1,000	1,307	307
Investment earnings	4,000	4,000	24,576	20,576
Miscellaneous	4,700	4,700	5,052	352
<b>Total Revenues</b>	<b>\$ 1,186,924</b>	<b>\$ 1,186,924</b>	<b>\$ 1,235,072</b>	<b>\$ 48,148</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	1,319,745	1,319,745	1,121,930	197,815
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (132,821)</b>	<b>\$ (132,821)</b>	<b>\$ 113,142</b>	<b>\$ 245,963</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of assets	-	-	953	953
<b>Net Change in Fund Balance</b>	<b>\$ (132,821)</b>	<b>\$ (132,821)</b>	<b>\$ 114,095</b>	<b>\$ 246,916</b>
<b>Fund Balance - January 1</b>	<b>911,097</b>	<b>911,097</b>	<b>911,097</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 778,276</b>	<b>\$ 778,276</b>	<b>\$ 1,025,192</b>	<b>\$ 246,916</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

Over the course of the year, the County Board revised the County's General Fund budget to reflect the addition of the debt service requirements on debt.

4. Excess of Expenditures Over Budget

Fund	Expenditures	Budget	Excess
General	\$ 6,036,468	\$ 5,190,351	\$ 846,117
Road and Bridge	9,167,143	7,244,000	1,923,143
Solid Waste	421,816	338,396	83,420
Building	530,812	300,000	230,812

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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, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>FAMILY SERVICES COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 247,157	\$ 261,838	\$ 357,278	\$ 151,717
<b><u>Liabilities</u></b>				
Accounts payable	\$ 247,157	\$ 261,838	\$ 357,278	\$ 151,717
 <b><u>SOCIAL SERVICES SPECIAL PROJECTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 3,066	\$ 7,580	\$ 4,366	\$ 6,280
<b><u>Liabilities</u></b>				
Accounts payable	\$ 3,066	\$ 7,580	\$ 4,366	\$ 6,280
 <b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ (9)	\$ 909,824	\$ 909,815	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ (9)	\$ 909,824	\$ 909,815	\$ -

**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, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 255,782	\$ 15,575,673	\$ 15,534,691	\$ 296,764
<b><u>Liabilities</u></b>				
Due to other governments	\$ 255,782	\$ 15,575,673	\$ 15,534,691	\$ 296,764
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 505,996	\$ 16,754,915	\$ 16,806,150	\$ 454,761
<b><u>Liabilities</u></b>				
Accounts payable	\$ 250,223	\$ 269,418	\$ 361,644	\$ 157,997
Due to other governments	255,773	16,485,497	16,444,506	296,764
<b>Total Liabilities</b>	<b>\$ 505,996</b>	<b>\$ 16,754,915</b>	<b>\$ 16,806,150</b>	<b>\$ 454,761</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 8*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Shared Revenue**

**State**

Highway users tax	\$	5,986,404
County program aid		791,598
PERA rate reimbursement		27,661
Disparity reduction aid		45,162
Police aid		52,688
Enhanced 911		91,592
Market value credit		712,176
Casino credit		56,664
		5,986,404

**Total Shared Revenue** **\$ 7,763,945**

**Reimbursement for Services**

Minnesota Department of Human Services **\$ 1,040,396**

**Payments**

**Local**

Payments in lieu of taxes	\$	48,239
Waste to energy local contributions		48,539
Local		5,918
		102,696

**Total Payments** **\$ 102,696**

**Grants**

**State**

Minnesota Department of		
Corrections	\$	63,808
Health		86,333
Human Services		796,593
Natural Resources		49,145
Water and Soil Resources Board		35,367
Office of Environmental Assistance		45,000
Pollution Control Agency		49,079
Peace Officer Standards and Training Board		3,979
		1,129,304

**Total State** **\$ 1,129,304**

**Federal**

Department of		
Agriculture	\$	70,644
Transportation		735,695
Health and Human Services		375,845
Homeland Security		18,780
Election Assistance Commission		303,554
		1,504,518

**Total Federal** **\$ 1,504,518**

**Total State and Federal Grants** **\$ 2,633,822**

**Total Intergovernmental Revenue** **\$ 11,540,859**

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 9*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

- A. Our report expresses unqualified opinions on the basic financial statements of Redwood County.
- B. Significant deficiencies 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*." We consider some of the deficiencies to be material weaknesses.
- C. No instances of noncompliance material to the financial statements of Redwood County were disclosed during the audit.
- D. No matters involving internal control over compliance 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 program 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 program is:
  - Highway Planning and Construction
  - CFDA #20.205
- 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 offices and departments, segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible. Offices and departments we noted this year that do not have sufficient segregation of duties include the Auditor-Treasurer, Payroll, License Center, Recorder, Environmental Office, Sheriff, Social Welfare, and Money Management.

