

# **STATE OF MINNESOTA**

## **Office of the State Auditor**



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

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**DODGE COUNTY**  
**MANTORVILLE, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2011**

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

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

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

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

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

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

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

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

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

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

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**Year Ended December 31, 2011**



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

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2011**

			<u>Term Expires</u>
<b>Elected</b>			
Commissioners			
Board Member	Jane Olive	District 1	January 2013
Board Member	Lyle Tjosaas	District 2	January 2013
Chair	David Erickson	District 3	January 2013
Vice Chair (2012 Chair)	Don Gray	District 4	January 2013
Board Member	David Hanson	District 5	January 2013
Attorney	Paul Kiltinen		January 2014
Judge of County Court	Joseph Wieners		January 2013
County Recorder	Sue Alberts		January 2014
Registrar of Titles	Sue Alberts		January 2014
County Sheriff	Jim Trihey		January 2014
<b>Appointed</b>			
Assessor	Wendell Engelstad		December 2012
County Administrator	Jim Elmquist		Indefinite
County Engineer	Guy Kohlhofer		May 2014
Coroner	Mayo Clinic		Indefinite
Finance Director	Lisa Kramer		Indefinite
Social Services Director	Jane Hardwick		Indefinite
Nursing Home Administrator	Jane Sheeran		Indefinite
Public Health Director	Peggy Espey		Indefinite
Surveyor	Lisa Hanni, Goodhue County		February 2014
Veteran Services Officer	Todd Nelson		July 2015
Weed Inspector	Ken Folie		Indefinite
Zoning Administrator	Melissa DeVetter		Indefinite

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Dodge County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dodge County, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Dodge County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dodge County Nursing Home, which is both the enterprise fund and the business-type activities of the County. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Dodge County Nursing Home, is based solely on the report of the other auditors.

We conducted our audit 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 U.S. Office of Management and Budget (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 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 and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dodge County as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2011, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dodge County's basic financial statements as a whole. The supplementary information, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2012, on our consideration of Dodge 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 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. It does not include the Dodge County Nursing Home, which was audited by other auditors.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 20, 2012

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

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011  
(Unaudited)**

Dodge County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2011. 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 financial statements.


**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$66,162,461, of which \$47,595,278 are invested in capital assets, net of related debt, and \$2,867,661 are restricted to specific purposes.
- Business-type activities have total net assets of \$565,923. Invested in capital assets, net of related debt, represents \$395,566 of the total, and \$3,768 are restricted for donations.
- Dodge County's net assets increased by \$2,939,422 for the year ended December 31, 2011. Of the increase, \$2,999,557 was in the governmental activities' net assets. The business-type activities' net assets decreased by \$60,135.
- The net cost of governmental activities decreased by \$2,074,262 to \$8,091,276 for the current fiscal year. The net cost was funded by general revenues and other items.
- Governmental funds' fund balances increased by \$3,203,456.
- During 2011, Dodge County issued \$3,290,000 general obligation bonds. The total bonded debt at the end of the year was \$4,535,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. Dodge County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are interrelated.

Management's Discussion and Analysis  
(MD&A)  
(Required supplementary information)

Government-wide financial statements            Fund financial statements  
Notes to the financial statements

Required supplementary information  
(other than MD&A)

There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements are Exhibits 3 through 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

**Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities**

Our analysis of the County as a whole begins on Exhibits 1 and 2. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities--Most of the County's basic services are reported here, including general government, public safety, road and bridge, human services, health, environmental services, culture and recreation, and conservation of natural resources. Property taxes and state and federal grants finance most of these activities.
- Business-type activities--The County charges a fee to customers to help it cover all or most of the cost of services it provides. The County's nursing home is reported here.
- Component unit--The County includes a separate legal entity in its report. The Economic Development Authority is not material and, therefore, is not presented. Although legally separate, this "component unit" is important because the County is financially accountable for it.

## **Fund Financial Statements**

Our analysis of Dodge County's major funds begins with Exhibit 3 and provides detailed information about the significant 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. The County's two kinds of funds--governmental and proprietary--use different accounting methods.

- Governmental funds--Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.
- Proprietary funds--When the County charges customers for the services it provides, whether to outside customers or to other units of the County, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, over assets which can only be used for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## THE COUNTY AS A WHOLE

Dodge County's combined net assets increased from \$63,788,962 to \$66,728,384. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities.

**Table 1**  
**Net Assets**  
**(in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 22.1	\$ 18.2	\$ 0.6	\$ 0.5	\$ 22.7	\$ 18.7
Capital assets	51.6	49.3	0.7	0.6	52.3	49.9
<b>Total Assets</b>	<b>\$ 73.7</b>	<b>\$ 67.5</b>	<b>\$ 1.3</b>	<b>\$ 1.1</b>	<b>\$ 75.0</b>	<b>\$ 68.6</b>
Long-term debt outstanding	\$ 5.7	\$ 2.9	\$ 0.5	\$ 0.3	\$ 6.2	\$ 3.2
Other liabilities	1.8	1.4	0.2	0.2	2.0	1.6
<b>Total Liabilities</b>	<b>\$ 7.5</b>	<b>\$ 4.3</b>	<b>\$ 0.7</b>	<b>\$ 0.5</b>	<b>\$ 8.2</b>	<b>\$ 4.8</b>
<b>Net Assets</b>						
Invested in capital assets, net of debt	\$ 47.6	\$ 47.6	\$ 0.4	\$ 0.6	\$ 48.0	\$ 48.2
Restricted	2.9	2.1	-	-	2.9	2.1
Unrestricted	15.7	13.5	0.2	-	15.9	13.5
<b>Total Net Assets</b>	<b>\$ 66.2</b>	<b>\$ 63.2</b>	<b>\$ 0.6</b>	<b>\$ 0.6</b>	<b>\$ 66.8</b>	<b>\$ 63.8</b>

Net assets of the County's governmental activities increased by 4.7 percent (\$66.2 million compared to \$63.2 million). Unrestricted net assets--the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--changed from \$13.5 million at December 31, 2010, to \$15.7 million at the end of 2011. The unrestricted net assets of our business-type activities increased \$0.2 million from \$0 million at December 31, 2010, to \$0.2 million at December 31, 2011.

**Table 2**  
**Changes in Net Assets**  
**(in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 3.3	\$ 3.7	\$ 4.2	\$ 4.2	\$ 7.5	\$ 7.9
Operating grants and contributions	6.7	6.6	-	-	6.7	6.6
Capital grants and contributions	0.6	0.2	-	-	0.6	0.2
General revenues						
Property taxes	9.3	9.0	-	-	9.3	9.0
Unrestricted grants and contributions	1.4	1.4	-	-	1.4	1.4
Other general revenues	0.4	0.9	-	-	0.4	0.9
Total Revenues	<u>\$ 21.7</u>	<u>\$ 21.8</u>	<u>\$ 4.2</u>	<u>\$ 4.2</u>	<u>\$ 25.9</u>	<u>\$ 26.0</u>
Program expenses						
General government	\$ 4.1	\$ 3.9	\$ -	\$ -	\$ 4.1	\$ 3.9
Public safety	3.9	5.0	-	-	3.9	5.0
Highways and streets	4.0	5.1	-	-	4.0	5.1
Sanitation	1.7	1.7	-	-	1.7	1.7
Human services	3.3	3.6	-	-	3.3	3.6
Health	0.9	0.8	-	-	0.9	0.8
Culture and recreation	0.4	0.1	-	-	0.4	0.1
Conservation of natural resources	0.3	0.2	-	-	0.3	0.2
Economic development	-	0.1	-	-	-	0.1
Interest	0.1	0.1	-	-	0.1	0.1
Nursing home	-	-	4.3	4.2	4.3	4.2
Total Program Expenses	<u>\$ 18.7</u>	<u>\$ 20.6</u>	<u>\$ 4.3</u>	<u>\$ 4.2</u>	<u>\$ 23.0</u>	<u>\$ 24.8</u>
Revenues Over (Under) Program Expenses	\$ 3.0	\$ 1.2	\$ (0.1)	\$ -	\$ 2.9	\$ 1.2
Transfers	-	-	-	-	-	-
Increase (Decrease) in Net Assets	<u>\$ 3.0</u>	<u>\$ 1.2</u>	<u>\$ (0.1)</u>	<u>\$ -</u>	<u>\$ 2.9</u>	<u>\$ 1.2</u>

The County's total revenues decreased by about 0.6 percent, or \$0.1 million. The total cost of all programs and services decreased by 7.3 percent, or \$1.8 million, under the previous year. Expenses in Public Safety, Highways and Streets, and Human Services decreased markedly, contributing to the overall reduction in expenses.

## Governmental Activities

Revenues for the County governmental activities decreased by 0.5 percent, from \$21,776,220 in 2010 to \$21,664,295 for 2011, while total expenses decreased by 9.2 percent, from \$20,562,092 in 2010 to \$18,664,738 in 2011.

The cost of all governmental activities this year was \$18,664,738 compared to \$20,562,092 last year. However, as shown in the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$9,292,000, because some of the cost was paid by those who directly benefited from the programs (\$3,248,161) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,325,301). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2011 to \$10,573,462 from \$10,396,554 principally based on an increase in grants and contributions. The County paid for the remaining "public benefit" portion of governmental activities with \$11,090,833 in general revenues, primarily taxes (some of which could only be used for certain programs), and other revenues, such as interest and general entitlements.

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

**Table 3**  
**Governmental Activities**  
**(in Millions)**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General government	\$ 4.1	\$ 3.9	\$ 3.3	\$ 3.3
Highways and streets	4.0	5.1	(0.4)	1.4
Public safety	3.9	5.0	2.9	3.8
Human services	3.3	3.6	1.4	1.2
Sanitation	1.6	1.7	0.1	0.2
All others	1.8	1.3	0.8	0.3
Total Governmental Activities	<u>\$ 18.7</u>	<u>\$ 20.6</u>	<u>\$ 8.1</u>	<u>\$ 10.2</u>

## Business-Type Activities

Revenues of the County's business-type activities (see Table 2) showed a decrease of 1.0 percent (\$4,205,495 in 2011 compared to \$4,247,480 in 2010), and expenses increased by 2.0 percent (\$4,265,630 in 2011 compared to \$4,181,691 in 2010). The most important factor driving these results is a reduction in the reimbursement rate for Medicare and Medicaid patients combined with continued positive census (95.4 percent) for 2011.



## THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in Exhibit 3) reported a combined fund balance of \$17,280,320, which is an increase from last year's total of \$14,076,864. Of the 2011 combined fund balance of \$17,280,320, \$369,687 is nonspendable, \$3,398,681 is restricted to specific purposes, \$531,612 is committed to specific uses, \$7,587,434 is assigned to specific purposes, and \$5,392,906 is unassigned and can be used for any purpose.