One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction. The following duties should be segregated if possible:

- Someone independent of the cash collection and receipting function and the cash disbursement function should prepare bank reconciliations. If this is not possible, someone independent of these functions should review the bank reconciliations.
- Individuals who collect and receipt cash should not also:
  - post cash receipts to the general ledger system,
  - process cash disbursements,
  - maintain the general ledger,
  - make bank deposits,
  - make wire transfers,
  - make general journal entries, or
  - prepare billings.
- Individuals who process vouchers for payments should not also:
  - print or sign checks or
  - make journal entries.

The County does not segregate the duties of the payroll function. The payroll clerk makes changes or updates the payroll master file, prepares the payroll and generates the payroll reports and checks, and delivers the checks without any oversight or review. In the Auditor-Treasurer's Office, six people, including the Auditor-Treasurer, have unlimited access to all of the accounting system functions, which gives them the ability to change the user settings of all programs and user accounts. Also in the Auditor-Treasurer's Office, the person who does the monthly bank reconciliations performs daily receipting and balancing, prepares deposits, and is sometimes required to take the deposits to the bank.

We recommend that County management segregate these duties within the accounting functions as much as possible by limiting access to accounting programs commensurate to the employees' duties and job responsibilities. If it is not possible to segregate these duties, County management should be aware of this lack of segregation of duties and implement oversight procedures to ensure the integrity and reliability of the financial information in the accounting system. Possible oversight procedures include the distribution of payroll edit reports of the changes made to the payroll master file to the Personnel Office and the detailed monthly revenue and expenditure reports to department heads for their review and approval.

Client's Response:

*The Audit Committee will meet and discuss segregation of duties with available and limited staff.*

00-6 Annual Adopted Budget and Budget Policy

The County Board adopts a summarized budget at fund level. As a result, the detail of estimated revenue sources by fund and the budgeted expenditures by fund, function, and departments are not always clearly documented. In addition, the Board has not developed and adopted a budget policy for management's administration of the County budget.

We noted in our review that the Board-approved budgets did not agree with the budget recorded in the County's general ledger. For example, the Human Services Special Revenue Fund and the Road and Bridge Special Revenue Fund Board-adopted expenditure budgets were respectively \$1,000,000 and \$686,000 greater than what was recorded on the County's accounting system. In the General Fund, the budgeted expenditures of \$89,899 for the library operations were never approved by the Board. In addition, budget adjustments are not posted to the fund's general ledger. Material audit adjustments were required to the budgets in the accounting system in order to present the budgets in the annual financial statements.

We recommend the County Board adopt and record in its minutes fund budgets by major revenue source and estimated expenditures by function and department for each of the operational funds. After adoption, someone independent of the budget process should enter the original budget and budget amendments to the general ledger. In addition, we also recommend that the County Board develop and adopt budget policies and procedures to include the following elements:

- which funds require budgets,
- the legal level of budgetary control,
- when budgets can be modified by management and when budget modifications require Board approval,
- the budgetary basis on which the budget is adopted, and
- procedures for monitoring the budget.

Client's Response:

*Budget to actual reports are being provided to the County Board on a monthly basis for their review and approval. The budget resolution and budget entries in IFS will be monitored to match. The Auditor-Treasurer's Office will have department heads sign off that they have reviewed their budget reports. The Audit Committee will review and update the budget policy.*

05-4 Timely Remittance of the County Sheriff's Canteen Cash Collections

The Sheriff's Department offers a canteen to inmates where they can purchase various items. A separate checking account is used for the canteen fund. The Sheriff reconciles this account to the bank statement; however, the ending cash balance was \$20,297 at December 31, 2006, and the last month the canteen funds were remitted to the County Auditor-Treasurer's Office was May 2006.

We recommend that the Sheriff determine the activity of this account and remit cash proceeds to the County Auditor-Treasurer's Office on a more current basis.

Client's Response:

*Currently, the last month remitted to the Auditor-Treasurer is September 2006. Efforts are being made to bring the remaining months up to date. The staff is checking with surrounding counties for a better method of handling canteen funds.*

ITEMS ARISING THIS YEAR

06-1 Financial Reporting

The County's accounting system (IFS) has been upgraded to accommodate the modified accrual basis and full accrual basis of accounting in separate general ledger systems to allow for the preparation of the annual financial statements in accordance with generally accepted principles for governments.

In order to utilize this upgrade to generate materially correct financial statements, the first step is for counties to change their accounting practices and account structure to be compliant with County Financial Accounting and Reporting Standards (COFARS). The second step is to code receipt and disbursement accounts with certain prescribed codes to allow for the detailed accounts to be summarized as required in the financial statements. This process is called mapping the general ledger accounts. The last step is to prepare modified accrual and full accrual adjusting journal entries to convert the cash basis information in the accounting system to the necessary basis of accounting for the County's annual financial report.

During our audit, we noted the following deficiencies that prevented the accounting system from providing accurate modified and full accrual financial statements. These deficiencies resulted in additional audit time because significant audit adjustments were required to correct the financial statements prepared by the County.

*Schedule 9*  
*(Continued)*

- As a result of coding and mapping errors and incomplete accrual adjusting journal entries, the modified accrual basis fund financial statements were materially misstated and needed numerous audit adjustments. The most significant of these audit adjustments related to receivables and payables. The net effect of our audit adjustments to the governmental funds financial statements for selected financial statement captions was as follows:

Total Assets	\$	(1,438,598)
Total Liabilities		(1,626,665)
Total Fund Balance		188,070
Total Revenues		1,104,435
Total Expenditures		(598,507)
Total Other Financing Sources		(306,963)

- The full accrual statements prepared by the County were also materially misstated. The County did not accrue and post full accrual journal adjusting entries to convert the modified accrual statements to full accrual financial statements. Entries should have been made to report capital assets and long-term debt and eliminate interfund activities.
- Overall, oversight of financial reporting and internal control by those charged with governance was ineffective.

We recommend that the County train all persons coding receipts and disbursements and maintain COFARS-compliant accounts in the accounting system with correct mapping to allow for the detail to be summarized as required in the financial statements. This process should be monitored by a knowledgeable person to ensure that the accounts are correctly summarized for financial statement purposes. As part of the financial statement preparation, summary schedules and worksheets should be prepared by County staff to document the various accrual adjusting journal entries and to demonstrate how the accounts in the financial records are classified or summarized for the annual financial statements. When the financial statements are completed by the accounting system, County staff should review the statements to ensure that the reported amounts can be traced back to the prepared supporting schedules and worksheets. Finally, the County will need to prepare full accrual journal entries in the separate general ledger accounting system to convert the financial statements from modified accrual to the full accrual basis. We are available to assist the County with the implementation of these recommendations.

Client's Response:

- *Coding and mapping of IFS accounts will be corrected to allow for more accurate and complete listings of accruals.*
- *Modified accrual to full accrual conversion entries will be completed where necessary.*
- *IFS budgets will be entered to reflect Board-approved budgets.*

06-2 Access to the Computer Systems - Passwords

The controls over computer passwords need to be strengthened. Currently, computer passwords are not changed on a regular basis, and the minimum allowed length of passwords is not long enough. Also, we noted that two Road and Bridge employees share the same username and password. Weak control over access to the computer systems increases the risk of access to the system by unauthorized individuals.

We recommend that County management strengthen access controls to the information system by changing employee passwords on a regular basis, using strong password systems which include longer and more randomized characters, and eliminate the sharing of usernames and passwords among employees. Also, we recommend that the County review access for all users to ensure that their access is commensurate with their job duties and responsibilities.

Client's Response:

*Technology Specialist, Tim Beske, will send out, via e-mail, the Computer Acceptable Use policy, informing staff this policy needs to be adhered to, especially in the area of password maintenance, and will randomly perform password checks. These random checks will be logged and filed for audit in future years.*

06-3 Social Welfare Bank Reconciliation

The Social Welfare Fund checking account balance has not been reconciled to the bank balance since July 2006. No check register is kept of the checking account. A trial balance that nets the checks together is prepared monthly and is kept in a three-ring binder. No records are maintained of the book balance at any given time. Performing timely monthly reconciliations of the book balance to the bank balance provides assurance that the County's assets in the bank are in balance with the County's records.