### County Fund Budgetary Highlights

There were no amendments to the 2011 original County budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2011, the County had \$52,367,317 (net of depreciation) invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of \$2,412,869 over last year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 1.5	\$ 1.5	\$ -	\$ -	\$ 1.5	\$ 1.5
Construction in progress	0.8	-	-	0.2	0.8	0.2
Land improvements	0.3	0.3	-	-	0.3	0.3
Building and improvements	3.9	4.1	0.6	0.4	4.5	4.5
Machinery, vehicles, furniture, and equipment	1.8	1.8	0.1	-	1.9	1.8
Infrastructure	43.3	41.6	-	-	43.3	41.6
Total Net Assets	<u>\$ 51.6</u>	<u>\$ 49.3</u>	<u>\$ 0.7</u>	<u>\$ 0.6</u>	<u>\$ 52.3</u>	<u>\$ 49.9</u>

This year's major additions included:

- addition of \$1,733,446 in infrastructure construction costs and
- construction in progress of \$765,254 for projects at the courthouse.

## Debt

At year-end, the County had \$4.5 million in bonds and notes outstanding, versus \$1.7 million last year - an increase of 170.7 percent--as shown in Table 5.

**Table 5**  
**Outstanding Debt at Year-End**  
**(in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Bonds	\$ 4.2	\$ 1.6	\$ 0.3	\$ 0.1	\$ 4.5	\$ 1.7

The County's general obligation bond rating carries a AA-/Stable bond rating from Standard and Poor's Agency as reported in 2011.

Other obligations include accrued vacation pay and sick leave payable. More detailed information about the County's long-term liabilities is presented in Note 3.C. to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for the business-type activities.

- The unemployment rate in Dodge County decreased, moving from 6.9 percent in 2010 to 6.1 percent in 2011 for the annual average. This still compared favorably with the Minnesota rate of 6.4 percent and the U.S. rate of 8.9 percent.
- County General Fund expenditures for 2012 are budgeted to decrease 0.1 percent over 2011.
- Dodge County's population grew by 11.3 percent from 2001 to 2011, compared to an increase of 7.1 percent in Minnesota as a whole.
- Postretirement benefits liability and the future impact on the County have been reviewed, and the County has an actuarial report stating our postemployment benefit liability. The County is beginning to plan on how to fund this liability.
- The property tax levy has increased 4.7 percent for 2012.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Dodge County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Dodge County Finance Department, 22 - 6th Street East, Department 45, Mantorville, Minnesota 55955.

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## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 17,289,694	\$ 127,810	\$ 17,417,504
Petty cash and change funds	3,480	400	3,880
Investments	12,500	-	12,500
Investment in joint venture	800,487	-	800,487
Taxes receivable			
Prior - net	380,231	-	380,231
Special assessments receivable - net			
Prior - net	19,606	-	19,606
Accounts receivable - net	618,928	325,978	944,906
Accrued interest receivable	27,497	-	27,497
Loan receivable	479,235	-	479,235
Due from other governments	2,225,843	-	2,225,843
Inventories	138,318	-	138,318
Restricted assets			
Cash and pooled investments	-	122,633	122,633
Deferred charges	31,464	4,566	36,030
Capital assets			
Non-depreciable	2,282,335	15,600	2,297,935
Depreciable - net of accumulated depreciation	49,359,957	709,425	50,069,382
<b>Total Assets</b>	<b>\$ 73,669,575</b>	<b>\$ 1,306,412</b>	<b>\$ 74,975,987</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 375,965	\$ 85,199	\$ 461,164
Salaries payable	314,394	118,663	433,057
Contracts payable	342,748	-	342,748
Due to other governments	273,254	-	273,254
Accrued interest payable	51,719	-	51,719
Unearned revenue	283,245	-	283,245
Customer deposits	161,660	-	161,660
Interest payable from restricted assets	-	3,906	3,906
Trust and security deposits from restricted assets	-	1,431	1,431
Long-term liabilities			
Due within one year	317,718	69,518	387,236
Due in more than one year	5,386,411	461,772	5,848,183
<b>Total Liabilities</b>	<b>\$ 7,507,114</b>	<b>\$ 740,489</b>	<b>\$ 8,247,603</b>

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

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ 47,595,278	\$ 395,566	\$ 47,990,844
Restricted for			
Debt service	394,214	-	394,214
General government	440,156	-	440,156
Public safety	211,759	-	211,759
Highways and streets	1,382,880	-	1,382,880
Sanitation	90,228	-	90,228
Human services	230,798	-	230,798
Economic development	44,215	-	44,215
Ditch	73,411	-	73,411
Donations	-	3,768	3,768
Unrestricted	15,699,522	166,589	15,866,111
<b>Total Net Assets</b>	<b>\$ 66,162,461</b>	<b>\$ 565,923</b>	<b>\$ 66,728,384</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 4,123,345	\$ 534,617
Public safety	3,850,849	586,755
Highways and streets	4,020,744	215,433
Sanitation	1,644,752	1,502,033
Human services	3,339,928	77,124
Health	905,811	315,870
Culture and recreation	377,811	-
Conservation of natural resources	278,431	16,329
Economic development	150	-
Interest	122,917	-
<b>Total governmental activities</b>	<b>\$ 18,664,738</b>	<b>\$ 3,248,161</b>
<b>Business-type activities</b>		
Nursing Home	4,265,630	4,197,877
<b>Total Primary Government</b>	<b>\$ 22,930,368</b>	<b>\$ 7,446,038</b>

**General Revenues**

Property taxes  
Payments in lieu of tax  
Grants and contributions not restricted to  
specific programs  
Unrestricted investment earnings  
Miscellaneous  
Gain on sale of capital assets

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning**

**Net Assets - Ending**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government</b>		
		<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ 288,373	\$ -	\$ (3,300,355)	\$ -	\$ (3,300,355)
317,353	-	(2,946,741)	-	(2,946,741)
3,672,066	578,636	445,391	-	445,391
600	-	(142,119)	-	(142,119)
1,878,873	-	(1,383,931)	-	(1,383,931)
396,305	-	(193,636)	-	(193,636)
26,987	-	(350,824)	-	(350,824)
166,108	-	(95,994)	-	(95,994)
-	-	(150)	-	(150)
-	-	(122,917)	-	(122,917)
<b>\$ 6,746,665</b>	<b>\$ 578,636</b>	<b>\$ (8,091,276)</b>	<b>\$ -</b>	<b>\$ (8,091,276)</b>
7,113	-	-	(60,640)	(60,640)
<b>\$ 6,753,778</b>	<b>\$ 578,636</b>	<b>\$ (8,091,276)</b>	<b>\$ (60,640)</b>	<b>\$ (8,151,916)</b>
		\$ 9,292,000	\$ -	\$ 9,292,000
		5,194	-	5,194
		1,440,166	-	1,440,166
		60,940	505	61,445
		273,414	-	273,414
		19,119	-	19,119
		<b>\$ 11,090,833</b>	<b>\$ 505</b>	<b>\$ 11,091,338</b>
		\$ 2,999,557	\$ (60,135)	\$ 2,939,422
		<b>63,162,904</b>	<b>626,058</b>	<b>63,788,962</b>
		<b>\$ 66,162,461</b>	<b>\$ 565,923</b>	<b>\$ 66,728,384</b>

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## **FUND FINANCIAL STATEMENTS**

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## **GOVERNMENTAL FUNDS**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 6,680,420	\$ 2,127,487	\$ 5,264,069	\$ 3,217,718	\$ 17,289,694
Petty cash and change funds	3,330	-	-	150	3,480
Investments	-	12,500	-	-	12,500
Taxes receivable					
Prior	240,857	56,697	66,243	16,434	380,231
Special assessments					
Prior	-	-	-	19,606	19,606
Accounts receivable	40,717	-	494,413	83,798	618,928
Loans receivable	479,235	-	-	-	479,235
Contracts receivable	27,497	-	-	-	27,497
Due from other funds	4,289	3,384	-	-	7,673
Due from other governments	153,241	1,818,653	235,645	18,304	2,225,843
Inventories	-	138,318	-	-	138,318
<b>Total Assets</b>	<b><u>\$ 7,629,586</u></b>	<b><u>\$ 4,157,039</u></b>	<b><u>\$ 6,060,370</u></b>	<b><u>\$ 3,356,010</u></b>	<b><u>\$ 21,203,005</u></b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 48,417	\$ 65,692	\$ 46,754	\$ 215,102	\$ 375,965
Salaries payable	192,323	42,442	61,934	17,695	314,394
Contracts payable	-	167,737	-	175,011	342,748
Due to other funds	3,345	-	4,289	39	7,673
Due to other governments	176,450	1,704	32,513	62,587	273,254
Deferred revenue - unavailable	184,479	1,440,299	508,513	30,455	2,163,746
Deferred revenue - unearned	247,866	-	-	35,379	283,245
Customer deposits	161,660	-	-	-	161,660
<b>Total Liabilities</b>	<b><u>\$ 1,014,540</u></b>	<b><u>\$ 1,717,874</u></b>	<b><u>\$ 654,003</u></b>	<b><u>\$ 536,268</u></b>	<b><u>\$ 3,922,685</u></b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>(Continued)</b>					
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Long-term loans/notes receivable	\$ 231,369	\$ -	\$ -	\$ -	\$ 231,369
Inventories	-	138,318	-	-	138,318
<b>Restricted for</b>					
Law library	45,903	-	-	-	45,903
Recorder's technology equipment	210,743	-	-	-	210,743
Recorder's unallocated land based	126,261	-	-	-	126,261
Enhanced 911	174,320	-	-	-	174,320
DARE	3,624	-	-	-	3,624
Conceal and carry	29,833	-	-	-	29,833
Attorney forfeiture	57,249	-	-	-	57,249
Sheriff DUI assessments	3,982	-	-	-	3,982
EDA loan receivable	44,215	-	-	-	44,215
Capital project funds	-	350,000	-	1,637,311	1,987,311
Health	-	-	230,798	-	230,798
NRBG	-	-	-	90,228	90,228
Debt service	-	-	-	394,214	394,214
<b>Committed to</b>					
Wetlands R-O-W	-	12,500	-	-	12,500
Wind tower decommission	161,660	-	-	-	161,660
Drug court	2,828	-	-	-	2,828
Public recreation	13,250	-	-	-	13,250
Sheriff lojack safety net	78	-	-	-	78
Sheriff impound fee	5,525	-	-	-	5,525
Change funds	3,300	-	-	150	3,450
Capital equipment	-	-	-	238,981	238,981
Landfill postclosure	-	-	-	93,340	93,340
<b>Assigned to</b>					
Subsequent year's appropriated budget	108,000	-	-	-	108,000
Highways and streets	-	1,938,347	-	-	1,938,347
Human services	-	-	5,175,569	-	5,175,569
Ditches	-	-	-	73,411	73,411
Environmental quality	-	-	-	292,107	292,107
<b>Unassigned</b>	<b>5,392,906</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,392,906</b>
<b>Total Fund Balances</b>	<b>\$ 6,615,046</b>	<b>\$ 2,439,165</b>	<b>\$ 5,406,367</b>	<b>\$ 2,819,742</b>	<b>\$ 17,280,320</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,629,586</b>	<b>\$ 4,157,039</b>	<b>\$ 6,060,370</b>	<b>\$ 3,356,010</b>	<b>\$ 21,203,005</b>