To strengthen internal controls, we recommend that the County record all deposits and checks written in a check register, keep an ongoing account balance in a check register, and perform a formal bank reconciliation on a monthly basis in a timely manner. Adjustments to be made as a result of the reconciliation to the book balance or subsidiary records should be approved by a supervisory person who is not involved with approving claims, maintaining the check register, or in the bank reconciliation process.

Client's Response:

*Bank reconciliations will be completed in a timely manner.*

06-4 Environmental Office Accounting for Vending Machine Commissions

The Environmental Office received checks from a local vending machine company for commissions for having a vending machine in the solid waste building. The Environmental Officer had the checks cashed by the Auditor-Treasurer's Office and used the funds for two small employee recognition/social events (pizza in the winter; hot dogs in the summer) for workers in the solid waste facility, many of whom were developmentally disabled. The commission revenues received and related expenditures incurred are not recorded in the County's accounting system.

We recommend that the Environmental Office deposit all vending commissions with the County Auditor-Treasurer's Office, and the related expenditures should be recorded in the accounting system. Commission revenues must be handled and expended like other County money. In addition, we recommend that the Auditor-Treasurer's Office not cash checks made out to the County.

Client's Response:

*Collections will be deposited with the County Auditor-Treasurer.*

06-5 Accounting Policies and Procedures Manual

The County does not have a current and comprehensive accounting policies and procedures manual. All governments should document their accounting policies and procedures. Although other methods might suffice, this documentation is traditionally in the form of an accounting policies and procedures manual. This manual should document the accounting policies and procedures which make up the County's internal control system.

An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. It can also help to prevent deterioration of key elements in the County's internal control system and can help to avoid circumvention of County policies.

We recommend the County establish an accounting policies and procedures manual. The accounting policies and procedures manual should be prepared by appropriate levels of management and be approved by the County Board to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support for controls.

Client's Response:

*GASB 34 Related Policies were developed in 2004 and approved by the County Board on February 10, 2004, which contains accounting policies and procedures. Policies and procedures will be further defined by Audit Committee.*

06-6 Capital Assets Policies and Procedures

For financial reporting and asset management purposes, the County is required to keep records of its capital assets, including infrastructure. The County maintains its capital asset records on a separate software system from Computer Professionals. Capital asset additions and deletions are entered into this system, and depreciation is calculated by the system. Capital asset policies utilized by the County in maintaining the capital asset system have not been formally approved. A capital assets policy should be adopted which defines the County's accounting policies over capital assets, such as capitalization thresholds, useful lives, and depreciation methods.

The County also does not have policies and procedures in place to identify capital asset additions and deletions for entry to the capital asset system. County employees generally identify capital asset additions by reviewing capital expenditure accounts at year-end and determining which assets to capitalize and by sending out listings to the departments for their review and return with changes. No system is in place to identify asset disposals, and it is not clear how the old costs of infrastructure assets no longer in use are being

deleted, if at all. We also noted that the County is carrying a significant amount of fully depreciated assets. A physical inventory of capital assets has not been done since the capital asset records were initially established in 2003.

We recommend the County Board establish a capital assets policy to define the County's accounting policies over capital assets. The Board should also establish policies and procedures to identify capital asset additions and deletions. Department heads should report capital asset additions and deletions to the person maintaining the capital asset records at least annually. Also, we recommend a physical inventory of capital assets be performed periodically. This physical inventory can be rotated so that a portion of the capital assets is inventoried each year. Each asset should be counted at least once every four years. Some critical capital assets may need more frequent accounting.

Client's Response:

*The County will begin implementing a policy and procedure manual outlining the capitalization thresholds, useful lives, and depreciation methods. Also, the procedure in which the assets are added and deleted in the system will be done mid-year and at year-end. The fully depreciated assets will be adjusted in the system, and the changes will be reflected in the 2007 audit. A physical inventory will be started in 2007.*

06-7 Computer Risk Management

The County has not developed a formal plan to identify and manage risks associated with its computer system.

Risk management begins with a risk assessment of the County's computer system to identify those risks that could negatively influence computer operations. Internal controls should be implemented to reduce the identified risks. Internal controls implemented should be documented in a well-maintained policies and procedures manual, which should be communicated to the County's staff. Staff's adherence to these policies and procedures should be monitored. Because computer systems are ever changing, the County should include in its plan periodic reassessment of risk to ensure existing internal controls are still effective.

We recommend the County Board develop a plan to ensure that internal controls are in place to reduce the risk associated with the County's computer systems.