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

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

***EXHIBIT 4***

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2011**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>17,280,320</b>
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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.		51,642,292
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Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		800,487
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,163,746
---	--	-----------

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

General obligation bonds	\$	(4,210,000)	
Capital leases		(70,674)	
Bond premium		(47,115)	
Net OPEB obligation		(674,562)	
Deferred debt issuance charges		31,464	
Accrued interest payable		(51,719)	
Compensated absences		(701,778)	
		<hr/>	<hr/>
			(5,724,384)

<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>66,162,461</u></b>
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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 5,991,399	\$ 1,262,042	\$ 1,618,674	\$ 408,331	\$ 9,280,446
Special assessments	-	16,890	-	177,356	194,246
Licenses and permits	28,863	7,450	-	25,880	62,193
Intergovernmental	2,093,934	3,956,332	2,233,959	229,947	8,514,172
Charges for services	1,391,741	134,060	-	1,285,231	2,811,032
Fines and forfeits	3,878	-	-	-	3,878
Gifts and contributions	9,871	-	-	-	9,871
Investment earnings	59,421	-	-	1,653	61,074
Miscellaneous	279,204	73,923	251,681	8,518	613,326
<b>Total Revenues</b>	<b>\$ 9,858,311</b>	<b>\$ 5,450,697</b>	<b>\$ 4,104,314</b>	<b>\$ 2,136,916</b>	<b>\$ 21,550,238</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 3,586,645	\$ -	\$ -	\$ 12,500	\$ 3,599,145
Public safety	4,099,621	-	-	-	4,099,621
Highways and streets	-	5,531,296	-	-	5,531,296
Sanitation	-	-	-	1,734,330	1,734,330
Human services	3,685	-	3,503,801	-	3,507,486
Health	900,268	-	-	-	900,268
Culture and recreation	252,876	-	-	124,935	377,811
Conservation of natural resources	187,141	-	-	91,345	278,486
Economic development	150	-	-	-	150
<b>Capital outlay</b>	-	-	-	898,232	898,232
<b>Debt service</b>					
Principal	-	-	-	388,598	388,598
Interest	-	-	-	90,013	90,013
Bond issuance costs	-	-	-	33,059	33,059
Administrative (fiscal) charges	-	-	-	1,350	1,350
<b>Total Expenditures</b>	<b>\$ 9,030,386</b>	<b>\$ 5,531,296</b>	<b>\$ 3,503,801</b>	<b>\$ 3,374,362</b>	<b>\$ 21,439,845</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 827,925</b>	<b>\$ (80,599)</b>	<b>\$ 600,513</b>	<b>\$ (1,237,446)</b>	<b>\$ 110,393</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 5  
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Other Financing Sources</b>					
<b>(Uses)</b>					
Bonds issued	\$ -	\$ 350,000	\$ -	\$ 2,665,000	\$ 3,015,000
Premium on bonds/notes issued	-	-	-	50,971	50,971
Proceeds from sale of capital assets	4,924	12,895	-	1,300	19,119
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 4,924</u>	<u>\$ 362,895</u>	<u>\$ -</u>	<u>\$ 2,717,271</u>	<u>\$ 3,085,090</u>
<b>Change in Fund Balance</b>	<b>\$ 832,849</b>	<b>\$ 282,296</b>	<b>\$ 600,513</b>	<b>\$ 1,479,825</b>	<b>\$ 3,195,483</b>
<b>Fund Balance - January 1</b>	<b>5,782,197</b>	<b>2,148,896</b>	<b>4,805,854</b>	<b>1,339,917</b>	<b>14,076,864</b>
<b>Increase (decrease) in inventories</b>	<u>-</u>	<u>7,973</u>	<u>-</u>	<u>-</u>	<u>7,973</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 6,615,046</u></u>	<u><u>\$ 2,439,165</u></u>	<u><u>\$ 5,406,367</u></u>	<u><u>\$ 2,819,742</u></u>	<u><u>\$ 17,280,320</u></u>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 3,195,483**

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

In the funds, under modified accrual accounting, distributions of joint venture equity interest are recorded as revenue. In the statement of net assets, an asset is reported for the equity interest in the joint venture, and the increases or decreases in joint venture equity are reported in the statement of activities. The change in net assets differs from the change in fund balance by the increases or decreases in the investment in joint venture.

Increase in investment in joint venture	207,799
---	---------

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 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 or decrease in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 2,163,746	
Deferred revenue - January 1	<u>(2,068,808)</u>	94,938

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. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of assets disposed.

Expenditures for general capital assets and infrastructure	\$ 4,164,723	
Net book value of disposed capital assets	(20,930)	
Current year depreciation	<u>(1,801,037)</u>	2,342,756

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net assets.

Proceeds of new debt		
General obligation bonds	\$ (3,015,000)	
Premium on bonds issued	(50,971)	
Bond issuance costs	33,059	
Principal repayments		
General obligation bonds	380,000	
Capital lease	<u>8,598</u>	(2,644,314)

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

***EXHIBIT 6  
(Continued)***

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 OPEB obligation	\$	(200,473)	
Amortization of premiums on debt		3,856	
Amortization of deferred debt issuance costs		(6,918)	
Change in accrued interest payable		(28,492)	
Change in inventories		7,973	
Change in compensated absences		26,949	(197,105)
<b>Change in Net Assets of Governmental Activities (Exhibit 2)</b>			<b><u><u>\$ 2,999,557</u></u></b>

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**PROPRIETARY FUND**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF FUND NET ASSETS  
NURSING HOME ENTERPRISE FUND  
DECEMBER 31, 2011**

**Assets**

**Current assets**

Cash and pooled investments	\$ 127,810
Petty cash and change funds	400
Accounts receivable - net	<u>325,978</u>

<b>Total current assets</b>	<b><u>\$ 454,188</u></b>
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**Restricted assets**

Cash and pooled investments	<b><u>\$ 122,633</u></b>
-----------------------------	--------------------------

**Noncurrent assets**

Deferred debt issuance costs	\$ 4,566
Capital assets	
Nondepreciable	15,600
Depreciable - net	<u>709,425</u>

<b>Total noncurrent assets</b>	<b><u>\$ 729,591</u></b>
--------------------------------	--------------------------

<b>Total Assets</b>	<b><u>\$ 1,306,412</u></b>
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**Liabilities**

**Current liabilities**

Accounts payable	\$ 85,199
Salaries payable	118,663
Compensated absences payable - current	<u>19,518</u>

<b>Total current liabilities</b>	<b><u>\$ 223,380</u></b>
----------------------------------	--------------------------

**Current liabilities payable from restricted assets**

Interest payable	\$ 3,906
Resident trust and security deposits	1,431
General obligation bonds payable - current	<u>50,000</u>

<b>Total current liabilities payable from restricted assets</b>	<b><u>\$ 55,337</u></b>
---	-------------------------

**Noncurrent liabilities**

Compensated absences payable - long-term	\$ 182,313
General obligation bonds payable - long-term	<u>279,459</u>

<b>Total noncurrent liabilities</b>	<b><u>\$ 461,772</u></b>
-------------------------------------	--------------------------

<b>Total Liabilities</b>	<b><u>\$ 740,489</u></b>
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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

***EXHIBIT 7  
(Continued)***

**STATEMENT OF FUND NET ASSETS  
NURSING HOME ENTERPRISE FUND  
DECEMBER 31, 2011**

**Net Assets**

Invested in capital assets - net of related debt	\$ 395,566
Restricted for donations	3,768
Unrestricted	<u>166,589</u>
<b>Total Net Assets</b>	<b><u>\$ 565,923</u></b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
NURSING HOME ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Operating Revenues</b>	
Charges for services	\$ 4,194,803
Miscellaneous	<u>3,074</u>
<b>Total Operating Revenues</b>	<b><u>\$ 4,197,877</u></b>
<b>Operating Expenses</b>	
Employee benefits and payroll taxes	\$ 777,175
Nursing services	1,635,599
Administrative and fiscal services	370,923
Other care-related	131,251
Ancillary services	374,421
Repair and maintenance	186,676
Property and household	160,438
Laundry	82,832
Dietary	386,669
Housekeeping	107,824
Depreciation	<u>47,548</u>
<b>Total Operating Expenses</b>	<b><u>\$ 4,261,356</u></b>
<b>Operating Income (Loss)</b>	<b><u>\$ (63,479)</u></b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 505
Gifts and contributions	7,113
Gain on sale/disposal of capital assets	2,370
Interest expense	<u>(6,644)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>\$ 3,344</u></b>
<b>Change in Net Assets</b>	<b>\$ (60,135)</b>
<b>Net Assets - January 1</b>	<b><u>626,058</u></b>
<b>Net Assets - December 31</b>	<b><u><u>\$ 565,923</u></u></b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
NURSING HOME ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 4,172,794
Payments to suppliers and employees	(4,239,132)
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ (66,338)</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Advance from Dodge County	\$ 140,000
Return of advance	(140,000)
Contributions	7,113
	<hr/>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>\$ 7,113</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal paid on long-term debt	\$ (50,000)
Interest paid on long-term debt	(3,257)
Bond issue cost and discount	(5,833)
Premiums on issued bonds	4,941
Proceeds from issuance of long-term debt	275,000
Proceeds from sale of capital assets	2,370
Purchases of capital assets	(117,661)
	<hr/>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ 105,560</u></b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	\$ 505
	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 46,840</b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>204,003</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 250,843</u></u></b>
<b>Cash and Cash Equivalents - Exhibit 7</b>	
Cash and pooled investments	\$ 127,810
Petty cash and change funds	400
Restricted cash and pooled investments	122,633
	<hr/>
<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 250,843</u></u></b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

***EXHIBIT 9  
(Continued)***

**STATEMENT OF CASH FLOWS  
NURSING HOME ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011  
Increase (Decrease) in Cash and Cash Equivalents**

**Reconciliation of Operating Income (Loss) to Net Cash Provided by  
(Used in) Operating Activities**

<b>Operating income (loss)</b>	<b><u>\$ (63,479)</u></b>
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**Adjustments to reconcile operating income (loss) to net cash provided by  
(used in) operating activities**

Depreciation expense	\$ 47,548
(Increase) decrease in accounts receivable	(25,083)
Increase (decrease) in accounts payable	(65,475)
Increase (decrease) in salaries payable	24,391
Increase (decrease) in compensated absences payable	<u>15,760</u>

<b>Total adjustments</b>	<b><u>\$ (2,859)</u></b>
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<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u><u>\$ (66,338)</u></u></b>
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## **FIDUCIARY FUNDS**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 10**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011**

	<b>Cemetery Perpetual Care Private-Purpose Trust</b>	<b>Agency</b>
	<hr/>	<hr/>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 5,568	\$ 500,930
Restricted assets		
Cash and pooled investments	1,106	-
Investments	116,849	-
Interest receivable	30	-
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 123,553</b>	<b>\$ 500,930</b>
	<hr/>	<hr/>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 5,598	\$ 78,342
Due to other governments	-	422,588
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 5,598</b>	<b>\$ 500,930</b>
	<hr/>	<hr/>
<b><u>Net Assets</u></b>		
Held in trust for other organizations		
Nonexpendable	<b>\$ 117,955</b>	
	<hr/>	

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT 11**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Cemetery Perpetual Care Private-Purpose Trust</u>
<b><u>Additions</u></b>	
Investment earnings	
Interest	\$ 4,741
Net increase (decrease) in fair value of investments	<u>2,231</u>
<b>Total Additions</b>	<b>\$ 6,972</b>
<b><u>Deductions</u></b>	
Distributions to participants	<u>10,334</u>
<b>Change in net assets</b>	<b>\$ (3,362)</b>
<b>Net Assets - January 1</b>	<b><u>121,317</u></b>
<b>Net Assets - December 31</b>	<b><u><u>\$ 117,955</u></u></b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

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**1. Summary of Significant Accounting Policies**

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2011. 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 (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

Dodge County was established February 20, 1855, 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 Dodge County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

**Blended Component Units**

Blended component units are legally separate organizations 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. Dodge County has one blended component unit.

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Dodge County Regional Railroad Authority	County Commissioners are Regional Railroad Authority Board.	Active--no financial activity, so no statements are prepared.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

1. Discretely Presented Component Unit

The Dodge County Economic Development Authority (EDA) is not presented discretely on the financial statements because it is not material to the financial statements of Dodge County.

2. Joint Ventures

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

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 the primary government and its component units. 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 revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) 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, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

The Human Services Special Revenue Fund accounts for restricted revenue resources from the federal, state, and other oversight agencies, as well as committed property tax revenues used for economic assistance and community social services programs.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major enterprise fund:

The Nursing Home Fund is used to account for the operations of the County nursing home.

Additionally, the County reports the following fund types:

Capital projects funds account for financial resources committed for capital acquisition, construction, or improvement of capital facilities.

Debt service funds are used to account for all financial resources restricted for the payment of principal, interest, and related costs of long-term bonded debt.

Private-purpose trust funds are used to account for resources legally held in trust for others.

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, proprietary fund, 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. Dodge County considers all revenues as available if collected within 60 days after the end of the



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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.

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2011, 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 2011 were \$59,421.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

Dodge County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

3. Receivables and Payables

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

All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All receivables are shown net of an allowance for uncollectibles.

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

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

4. Inventories

The supplies inventory in the Road and Bridge Special Revenue Fund is valued at cost using the weighted moving average method. It consists of expendable supplies held for consumption. The cost of the inventory is recorded as an expenditure when purchased rather than when consumed. At the government-wide level, inventories are recorded as expenses when consumed.

5. Restricted Assets

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

6. Capital Assets

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

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	20 - 40
Building improvements	20
Public domain infrastructure	25 - 75
Furniture, equipment, and vehicles	2 - 35

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if it has matured, for example, as a result of employee resignations and retirements.

8. Deferred Revenue

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

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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 another financing source. 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.

10. Classifications of Fund Balances

Beginning in 2011, Dodge County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

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

Nonspendable - amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable from" criterion includes items that are not expected to be converted to cash.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

10. Classifications of Fund Balances (Continued)

Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board.

Unassigned - all spendable amounts not contained in the other fund balance classifications for the General Fund. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned to those purposes.

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

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

11. Minimum Fund Balance

Dodge County has adopted a minimum fund balance policy to address cash flow or working capital needs for the General Fund and other special revenue funds that are heavily reliant on property tax revenues to fund current operations. However, property tax revenues are not available for distribution until June. Therefore, the County Board has determined the need to maintain a minimum unassigned fund balance in the General Fund and an unrestricted fund balance in the remaining special revenue funds until the tax revenues are distributed. The County Board has determined this amount to be approximately 35 to 50 percent of fund operating revenues or no less than five months of operating expenses.

12. 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 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

The Road and Bridge Special Revenue Fund expenditures of \$5,531,296 exceeded the final budget of \$5,405,080 by \$126,216.

The Solid Waste Special Revenue Fund expenditures of \$2,004,989 exceeded the final budget of \$1,900,329 by \$104,660.

The Courthouse Improvements Debt Service Fund expenditures of \$318,790 exceeded the final budget of \$258,720 by \$60,070.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets		
Governmental activities		
Cash and pooled investments	\$	17,289,694
Petty cash and change funds		3,480
Investments		12,500
Business-type activities		
Cash and pooled investments		127,810
Petty cash and change funds		400
Cash and pooled investments - restricted assets		122,633
Statement of fiduciary net assets		
Cash and pooled investments		507,604
Investments		116,849
Total Cash and Investments		<u>\$ 18,180,970</u>

		Carrying (Fair) Value
		<u>Value</u>
Deposits	\$	6,470,921
Petty cash		3,880
Investments		
Equity investments (stock)		
AT&T		86,849
Investment pools/mutual funds		
MAGIC Fund	\$ 8,873,650	
Dreyfus - General Government Security Money		
Market	<u>102,422</u>	8,976,072
Non-negotiable certificates of deposit		<u>2,643,248</u>
Total Deposits and Investments		<u>\$ 18,180,970</u>



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

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. Per the County investment policy, Dodge County is aware of custodial credit risk and attempts to reduce exposure to custodial credit risk by investing the highest percentage of its available cash in deposits or in investments in such a way as to minimize exposure to custodial credit risk as defined by GASB Statement 40. As of December 31, 2011, the County had \$192,209 in deposits exposed to custodial credit risk.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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 minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Interest rates fixed for long periods subject investments to variability in their fair value as a result of future changes in interest rates. The negotiable certificates of deposit have fixed interest rates. Following is a list of interest rates and maturity dates of the non-negotiable certificates.

<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Amount</u>
January 22, 2013	1.300	\$ 243,000
February 9, 2012	0.450	11,007
May 28, 2014	2.500	41,134
June 3, 2013	0.791	96,038
August 26, 2013	0.796	96,536
October 7, 2013	1.000	245,000
October 21, 2013	1.500	239,000
October 22, 2012	0.700	100,007
November 7, 2012	1.150	244,000
November 7, 2012	0.900	245,000
November 29, 2012	0.860	246,000
November 29, 2012	1.000	246,000
December 3, 2012	0.760	247,000
December 3, 2012	0.750	247,000
December 27, 2013	1.228	96,526
Total Non-Negotiable Certificates of Deposit		<u>\$ 2,643,248</u>

**DODGE COUNTY  
MANTORVILLE, 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, as set by Dodge County's investment policy, to invest only in securities that meet the ratings requirements set by state statute.

The County is required to disclose the credit quality ratings of investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed income securities. Dodge County invests in the following investment pools/mutual funds:

	<u>Credit Rating</u>	<u>Rating Agency</u>
MAGIC Fund	Not rated	-
Dreyfus - General Government Security Money Market	Not rated	-

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. Per the Dodge County investment policy, the County is aware of custodial credit risk and invests in such a way as to minimize exposure to custodial credit risk as defined by investing the highest percentage of its available cash in deposits or investments that fall within category 1 or 2 within the GASB 40 statement. As of December 31, 2011, the County does not have any investments exposed to custodial credit risk.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

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 County's investment policy states that the County will try to minimize the risk by investing with multiple issuers, but will concentrate funds with an issuer if it maximizes the interest return for the County. Investments that represent five percent or more of Dodge County's investments include only the MAGIC Fund at 76 percent.

2. Receivables

Receivables as of December 31, 2011, for the County's governmental activities and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable, gross	\$ 825,780	\$ 335,678
Less: allowance for uncollectible social services and nursing services	<u>(206,852)</u>	<u>(9,700)</u>
Net Accounts Receivable	<u>\$ 618,928</u>	<u>\$ 325,978</u>
 Due From Other Governments	 <u>\$ 2,225,843</u>	 <u>\$ -</u>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Construction in progress	\$ 34,120	\$ 765,254	\$ 34,120	\$ 765,254
Non-depreciable land improvements	19,284	-	-	19,284
Land	1,491,745	6,052	-	1,497,797
Total capital assets not depreciated	\$ 1,545,149	\$ 771,306	\$ 34,120	\$ 2,282,335
Capital assets depreciated				
Land improvements	\$ 398,569	\$ -	\$ -	\$ 398,569
Buildings	7,134,473	-	-	7,134,473
Machinery, furniture, and equipment	5,476,952	557,815	193,282	5,841,485
Infrastructure	55,895,895	2,869,722	-	58,765,617
Total capital assets depreciated	\$ 68,905,889	\$ 3,427,537	\$ 193,282	\$ 72,140,144
Less: accumulated depreciation for				
Land improvements	\$ 110,116	\$ 19,928	\$ -	\$ 130,044
Buildings	3,036,605	184,869	-	3,221,474
Machinery, furniture, and equipment	3,709,887	459,964	172,352	3,997,499
Infrastructure	14,294,894	1,136,276	-	15,431,170
Total accumulated depreciation	\$ 21,151,502	\$ 1,801,037	\$ 172,352	\$ 22,780,187
Total capital assets depreciated, net	\$ 47,754,387	\$ 1,626,500	\$ 20,930	\$ 49,359,957
Governmental Activities Capital Assets, Net	<u>\$ 49,299,536</u>	<u>\$ 2,397,806</u>	<u>\$ 55,050</u>	<u>\$ 51,642,292</u>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 15,600	\$ -	\$ -	\$ 15,600
Construction in progress	204,240	61,050	265,290	-
Total capital assets not depreciated	\$ 219,840	\$ 61,050	\$ 265,290	\$ 15,600
Capital assets depreciated				
Buildings	\$ 1,291,514	\$ 265,290	\$ -	\$ 1,556,804
Improvements other than buildings	68,588	-	-	68,588
Machinery, furniture, and equipment	533,032	56,611	19,944	569,699
Total capital assets depreciated	\$ 1,893,134	\$ 321,901	\$ 19,944	\$ 2,195,091
Less: accumulated depreciation for				
Buildings	\$ 873,277	\$ 38,592	\$ -	\$ 911,869
Improvements other than buildings	68,588	-	-	68,588
Machinery, furniture, and equipment	516,197	8,956	19,944	505,209
Total accumulated depreciation	\$ 1,458,062	\$ 47,548	\$ 19,944	\$ 1,485,666
Total capital assets depreciated, net	\$ 435,072	\$ 274,353	\$ -	\$ 709,425
Business-Type Activities Capital Assets, Net	<u>\$ 654,912</u>	<u>\$ 335,403</u>	<u>\$ 265,290</u>	<u>\$ 725,025</u>