Client's Response:

*The County Board and Technology Committee will work to develop a plan to ensure that internal controls are in place to reduce the risk associated with the County's computer systems.*

06-8 Payroll Accounting

The County authorization for payroll changes such as new hires, promotions, and step increases, is initiated in the Personnel Office. Notification of the changes to be made is sent to the Payroll Department. The payroll clerk inputs the changes into the master file of the payroll system and subsequently checks payroll edit reports to make sure the changes went into the system properly.

After the payroll clerk clears the payroll edit reports, she runs the final payroll reports and payroll checks or direct deposit stubs. No one independent of the payroll clerk reviews changes to the payroll master file, checks, or payroll reports to determine that all payments were made to actual employees and the hours worked and rates are correct. The payroll clerk also has the ability to make journal entries on the general ledger.

Internal controls would be strengthened if someone independent of the payroll processing function reviewed the payroll edit reports to make sure all changes made to the payroll system master file were authorized. This independent person should also review the final payroll reports and checks to verify all employees paid are actual employees and the hours worked appear to be correct. The functions of generating and signing payroll checks and making general journal entries should be segregated from the payroll processing function if possible. Direct deposit could be implemented for all employees. The authority to require mandatory direct deposit is contained in Minn. Stat. § 471.426.

We recommend that the County strengthen the controls over payroll function by segregating the duties of payroll function.

Client's Response:

*The County has employed a new employee in the Coordinator's Office to assist/back up the current payroll clerk. The new employee will also be proofing all payroll entries and distribution of all paychecks.*

06-9 Investments

In Redwood County, the Auditor-Treasurer does all of the purchasing, selling, receiving of interest on the investments, and maintaining the investment records for the County. Investment transactions, interest revenue received, and monthly investment balance are not reviewed or approved by anyone other than the person doing the investing.

The responsibilities for investment transactions should be separated among employees or Investment Committee members so that a single employee or elected official is not able to authorize a transaction, record the investment in accounts, and be responsible for custody of the investment resulting from the transaction.

We recommend the County segregate these functions as much as possible. If it is not possible to segregate these duties, Redwood County management should be aware of the lack of segregation of these functions and implement oversight procedures to ensure that adequate internal control over investment transactions is being provided. One possible oversight procedure is to have an Investment Committee review investment activity on a regular basis and determine that the interest revenues resulting from the investments are receipted into the general ledger. The investments should be reviewed for both legality and appropriateness.

Client's Response:

*Investment transactions will be reported to the County Board as they occur.*

06-10 Adding New Vendors to the Accounting System

The County does not have any procedures for determining if new vendors have been added to the accounts payable system or if the new vendors added are legitimate vendors.

The ability to set up new vendors on the accounts payable system should be limited to those individuals with a logical need for this function. In addition, periodically, a report called "Vendors Added List by Number" should be printed and should be reviewed by someone independent of the accounts payable system. That person should document the review by signing off on the report.

Also, when invoices are submitted for vendors that have not previously done business with the County, some procedures should be required to verify whether the vendor is legitimate. Procedures could include looking up the vendor in the phone book or on the internet or requiring the company to send information about their business. Periodically, the vendor listing should be reviewed for old, unused vendors, and those vendors should be removed from the system.

Client's Response:

- *IFS Add/Change Vendor accesses will be reviewed, strengthened, and limited to individuals with a need for the function.*
- *Verification reports will be periodically printed and reviewed by an employee outside of the accounts payable system.*
- *New vendor verification processes will be implemented, and old, unused vendors will be periodically purged from the IFS system.*

06-11 Accounting System Journal Entries

The County does not limit access to the accounting system journal entry function to select County employees. Several employees, including the Auditor-Treasurer Financial Accountant, Human Services Accountant, Road and Bridge Accountant, and the Public Health Accountant, have access to this function. The journal entries made to the accounting system are not reviewed or approved by anyone.

The ability to make journal entries on the accounting system is a powerful function because it allows those employees to make changes to the system. To prevent abuse of this function, access should be limited to those employees whose job duties require them to have this access.