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

Governmental Activities	
General government	\$ 197,533
Public safety	123,474
Highways and streets, including depreciation of infrastructure assets	1,368,664
Human services	10,467
Sanitation	<u>100,899</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,801,037</u>
Business-Type Activities	
Nursing home	<u>\$ 47,548</u>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2011, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Human Services	\$ 4,289
Road and Bridge	General	\$ 3,345
	Solid Waste, Nonmajor	39
Total Due to Road and Bridge Fund		\$ 3,384
Total Due To/From Other Funds		<u>\$ 7,673</u>

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

C. Liabilities

1. Capital Leases/Installment Purchases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2011:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities Loader	2014	Monthly	\$ 995	\$ 85,075	<u>\$ 70,674</u>



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Capital Leases/Installment Purchases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

Year Ending December 31	Governmental Activities
2012	\$ 11,021
2013	11,021
2014	57,895
Total minimum lease payments	\$ 79,937
Less: amount representing interest	(9,263)
Present Value of Minimum Lease Payments	\$ 70,674

2. Bonded Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2011
General obligation bonds					
1999 Solid Waste General Crossover Refunding Bonds	2012	\$15,000 - \$25,000	3.80 - 4.80	\$ 215,000	\$ 25,000
2008A CIP G.O. Bonds	2016	\$190,000 - \$250,000	3.00 - 4.20	1,570,000	1,170,000
2011A CIP G.O. Bonds	2021	\$210,000 - \$260,000	2.00 - 3.125	2,085,000	2,085,000
2011A Equipment Certificates G.O. Bonds	2021	\$35,000 - \$45,000	2.00 - 3.125	350,000	350,000
2011A Solid Waste G.O. Bonds	2021	\$45,000 - \$55,000	2.00 - 3.125	435,000	435,000
2011A Solid Waste Refunding G.O. Bonds	2020	\$15,000 - \$20,000	2.00 - 3.125	145,000	145,000
Total General Obligation Bonds				\$ 4,800,000	\$ 4,210,000

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Bonded Debt

Governmental Activities (Continued)

The Solid Waste Bonds are being paid from the Solid Waste Special Revenue Fund. The 2008A CIP G.O. Bonds will be paid from the G.O. Debt Service Fund. The 2011A G.O. Bonds are also paid from the Debt Service and Solid Waste Special Revenue Funds.

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2011
2004 G.O. Nursing Home Bonds	2012	\$52,075 - \$57,700	2.500 - 4.150	\$ 335,000	\$ 50,000
2011A G.O. Nursing Home Bonds	2021	\$25,000 - \$40,000	2.00 - 3.128	275,000	275,000
Total G.O. Nursing Home Bonds				<u>\$ 610,000</u>	<u>\$ 325,000</u>

Payments on the 2004 and 2011A Nursing Home Bonds are being made from the Nursing Home Enterprise Fund.

3. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2012	\$ 260,000	\$ 120,695
2013	530,000	109,105
2014	545,000	94,440
2015	555,000	78,531
2016	575,000	60,875
2017 - 2021	<u>1,745,000</u>	<u>134,881</u>
Total	<u>\$ 4,210,000</u>	<u>\$ 598,527</u>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2012	\$ 50,000	\$ 8,356
2013	25,000	7,069
2014	25,000	6,569
2015	30,000	5,981
2016	30,000	5,269
2017 - 2021	165,000	13,353
Total	<u>\$ 325,000</u>	<u>\$ 46,597</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 1,575,000	\$ 3,015,000	\$ 380,000	\$ 4,210,000	\$ 260,000
Plus: Deferred amounts for premiums	-	50,971	3,856	47,115	-
Total bonds payable	\$ 1,575,000	\$ 3,065,971	\$ 383,856	\$ 4,257,115	\$ 260,000
Capital leases	79,272	-	8,598	70,674	7,143
Net OPEB obligation	474,089	200,473	-	674,562	-
Compensated absences	728,727	-	26,949	701,778	50,575
Governmental Activities Long-Term Liabilities	<u>\$ 2,857,088</u>	<u>\$ 3,266,444</u>	<u>\$ 419,403</u>	<u>\$ 5,704,129</u>	<u>\$ 317,718</u>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
2004A G.O. Nursing Home Bonds	\$ 100,000	\$ -	\$ 50,000	\$ 50,000	\$ 50,000
2011A G.O. Nursing Home Bonds	-	275,000	-	275,000	-
Deferred amounts					
Unamortized discount	(820)	-	(750)	(70)	-
Unamortized premium	-	4,529	-	4,529	-
Total bonds payable	\$ 99,180	\$ 279,529	\$ 49,250	\$ 329,459	\$ 50,000
Compensated absences	186,071	15,760	-	201,831	19,518
Business-Type Activities Long-Term Liabilities	<u>\$ 285,251</u>	<u>\$ 295,289</u>	<u>\$ 49,250</u>	<u>\$ 531,290</u>	<u>\$ 69,518</u>

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

Plan Description

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

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

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

Plan Description (Continued)

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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

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

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

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund and the Public Employees Police and Fire 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. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent.

The County is required to contribute the following percentages of annual covered payroll in 2011:

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

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Employees Retirement Fund	\$ 567,156	\$ 529,416	\$ 492,093
Public Employees Police and Fire Fund	186,097	182,975	181,265

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

B. Defined Contribution Plan

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

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

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2011, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,629	\$ 3,629
Percentage of covered payroll	5%	5%

Required contribution rates were 5.0 percent.

C. Other Postemployment Benefits (OPEB)

The County provides health insurance benefits for qualifying retired employees under a Blue Cross and Blue Shield Medicare Co-Insurance Plan through the Southeast Service Cooperative. Blue Cross and Blue Shield of Minnesota (BCBSM), under contract with Southeast Service Cooperative, is the claims administrator. There were 40 retirees on this plan in 2011. The retirees on this plan are a separate group from the active plan participants, and the rates for the retiree Medicare Co-Insurance Plan are based on the claims experience of the retirees on the plan only. This plan receives no implicit rate subsidy from the active employees. The County provides benefits for retirees as required by Minn Stat § 471.61, subd 2b. Active employees between the ages of 62 and 65, who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees are required to pay 100 percent of the total group rate. The premium is a blended rate determined on the entire active and retiree population. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate subsidy. As of January 1, 2011, there were three retirees receiving health benefits from the County's health plan. As of year-end, the County has three participants on the County's active employee insurance plan.



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

The County provides postemployment health insurance for qualified employees for life. Qualified employees consist of:

- employees hired prior to 1983 and employees hired from 1984 through 1986 who have eight years of service at retirement who receive County-paid health insurance on the County's plan,
- employees hired from 1987 through 1991 who receive up to \$50 per month of County-paid health insurance, and
- employees hired after 1991 who receive no paid insurance benefits.

Annual OPEB Cost and Net OPEB Obligations

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2011, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$ 374,417
Interest on net OPEB obligations	21,334
Adjustment to ARC	<u>(28,929)</u>
Annual OPEB cost	\$ 366,822
Contribution during the year	<u>(166,349)</u>
Increase in net OPEB obligation	\$ 200,473
Net OPEB - Beginning of Year	<u>474,089</u>
Net OPEB - End of Year	<u><u>\$ 674,562</u></u>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligations (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2009, 2010, and 2011, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2009	\$ 313,691	\$ 177,232	56.50%	\$ 293,982
December 31, 2010	369,804	189,697	51.30	474,089
December 31, 2011	366,822	166,349	45.35	674,562

Funding Status

The County finances the plan on a pay-as-you-go basis.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
January 1, 2007	\$ -	\$ 3,231,449	\$ 3,231,449	0.0%	\$ 6,172,265	52.35%
January 1, 2010	-	3,866,838	3,866,838	0.0	7,207,144	53.65

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010, actuarial valuation, the Projected Unit Credit Actuarial Method was used. The actuarial assumptions included a 4.5 percent discount rate (net of expenses) and an annual health care cost rate of 8.5 initially, reduced incrementally to an ultimate rate of 5.0 percent in 2018. The initial unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30-year period beginning in 2011.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County participates in a service cooperative pool for health and dental insurance. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year.

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 \$450,000 per claim in 2011 and \$460,000 in 2012. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. 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.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

C. Joint Ventures

South Central Human Relations Center, Inc.

The South Central Human Relations Center, Inc., is a joint venture between Dodge, Steele, and Waseca Counties. The Center provides community mental health services to the counties' residents. Each individual county's interest in the Center is based on contractual requirements.

Financial statements are available at South Central Human Relations Center, Inc., 610 Florence Avenue, Owatonna, Minnesota 55060. During the year, Dodge County paid \$22,748 for contracted services.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Family Services Collaborative

The Dodge County Family Services Collaborative was established in 1999 under the authority of Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Dodge County and approximately seven other human services-related agencies serving Dodge County residents. The governing board consists of seven members, of which four represent the legally required participants of a collaborative (a school district, the county, public health, and a community action agency). The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success of every child.

Control of the Collaborative is vested in a Board of Directors. Dodge County Social Services acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2008, Dodge County did not provide any funding. Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of the termination, shall be distributed by the Dodge County Family Services Collaborative Board of Directors.

Currently, the Collaborative does not prepare complete financial statements. Financial information can be obtained by contacting Amy Kunkel, Coordinator, Dodge County Family Services Collaborative.

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a Joint Powers Agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. As of December 31, 2010, Cass, Freeborn, and Crow Wing Counties withdrew from the Joint Powers. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

The purpose of the SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health and medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the above-listed member counties.

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2011, was \$800,487. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as Human Services program expenses or revenues.

Complete financial statements for the SCHA can be obtained from Brian V. Hicks, SCHA Chief Fiscal Officer, at 2300 Park Drive, Suite 100, Owatonna, Minnesota 55060.