We recommend the County Auditor-Treasurer strengthen the controls over the journal entries by determining who has access to the journal entry function and determine whether there is a logical need for all those employees to have access to this function. We also recommend a procedure be established to require review and approval of journal entries by someone other than the person making the journal entries. This person should obtain an understanding of the journal entry and its purpose before approval. The approval could be documented by signature on a journal entry form or a printed copy of the journal entry made. Supporting documentation or sufficient explanation should be

attached to or included on the journal entry form to explain why the journal entry is being made and who is making the journal entry. Journal entries should be filed in a manner that allows for their review should questions arise. A report should be generated from the accounting system that lists all journal entries made. The person charged with review and approval of journal entries should periodically review this report. Review of this report would be to ensure that no journal entries have been made which have not been submitted for review and approval.

Client's Response:

- *IFS journal entry functions will be reviewed, strengthened, and limited to individuals with a need for the function.*
- *Journal entries will be printed, reviewed, and approved by the department head.*
- *Adequate supporting documentation will accompany all journal entry transactions.*

06-12 Veterans Service Office's Signature Stamp

The Veterans Service Officer (VSO) uses a signature stamp for all approvals of vouchers and time reports. From December 2006 through March 2007, the Board granted paid sick leave to the VSO so he could go to Arizona. Time reports from this time period were reviewed, and his time reports along with the employees in the office were all approved with the signature stamp. We also reviewed time reports and vouchers for other time periods in the year, and the same stamp was used for approval. It is unclear who was using the signature stamp to make these approvals.

Access to the signature stamp should be limited to the VSO's use. The VSO should be the one approving since he is the department head. While he was gone, his time reports should have been approved by someone else or had documentation in his personnel file explaining the details of his absence and why he should be paid, along with who authorized the sick leave usage.

During the absence of the VSO, the County Board should have reassigned the responsibility of approving vouchers and time reports of the VSO Department to the County Coordinator or another person.

Client's Response:

*Procedures will be initiated limiting usage and assuring security of all signature stamps. A policy will be developed and reviewed.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Fiscal Agent for Collaborative (99-2)**

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.

**Resolution**

Redwood County Human Services added the Collaborative accounts to the County's general ledger and is operating within the County account structure during 2006.

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

02-2 Security Interest in Collateral Assignments Documentation

The County did not have documentation demonstrating a perfected interest in pledged collateral with US Bank and has an outdated one for Integrity Bank Plus. 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:

*The County has the perfected interest in pledged collateral from US Bank and Integrity Bank Plus.*

05-1

Security Interest - Depository Pledge Agreement

The depository pledge agreement between the County, 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 matter has been forwarded to the County Attorney.*

05-2      Collateral Substitution - Depository Pledge Agreement

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

“...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 preceding 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 matter has been forwarded to the County Attorney.*

05-3      Travel Claims/Disbursements

While reviewing travel claims submitted to the County Board, it was noted that, in some cases, the claims tested had meals charged to the hotel room or the claim did not have supporting documentation attached and, in one case, an unitemized credit card receipt was used to support a meal reimbursement.

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:

*On March 20, 2007, the County Board adopted a new policy that staff will review for proper documentation.*

ITEMS ARISING THIS YEAR

06-13

Per Diem Payments

A member of the County Board received a per diem for services on the canvassing board.

According to Minn. Stat. § 375.055, subd. 5, “Members of the county board shall not receive a per diem for service on the board of auditors, the board of equalization, or the canvassing board.”

We recommend that the County Board review per diem charges and set a policy that complies with Minnesota statutes.

Client’s Response:

*Commissioner has re-paid per diem, and they are aware these are not allowable.*

06-14

Claim Declaration on the Back of County Checks

During 2006, Redwood County started using new laser checks that do not have the required declaration on the back, and it did not request a signed declaration from the vendor.

Minn. Stat. § 471.38 requires that each claimant sign a declaration, and Minn. Stat. § 471.391, subd. 1, states that, “The declaration provided for in section 471.38 is sufficient if in the following form: ‘I declare under the penalties of law that this account, claim or demand is just and correct and that no part of it has been paid.’” Minn. Stat. § 471.391, subd. 2, states, “The check or order-check by which the claim is paid may have printed on the reverse side, above the space for endorsement thereof by the payee, the following statement: ‘The undersigned payee, in endorsing this check declares that the same is received in payment of a just and correct claim against the county, and that no part of it has heretofore been paid.’” When endorsed, this statement “shall be deemed sufficient as the required declaration of the claim.”

We recommend that the County comply with the provisions of these statutes.