Southeastern Minnesota Multi-County HRA

Dodge County is a member of the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA), which provides housing and redevelopment services to member counties. The governing body consists of a Board of Commissioners which is appointed by the member counties. In 1994, the Dodge County Commissioners appointed a member to the HRA Board for a five-year term expiring in 1999. The County has not appointed a member for the vacancy starting in 1999. Dodge County has requested to be released from this HRA. Dodge County made no contributions to the operations of the HRA in 2011.

Financial statements for the HRA may be obtained at its office at 134 East 2nd Street, Wabasha, Minnesota 55981.

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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

D. Jointly-Governed Organizations

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

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During the year, the County expended \$57,408 to the Cooperative.

The Minnesota Workforce Development (MWD) provides various job training services for member organizations. During the year, the County paid \$94,255 to the MWD.

The Southeast Minnesota Emergency Management Services (EMS) provides various health services to several counties. During the year, the County did not contribute any money to the EMS.

The Southeast Minnesota Water Resource Board provides regional water quality services to several counties. During the year, the County paid \$4,000 to the Water Resource Board.

The Southeastern Minnesota Library (SELCO) provides library services within the County. During the year, the County contributed \$131,535 to SELCO.

The Southeastern Minnesota Narcotics Task Force provides drug investigation services for member organizations. During the year, the County paid \$6,000 to the Task Force.

The Southeastern Minnesota Recyclers' Exchange (SEMREX) provides recycled materials sales services for member organizations. During the year, the County paid \$900 to SEMREX.

The Southeast Minnesota Regional Radio Board serves to provide regional administration of enhancement to the allied Radio Matrix for Emergency Response (ARMER) system owned and operated by the State of Minnesota and enhance and improve interoperable public safety communications. During the year, the County paid \$1,000 to the Radio Board.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT A-1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 6,026,400	\$ 6,026,400	\$ 5,991,399	\$ (35,001)
Licenses and permits	26,125	26,125	28,863	2,738
Intergovernmental	1,770,619	1,770,619	2,093,934	323,315
Charges for services	1,734,321	1,734,321	1,391,741	(342,580)
Fines and forfeits	-	-	3,878	3,878
Gifts and contributions	-	-	9,871	9,871
Investment earnings	145,000	145,000	59,421	(85,579)
Miscellaneous	127,150	127,150	279,204	152,054
<b>Total Revenues</b>	<b>\$ 9,829,615</b>	<b>\$ 9,829,615</b>	<b>\$ 9,858,311</b>	<b>\$ 28,696</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 206,121	\$ 206,121	\$ 211,930	\$ (5,809)
Courts	113,281	113,281	126,883	(13,602)
County assessor	350,400	350,400	342,307	8,093
Elections	4,850	4,850	11,746	(6,896)
Finance	397,672	397,672	393,316	4,356
Central services	106,150	106,150	93,037	13,113
Personnel	127,476	127,476	123,704	3,772
Information services	332,508	332,508	223,006	109,502
Attorney	320,005	320,005	305,679	14,326
Law library	17,000	17,000	8,122	8,878
Recorder	605,462	605,462	433,069	172,393
Surveyor	107,978	107,978	64,252	43,726
Planning and zoning	263,950	263,950	229,921	34,029
Buildings and plant	550,715	550,715	315,472	235,243
Veterans service officer	56,005	56,005	84,097	(28,092)
County administrator	190,295	190,295	193,804	(3,509)
Other general government	571,056	571,056	426,300	144,756
<b>Total general government</b>	<b>\$ 4,320,924</b>	<b>\$ 4,320,924</b>	<b>\$ 3,586,645</b>	<b>\$ 734,279</b>
<b>Public safety</b>				
Sheriff	\$ 3,642,073	\$ 3,642,073	\$ 3,504,502	\$ 137,571
Coroner	45,000	45,000	46,461	(1,461)
E-911 system	93,000	93,000	21,994	71,006
Community corrections	221,933	221,933	221,321	612
Drug court	149,702	149,702	150,269	(567)
DARE program	-	-	6,002	(6,002)
Emergency management	97,188	97,188	139,853	(42,665)
Other public safety	-	-	9,219	(9,219)
<b>Total public safety</b>	<b>\$ 4,248,896</b>	<b>\$ 4,248,896</b>	<b>\$ 4,099,621</b>	<b>\$ 149,275</b>

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

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Human services</b>				
Other	\$ 3,685	\$ 3,685	\$ 3,685	\$ -
<b>Health</b>				
Nursing services	\$ 934,572	\$ 934,572	\$ 811,718	\$ 122,854
WIC	88,009	88,009	88,550	(541)
<b>Total health</b>	<b>\$ 1,022,581</b>	<b>\$ 1,022,581</b>	<b>\$ 900,268</b>	<b>\$ 122,313</b>
<b>Culture and recreation</b>				
Historical society	\$ 5,500	\$ 5,500	\$ 5,500	\$ -
Senior citizens	1,620	1,620	1,620	-
County/regional library	131,535	131,535	131,535	-
Ice arena	11,000	11,000	113,871	(102,871)
Other culture and recreation	350	350	350	-
<b>Total culture and recreation</b>	<b>\$ 150,005</b>	<b>\$ 150,005</b>	<b>\$ 252,876</b>	<b>\$ (102,871)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 114,724	\$ 114,724	\$ 107,141	\$ 7,583
Soil and water conservation	80,000	80,000	80,000	-
<b>Total conservation of natural resources</b>	<b>\$ 194,724</b>	<b>\$ 194,724</b>	<b>\$ 187,141</b>	<b>\$ 7,583</b>
<b>Economic development</b>				
Community development	\$ -	\$ -	\$ 150	\$ (150)
<b>Total Expenditures</b>	<b>\$ 9,940,815</b>	<b>\$ 9,940,815</b>	<b>\$ 9,030,386</b>	<b>\$ 910,429</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (111,200)	\$ (111,200)	\$ 827,925	\$ 939,125
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	3,000	3,000	4,924	1,924
<b>Change in Fund Balance</b>	<b>\$ (108,200)</b>	<b>\$ (108,200)</b>	<b>\$ 832,849</b>	<b>\$ 941,049</b>
<b>Fund Balance - January 1</b>	<b>5,782,197</b>	<b>5,782,197</b>	<b>5,782,197</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,673,997</b>	<b>\$ 5,673,997</b>	<b>\$ 6,615,046</b>	<b>\$ 941,049</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT A-2**

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,256,221	\$ 1,256,221	\$ 1,262,042	\$ 5,821
Special assessments	-	-	16,890	16,890
Licenses and permits	-	-	7,450	7,450
Intergovernmental	3,891,848	3,891,848	3,956,332	64,484
Charges for services	172,011	172,011	134,060	(37,951)
Miscellaneous	85,000	85,000	73,923	(11,077)
<b>Total Revenues</b>	<b>\$ 5,405,080</b>	<b>\$ 5,405,080</b>	<b>\$ 5,450,697</b>	<b>\$ 45,617</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 444,654	\$ 444,654	\$ 457,063	\$ (12,409)
Maintenance	1,407,620	1,407,620	1,461,233	(53,613)
Construction	3,055,722	3,055,722	3,089,311	(33,589)
Equipment maintenance and shop	497,084	497,084	523,689	(26,605)
<b>Total highways and streets</b>	<b>\$ 5,405,080</b>	<b>\$ 5,405,080</b>	<b>\$ 5,531,296</b>	<b>\$ (126,216)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (80,599)</b>	<b>\$ (80,599)</b>
<b>Other Financing Sources (Uses)</b>				
Bonds issued	\$ -	\$ -	\$ 350,000	\$ 350,000
Proceeds from sale of capital assets	-	-	12,895	12,895
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 362,895</b>	<b>\$ 362,895</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 282,296</b>	<b>\$ 282,296</b>
<b>Fund Balance - January 1</b>	<b>2,148,896</b>	<b>2,148,896</b>	<b>2,148,896</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>7,973</b>	<b>7,973</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,148,896</b>	<b>\$ 2,148,896</b>	<b>\$ 2,439,165</b>	<b>\$ 290,269</b>

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

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT A-3**

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,614,638	\$ 1,614,638	\$ 1,618,674	\$ 4,036
Intergovernmental	2,229,945	2,229,945	2,233,959	4,014
Miscellaneous	175,000	175,000	251,681	76,681
<b>Total Revenues</b>	<b>\$ 4,019,583</b>	<b>\$ 4,019,583</b>	<b>\$ 4,104,314</b>	<b>\$ 84,731</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,415,659	\$ 1,415,659	\$ 1,248,684	\$ 166,975
Social services	3,103,924	3,103,924	2,255,117	848,807
<b>Total Expenditures</b>	<b>\$ 4,519,583</b>	<b>\$ 4,519,583</b>	<b>\$ 3,503,801</b>	<b>\$ 1,015,782</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (500,000)</b>	<b>\$ (500,000)</b>	<b>\$ 600,513</b>	<b>\$ 1,100,513</b>
<b>Fund Balance - January 1</b>	<b>4,805,854</b>	<b>4,805,854</b>	<b>4,805,854</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,305,854</b>	<b>\$ 4,305,854</b>	<b>\$ 5,406,367</b>	<b>\$ 1,100,513</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

***EXHIBIT A-4***

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2007	\$ -	\$ 3,231,449	\$ 3,231,449	0.0%	\$ 6,172,265	52.35%
January 1, 2010	-	3,866,838	3,866,838	0.0	7,207,144	53.65

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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**1. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Coordinator so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (that is, the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no supplemental budgetary appropriations.

Encumbrance accounting is employed in governmental funds. Encumbrances (such as purchase orders or contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

**2. Excess of Expenditures Over Budget**

The following is a summary of the major funds that had expenditures in excess of budget for the year ended December 31, 2011.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund	\$ 5,531,296	\$ 5,405,080	\$ 126,216

**3. Other Postemployment Benefits**

Beginning in 2008, Dodge County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. See Note 4.C. to the financial statements for more information.

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## **SUPPLEMENTARY INFORMATION**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Ditch Fund accounts for construction, reconstruction, and maintenance of both County and joint County drainage systems. These public improvements and services are deemed to benefit the properties against which special assessments are levied.

The Solid Waste Fund accounts for the financial activities of the solid waste landfill/recycling operations.

CAPITAL PROJECTS FUNDS

The Capital Improvements Plan Fund accounts for capital improvements on the Courthouse Building.

DEBT SERVICE FUNDS

The Courthouse Improvements Fund accounts for the accumulation of resources for and the payment of principal, interest, and related costs of the 2002 General Obligation Courthouse Bonds.

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT B-1**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<b>Special Revenue Funds</b>		<b>Capital Improvements Plan Capital Projects Fund</b>	<b>Courthouse Improvements Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds (Exhibit 3)</b>
	<b>Ditch</b>	<b>Solid Waste</b>			
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 74,989	\$ 1,194,587	\$ 1,557,066	\$ 391,076	\$ 3,217,718
Petty cash and change funds	-	150	-	-	150
Taxes receivable					
Prior	-	6,945	-	9,489	16,434
Special assessments receivable					
Prior	40	19,566	-	-	19,606
Accounts receivable	-	83,798	-	-	83,798
Due from other governments	818	17,486	-	-	18,304
<b>Total Assets</b>	<b>\$ 75,847</b>	<b>\$ 1,322,532</b>	<b>\$ 1,557,066</b>	<b>\$ 400,565</b>	<b>\$ 3,356,010</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 35,358	\$ 179,744	\$ -	\$ 215,102
Salaries payable	-	17,695	-	-	17,695
Contracts payable	-	-	175,011	-	175,011
Due to other funds	-	39	-	-	39
Due to other governments	2,396	60,191	-	-	62,587
Deferred revenue - unavailable	40	24,064	-	6,351	30,455
Deferred revenue - unearned	-	35,379	-	-	35,379
<b>Total Liabilities</b>	<b>\$ 2,436</b>	<b>\$ 172,726</b>	<b>\$ 354,755</b>	<b>\$ 6,351</b>	<b>\$ 536,268</b>
<b>Fund Balances</b>					
Restricted for					
Capital projects	\$ -	\$ 435,000	\$ 1,202,311	\$ -	\$ 1,637,311
NRBG	-	90,228	-	-	90,228
Debt service	-	-	-	394,214	394,214
Committed to					
Capital equipment	-	238,981	-	-	238,981
Change funds	-	150	-	-	150
Landfill postclosure	-	93,340	-	-	93,340
Assigned to					
Ditches	73,411	-	-	-	73,411
Environmental quality	-	292,107	-	-	292,107
<b>Total Fund Balances</b>	<b>\$ 73,411</b>	<b>\$ 1,149,806</b>	<b>\$ 1,202,311</b>	<b>\$ 394,214</b>	<b>\$ 2,819,742</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 75,847</b>	<b>\$ 1,322,532</b>	<b>\$ 1,557,066</b>	<b>\$ 400,565</b>	<b>\$ 3,356,010</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT B-2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Special Revenue Funds</b>		<b>Capital Improvements Plan Capital Projects Fund</b>	<b>Courthouse Improvements Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds (Exhibit 5)</b>
	<b>Ditch</b>	<b>Solid Waste</b>			
<b>Revenues</b>					
Taxes	\$ -	\$ 182,144	\$ -	\$ 226,187	\$ 408,331
Special assessments	8,563	168,793	-	-	177,356
Licenses and permits	-	25,880	-	-	25,880
Intergovernmental	-	194,833	-	35,114	229,947
Charges for services	-	1,285,231	-	-	1,285,231
Investment earnings	-	455	671	527	1,653
Miscellaneous	5,000	3,518	-	-	8,518
<b>Total Revenues</b>	<b>\$ 13,563</b>	<b>\$ 1,860,854</b>	<b>\$ 671</b>	<b>\$ 261,828</b>	<b>\$ 2,136,916</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ -	\$ 12,500	\$ -	\$ 12,500
Sanitation	-	1,734,330	-	-	1,734,330
Culture and recreation	-	-	124,935	-	124,935
Conservation of natural resources	14,916	76,429	-	-	91,345
<b>Capital outlay</b>					
General government	-	-	898,232	-	898,232
<b>Debt service</b>					
Principal	-	178,598	-	210,000	388,598
Interest	-	15,632	-	74,381	90,013
Bond issuance costs	-	-	-	33,059	33,059
Administrative - fiscal charges	-	-	-	1,350	1,350
<b>Total Expenditures</b>	<b>\$ 14,916</b>	<b>\$ 2,004,989</b>	<b>\$ 1,035,667</b>	<b>\$ 318,790</b>	<b>\$ 3,374,362</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (1,353)</b>	<b>\$ (144,135)</b>	<b>\$ (1,034,996)</b>	<b>\$ (56,962)</b>	<b>\$ (1,237,446)</b>
<b>Other Financing Sources (Uses)</b>					
Bonds issued	\$ -	\$ 580,000	\$ 2,085,000	\$ -	\$ 2,665,000
Premium on bonds/notes issued	-	-	-	50,971	50,971
Proceeds from sale of assets	-	1,300	-	-	1,300
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 581,300</b>	<b>\$ 2,085,000</b>	<b>\$ 50,971</b>	<b>\$ 2,717,271</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,353)</b>	<b>\$ 437,165</b>	<b>\$ 1,050,004</b>	<b>\$ (5,991)</b>	<b>\$ 1,479,825</b>
<b>Fund Balance - January 1</b>	<b>74,764</b>	<b>712,641</b>	<b>152,307</b>	<b>400,205</b>	<b>1,339,917</b>
<b>Fund Balance - December 31</b>	<b>\$ 73,411</b>	<b>\$ 1,149,806</b>	<b>\$ 1,202,311</b>	<b>\$ 394,214</b>	<b>\$ 2,819,742</b>



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT B-3**

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Revenues</b>				
Special assessments	\$ 6,500	\$ 6,500	\$ 8,563	\$ 2,063
Miscellaneous	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
<b>Total Revenues</b>	<b>\$ 6,500</b>	<b>\$ 6,500</b>	<b>\$ 13,563</b>	<b>\$ 7,063</b>
<b>Expenditures</b>				
<b>Current</b>				
Conservation of natural resources				
Other	<u>22,280</u>	<u>22,280</u>	<u>14,916</u>	<u>7,364</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (15,780)</b>	<b>\$ (15,780)</b>	<b>\$ (1,353)</b>	<b>\$ 14,427</b>
<b>Fund Balance - January 1</b>	<b><u>74,764</u></b>	<b><u>74,764</u></b>	<b><u>74,764</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 58,984</u></u></b>	<b><u><u>\$ 58,984</u></u></b>	<b><u><u>\$ 73,411</u></u></b>	<b><u><u>\$ 14,427</u></u></b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT B-4**

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 180,182	\$ 180,182	\$ 182,144	\$ 1,962
Special assessments	165,616	165,616	168,793	3,177
Licenses and permits	24,000	24,000	25,880	1,880
Intergovernmental	124,312	124,312	194,833	70,521
Charges for services	1,403,239	1,403,239	1,285,231	(118,008)
Investment earnings	1,230	1,230	455	(775)
Miscellaneous	1,750	1,750	3,518	1,768
<b>Total Revenues</b>	<b>\$ 1,900,329</b>	<b>\$ 1,900,329</b>	<b>\$ 1,860,854</b>	<b>\$ (39,475)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 1,269,524	\$ 1,269,524	\$ 1,307,068	\$ (37,544)
Recycling	367,903	367,903	273,453	94,450
Hazardous waste	23,007	23,007	18,750	4,257
Wastewater treatment	134,770	134,770	135,059	(289)
<b>Total sanitation</b>	<b>\$ 1,795,204</b>	<b>\$ 1,795,204</b>	<b>\$ 1,734,330</b>	<b>\$ 60,874</b>
<b>Conservation of natural resources</b>				
Water planning	-	-	76,429	(76,429)
<b>Debt service</b>				
Principal	86,156	86,156	178,598	(92,442)
Interest	18,969	18,969	15,632	3,337
<b>Total Expenditures</b>	<b>\$ 1,900,329</b>	<b>\$ 1,900,329</b>	<b>\$ 2,004,989</b>	<b>\$ (104,660)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (144,135)</b>	<b>\$ (144,135)</b>
<b>Other Financing Sources (Uses)</b>				
Bonds issued	\$ -	\$ -	\$ 580,000	\$ 580,000
Proceeds from sale of assets	-	-	1,300	1,300
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 581,300</b>	<b>\$ 581,300</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 437,165</b>	<b>\$ 437,165</b>
<b>Fund Balance - January 1</b>	<b>712,641</b>	<b>712,641</b>	<b>712,641</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 712,641</b>	<b>\$ 712,641</b>	<b>\$ 1,149,806</b>	<b>\$ 437,165</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT B-5**

**BUDGETARY COMPARISON SCHEDULE  
COURTHOUSE IMPROVEMENTS DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 225,534	\$ 225,534	\$ 226,187	\$ 653
Intergovernmental	33,186	33,186	35,114	1,928
Interest on investment	-	-	527	527
<b>Total Revenues</b>	<b>\$ 258,720</b>	<b>\$ 258,720</b>	<b>\$ 261,828</b>	<b>\$ 3,108</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 210,000	\$ 210,000	\$ 210,000	\$ -
Interest	47,970	47,970	74,381	(26,411)
Bond issuance costs	-	-	33,059	(33,059)
Administrative - fiscal charges	750	750	1,350	(600)
<b>Total Expenditures</b>	<b>\$ 258,720</b>	<b>\$ 258,720</b>	<b>\$ 318,790</b>	<b>\$ (60,070)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ (56,962)	\$ (56,962)
<b>Other Financing Sources (Uses)</b>				
Premium on bonds/notes issued	-	-	50,971	50,971
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,991)</b>	<b>\$ (5,991)</b>
<b>Fund Balance - January 1</b>	<b>400,205</b>	<b>400,205</b>	<b>400,205</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 400,205</b>	<b>\$ 400,205</b>	<b>\$ 394,214</b>	<b>\$ (5,991)</b>

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## **FIDUCIARY FUNDS**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**AGENCY FUNDS**

The EDA/HRA Fund accounts for transactions of the Dodge County Economic Development Authority for which the County is the fiscal agent.

The Settlement Fund accounts for the collection and distribution of all property taxes to County funds and local towns, cities, and school districts.

The Revolving Fund accounts for the transfer of fines through various local governments and transfers of the following items to the state: assurance, fines and surcharges, licenses, and sales tax.

The Agency Cluster Fund accounts for the transactions for the regional/agency cluster for which Dodge County is the fiscal agent.

The Family Services Collaborative Fund accounts for monies received and expended by the Family Services Collaborative.