Client’s Response:

*A stamp with the declaration has been used to add the necessary wording to the back of the checks.*

06-15

Payments from Recorder’s Compliance Fund

At the Board meeting on July 25, 2006, the County Commissioners authorized use of the County Recorder’s Compliance Fund to purchase a new Human Resources software package from Computer Professionals Unlimited Incorporated for \$10,000 to be paid in two January payments, one in January 2007 and the other in January 2008.

Minn. Stat. § 357.182, subd. 7, states (in part), “This money is available as authorized by the Board of County Commissioners for supporting enhancements to the recording process, including electronic recording, to fund compliance efforts specified in subdivision 5 and for use in undertaking data integration and aggregation projects.” Purchasing a Human Resources software package does not meet any of the criteria described in the statutes.

We recommend that the County comply with the provisions of Minn. Stat. § 357.182.

Client’s Response:

*An adjusting entry will be made by the Auditor-Treasurer’s Office transferring to an administrative account.*

06-16 Per Diem Policy and Payments

An Attorney General's Opinion states that Commissioners may be paid "per diem" for performing the duties of office, including work on committees "under the direction of the board," *and individual services as commissioners "when required by law."* [Emphasis added]

Redwood County has passed the following per diem policy: A maximum per diem (per day) rate of \$75 shall be granted to Redwood County Commissioners for service on any board, committee, or commission that has been approved by the full board; for special meetings of the County Board; for attendance at conferences and education/training sessions; *and for performance of services as an individual Commissioner relating to the execution of the duties of the Office of County Commissioner.* At the discretion of each Commissioner, a lesser per diem amount may be charged. [Emphasis added]

Over the past few years, we have noticed Redwood County Commissioners received per diem payments for:

- making trips to private residences to drop off or pick up items such as Assessor's books, payroll forms, etc.;
- helping put on the Redwood County employee cook-out/picnic;
- participating in parades;
- attending the County fair and Farmfest;
- attending a town meeting on pharmacy services sponsored by the University of Minnesota;
- attending a session called The-Big-Picture-Revealed by the "Minnesota Design Team";
- meeting with various individuals or businesses regarding possible waste-to-energy and ethanol plants to be constructed in the County;
- attending the 4-H auction;
- attending the retirement party for a County employee;

- attending the Tools for Schools Symposium; and
- preparing/prepping for meetings with other counties (the actual meetings with the other counties were charged separately).

It is unclear how participating in parades, attending the County fair, or going to Farmfest, to name a few, fall under committee work. Based on statutes and opinions of the Attorney General's Office, it is evident that attendance at non-County Board meetings, fairs and parades are not legally required activities of County Board members. However, in appropriate circumstances, such activities may constitute Board or committee work.

All public officials must create and retain "all records necessary to a full and accurate knowledge of their official activities." Minn. Stat. § 15.17. In order to support a per diem payment as committee or Board work, County records need to show that responsibility to perform these committee activities was delegated to a commissioner prior to the activity and the commissioner reported to the committee or Board after completing the activity. The activities of Board members pursuant to proper delegation will constitute legitimate committee work if they are directed to gather information or act as a liaison so the Board can better address particular questions. We were unable to locate in the County Board minutes, directives to the involved Board member or members to gather information or act as a liaison in a manner so that the above activities constituted legitimate committee work. Nor do the minutes reveal what matters, if any, were reported back to the County Board or subcommittee. We noted in the Board minutes a single statement as such, "The Board reported on recent meetings they attended." Minn. Stat. § 15.17 requires that this Board or committee activity be documented, especially where it is needed to support the payment of a per diem to a Commissioner.

We recommend that the County Board review per diem charges and set a policy that complies with Minnesota statutes and Attorney General's Opinion. Furthermore, the County Board minutes should reflect delegation and proper reporting before a per diem is paid for a particular activity.

Client's Response:

*Per diems submitted that are not on the committee listing will be included in the Board packet for approval.*

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

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 resources and staff time 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 or summarized for the financial report.

These objectives can be achieved by using the County's accounting system. The accounting system 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 accounting system from providing accurate modified accrual financial statements:

- Elected officials do not have a holdback period on the payroll system yet. Their salaries were included in salaries payable on the accounting system, which caused salaries payable to be misstated in the system.
- County budget information on the accounting system is incomplete and inaccurate.

*Schedule 9*  
*(Continued)*

- 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.
- Reimbursements for shared expenditures from other funds and other governments are mapped to revenue accounts rather than as a reduction of expenditures.
- Some federal grants are coded to a state grant account and a miscellaneous revenue account.
- Septic loan receipts from the state were in the same account as special assessment receipts and prepaid assessments. The account was mapped to state-shared revenues. Part of the loan receipts should have been accounted for as an other financing source and as special assessments revenue.
- Interest on special assessments collected on septic loans was coded to charges for services instead of special assessments revenue.
- Certain department account codes are mapped to capital outlay when the Auditor-Treasurer has stated the County does not wish to report a separate category for capital outlay in the financial statements.
- County personnel did not appear to review current year-end accruals and journal entries or compare the current year account balance to audited amounts from the prior year to check whether the totals seemed reasonable.

We recommend that the County Board work directly with County staff to provide the necessary directives to prepare modified accrual and full accrual financial statements on the accounting system. In order to accomplish this, the County Board should ensure that staff assigned to prepare the annual financial statements and the required notes to the financial statements have the adequate training and a good understanding of the requirements of generally accepted accounting principles for governments. In addition, the Board should ensure that staff have 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:

*Staff will review financial system to prepare financial statements that will be acceptable to the State Auditors. The County Board will provide all financial staff the necessary resources to obtain adequate training on the financial system.*

ITEM ARISING THIS YEAR

06-17

Out-of-State Travel

On April 11, 2006, the County Board unanimously approved out-of-state travel for a Commissioner to attend a National Association of Counties (NACo) conference in Sacramento, CA, "with the only cost to Redwood County to be mileage to the airport."

Besides mileage, the Commissioner submitted and was paid \$375 in per diems for attending the conference. Nothing further was found in subsequent Board minutes to override or amend the April 11 condition that the only cost to the County was to be mileage to the airport.

We recommend the County comply with its resolutions and motions. Since payment of a per diem was not authorized, it should be repaid to the County.

Client's Response:

*The County Board will comply with its resolution/motion regarding out-of-state travel. The per diem in question will be repaid.*

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, similar to 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;
- 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.

Client's Response:

*Coordinator Vicki Knobloch has been in contact with two agencies regarding an actuarial study for Redwood County. The County has until December 2007 to prepare an actuarial study for the State Auditor.*

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## **OTHER REQUIRED REPORTS**

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## **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 the governmental activities, each major fund, and the aggregate remaining fund information of Redwood County as of and for the year ended December 31, 2006, and have issued our report thereon dated July 26, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 99-1, 00-6, 05-4, and 06-1 through 06-12 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Redwood County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 99-1, 00-6, 06-1, 06-2, and 06-6 through 06-12 to be material weaknesses.

#### 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, 05-1 through 05-3, and 06-13 through 06-16.

Also included in the Schedule of Findings and Questioned Costs are management practices comments and an other item for consideration. We believe these recommendations and information to be of benefit to Redwood County, and they are reported for that purpose.

Redwood County's written responses to the findings identified in our audit have not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Redwood County, 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/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 26, 2007

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### **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 its major federal program for the year ended December 31, 2006. Redwood County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program 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 its major federal program for the year ended December 31, 2006.

## 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Redwood County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditures of Federal Awards

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, 2006, and have issued our report thereon dated July 26, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 others within Redwood County, 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/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

July 26, 2007

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

*Schedule 10*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<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	\$ 67,588
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	3,056
<b>Total U.S. Department of Agriculture</b>		<b>\$ 70,644</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 732,695
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	3,000
<b>Total U.S. Department of Transportation</b>		<b>\$ 735,695</b>
<b>U.S. Election Assistance Commission</b>		
Passed Through Office of the Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	<b>\$ 264,649</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	\$ 43,042
Maternal and Child Health Services Block Grant to the States	93.994	18,547
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	2,870
Temporary Assistance for Needy Families (TANF)	93.558	112,527
Child Care and Development Block Grant	93.575	7,856
Child Welfare Services - State Grants	93.645	5,672
Foster Care - Title IV-E	93.658	27,564
Social Services Block Grant	93.667	147,053
Chafee Foster Care Independence Program	93.674	5,229
Block Grants for Community Mental Health Services	93.958	5,485
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 375,845</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	\$ 5,675
Homeland Security Grant Program	97.067	13,105
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 18,780</b>
<b>Total Federal Awards</b>		<b>\$ 1,465,613</b>

**REDWOOD COUNTY  
REDWOOD FALLS, MINNESOTA**

**Schedule 10  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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. Revenues for CFDA #90.401 exceeded expenditures by \$38,905, which will be spent in 2007.
3. During 2006, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.