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

***EXHIBIT C-1***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>EDA/HRA</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 77,835	\$ 17,771	\$ 22,814	\$ 72,792
<b><u>Liabilities</u></b>				
Accounts payable	\$ 77,835	\$ 17,771	\$ 22,814	\$ 72,792
 <b><u>SETTLEMENT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 180,997	\$ 23,974,597	\$ 23,961,827	\$ 193,767
<b><u>Liabilities</u></b>				
Accounts payable	\$ 9,474	\$ 5,550	\$ 9,474	\$ 5,550
Due to other funds	-	9,461,811	9,461,811	-
Due to other governments	171,523	14,507,236	14,490,542	188,217
<b>Total Liabilities</b>	<b>\$ 180,997</b>	<b>\$ 23,974,597</b>	<b>\$ 23,961,827</b>	<b>\$ 193,767</b>
 <b><u>REVOLVING</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 98,609	\$ 2,844,462	\$ 2,864,593	\$ 78,478
<b><u>Liabilities</u></b>				
Due to other governments	\$ 98,609	\$ 2,844,462	\$ 2,864,593	\$ 78,478

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

***EXHIBIT C-1  
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>AGENCY CLUSTER</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>562</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>562</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>562</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>562</u>
<b><u>FAMILY SERVICES COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>121,039</u>	\$ <u>125,586</u>	\$ <u>91,294</u>	\$ <u>155,331</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>121,039</u>	\$ <u>125,586</u>	\$ <u>91,294</u>	\$ <u>155,331</u>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>479,042</u>	\$ <u>26,962,416</u>	\$ <u>26,940,528</u>	\$ <u>500,930</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 87,309	\$ 23,321	\$ 32,288	\$ 78,342
Due to other funds	-	9,461,811	9,461,811	-
Due to other governments	<u>391,733</u>	<u>17,477,284</u>	<u>17,446,429</u>	<u>422,588</u>
<b>Total Liabilities</b>	<b>\$ <u>479,042</u></b>	<b>\$ <u>26,962,416</u></b>	<b>\$ <u>26,940,528</u></b>	<b>\$ <u>500,930</u></b>

## **OTHER SCHEDULES**

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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT D-1**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Governmental Funds</b>
<b>Shared Revenue</b>	
<b>State</b>	
Highway users tax	\$ 3,204,717
PERA rate reimbursement	30,670
Disparity reduction aid	161,066
Police aid	146,347
County program aid	740,520
Market value credit	421,167
Market value credit - residential	77,832
Market value credit - manufactured home	5,337
Market value credit - agricultural	70
Disaster credit	2,783
Enhanced 911	92,944
<b>Total shared revenue</b>	<b>\$ 4,883,453</b>
<b>Reimbursement for Services</b>	
<b>State</b>	
Minnesota Department of Human Services	<b>\$ 312,740</b>
<b>Payments</b>	
<b>Local</b>	
Other contributions	\$ 10,721
Household hazardous waste	600
Local contributions	24,089
Payments in lieu of taxes	5,194
<b>Total payments</b>	<b>\$ 40,604</b>
<b>Grants</b>	
<b>State</b>	
Minnesota Department/Board of	
Employment and Economic Development	\$ 72,190
Health	145,756
Human Services	673,224
Natural Resources	29,066
Public Safety	22,010
Transportation	78,116
Trial Courts	92,630
Veterans Affairs	26,000
Water and Soil Resources	163,340
Pollution Control Agency	35,060
Secretary of State	362
Peace Officer Standards and Training Board	9,847
<b>Total state</b>	<b>\$ 1,347,601</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Governmental Funds</b>
<b>Grants (Continued)</b>	
<b>Federal</b>	
Department of	
Agriculture	\$ 195,337
Transportation	403,761
Health and Human Services	1,081,451
Homeland Security	247,055
Environmental Protection Agency	2,170
<b>Total federal</b>	<b>\$ 1,929,774</b>
<b>Total state and federal grants</b>	<b>\$ 3,277,375</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 8,514,172</b>

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

***EXHIBIT D-2***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<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	\$ 86,482
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	108,855
<b>Total U.S. Department of Agriculture</b>		<b>\$ 195,337</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 398,303
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	3,294
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2,164
<b>Total U.S. Department of Transportation</b>		<b>\$ 403,761</b>
<b>U.S. Environmental Protection Agency</b>		
Passed Through Southeast Minnesota Water Resources Board Nonpoint Source Implementation Grants	66.460	<b>\$ 2,170</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	\$ 9,500
Universal Newborn Hearing Screening	93.251	375
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	19,484
Temporary Assistance for Needy Families	93.558	3,276
Maternal and Child Health Services Block Grant to the States	93.994	18,446

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**EXHIBIT D-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	9,966
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families (TANF)	93.558	105,575
Emergency Contingency Fund for TANF State Program - ARRA	93.714	4,276
Child Support Enforcement	93.563	310,052
Child Care Cluster		
Child Care and Development Block Grant	93.575	1,059
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	10,046
Stephanie Tubbs Jones Child Welfare Services Program	93.645	11,909
Foster Care Title IV-E	93.658	54,745
Social Services Block Grant	93.667	100,193
Chafee Foster Care Independence Program	93.674	3,650
Children's Health Insurance Program	93.767	70
Medical Assistance Program	93.778	373,578
Block Grant for Community Mental Health Services	93.958	15,663
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 1,051,863</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 67,680
Passed Through Southeast Minnesota Regional Radio Board		
Interoperable Emergency Communications	97.055	1,570
Homeland Security Grant Program	97.067	34,024
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 103,274</b>
<b>Total Federal Awards</b>		<b>\$ 1,756,405</b>



**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Dodge County under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Dodge County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Dodge County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Temporary Assistance for Needy Families Cluster	\$ 113,127
Child Care and Development Cluster	11,105

**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

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5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,929,774
Grants received more than 60 days after year-end, deferred in 2011	
Child Care Development Block Grant (CFDA #93.575)	1,059
Medical Assistance Program (CFDA #93.778)	40
Deferred in 2010, recognized as revenue in 2011	
Immunization - ARRA (CFDA #93.712)	(6,103)
Universal Newborn Hearing Screening (CFDA #93.251)	(275)
Homeland Security Grant Program (CFDA #97.067)	(64,313)
Public Safety Interoperable Communications Grant Program (CFDA #11.555)	(76,729)
Interoperable Emergency Communications (CFDA #97.055)	(2,739)
Child Support Enforcement (CFDA #93.563)	(20,083)
Child Care Mandatory and Matching Fund of the Child Care Development Fund (CFDA #93.596)	(2,107)
Foster Care Title IV-E (CFDA #93.658)	(976)
Medical Assistance Program (CFDA #93.778)	(1,143)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,756,405</u>

6. Subrecipients

During 2011, Dodge County did not pass any federal money to subrecipients.

7. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.



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**DODGE COUNTY  
MANTORVILLE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

**Financial Statements**

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

**Federal Awards**

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

Highway Planning and Construction	CFDA #20.205
Temporary Assistance for Needy Families Cluster	
Temporary Assistance for Needy Families	CFDA #93.558
ARRA - Emergency Contingency Fund for Temporary	
Assistance for Needy Families State Program	CFDA #93.714
Child Support Enforcement	CFDA #93.563
Medical Assistance	CFDA #93.778

The threshold for distinguishing between Types A and B programs was \$300,000.

Dodge County qualified as low-risk auditee? **No**

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEM NOT RESOLVED

##### 06-2 Audit Adjustments

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, in a timely basis.

**Condition:** During our audit, we identified a material adjustment that resulted in significant changes to the County's financial statements.

**Context:** The County provides trial balances which convert the cash basis general ledger to the modified accrual basis necessary for preparing fund level and government-wide financial statements. The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

**Effect:** Audit adjustments were necessary to record an additional receivable found in the Road and Bridge Special Revenue Fund of \$312,456.

**Cause:** County staff did not have the time to properly review the trial balances necessary to provide accurate financial statements.

**Recommendation:** We recommend that County staff review internal control procedures over trial balance and financial statement preparation to ensure the County's financial statements are reported in accordance with generally accepted accounting principles.

#### Client's Response:

*The County is developing a more detailed strategy to review trial balances and updating its procedures with new documentation.*

## ITEM ARISING THIS YEAR

### 11-1 Segregation of Duties

**Criteria:** A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

**Condition:** Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts. Specifically, we noted these issues in our review of the Sheriff's Department and also the Planning and Zoning Department. Our review of the checking accounts in the Sheriff's Department also disclosed the bank reconciliations were not being performed timely, and there was no review of the reconciliations to ensure the accuracy and completeness.

**Context:** Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Dodge County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

**Effect:** Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

**Cause:** The County does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

**Recommendation:** We recommend that the County's elected officials and management be aware of the lack of segregation of duties of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

#### Client's Response:

*The additional bank accounts controlled by the Sheriff's department have been closed. Now all monies are processed by the Finance department and deposited and paid from the main County checking account.*

*Planning and Zoning is a two person department, so we are unsure if we can achieve adequate separation of duties. It is a low fee office, and most of the payments made to them are by check. Based on this we feel that this is a low risk area and has as stringent internal controls as are possible with its limited staff.*

#### PREVIOUSLY REPORTED ITEMS RESOLVED

##### **Investment Oversight (06-4)**

During our review of internal control over investments, we noted that the County had no oversight procedures for investment activity. The Finance Director and Accounting Services Director exchange, renew, or purchase investments and also have access to these investments. The duties of purchasing investments and access to the investments are considered incompatible duties.

##### **Resolution**

Review of investment internal controls disclosed that the County has oversight procedures for investment activity.

##### **Data Processing Policies and Procedures (09-1)**

The County did not have written policies and procedures in place to address the following for its information technology system: information security, operations development, termination of employees, and email encryption methods.

##### **Resolution**

The County has policies and procedures to address information security, operations development, termination of employees, and email encryption methods.

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

#### ITEM ARISING THIS YEAR

##### **11-2 Reporting Controls**

**Program:** Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558)

**Criteria:** Standard internal control procedures should include a review and approval process for reports to ensure the reports submitted to the State of Minnesota are accurate and meet reporting requirements.



**Condition:** During our testing of controls over reporting for the County's Public Health Department, we did not find a documented review process of reports submitted to the Minnesota Department of Health by a supervisory-level individual independent of the individual who prepares the reports.

**Questioned Costs:** None.

**Context:** The County reports expenditures incurred for administering the Local Public Health Grant - TANF to the Minnesota Department of Health on a quarterly basis.

**Effect:** The lack of periodic review of reports by a supervisory-level individual increases the risk that reports submitted will not be correct.

**Cause:** The County does not have adequate procedures in place to ensure that reports submitted are reviewed.

**Recommendation:** We recommend the County document supervisory review of the quarterly Local Public Health Grant - TANF reports submitted to the Minnesota Department of Health to ensure the reports are accurate and meeting reporting requirements.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Gail Hester*

Corrective Action Planned:

*Reports/Invoices are printed, reviewed and signed off on by the Public Health Director, Peggy Espey.*

Anticipated Completion Date:

*This has been implemented as of September 5th, 2012.*

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### MINNESOTA LEGAL COMPLIANCE

##### ITEM ARISING THIS YEAR

##### 11-3 Collateral to Secure Deposits

**Criteria:** Minnesota Statute § 118A.03 requires governmental entities to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit.

**Condition:** The County had deposits at Citizens Bank and Equity Bank that were not adequately covered by collateral.

**Context:** The amount of collateral required to secure deposits at Citizens Bank and Equity Bank on December 31, 2011, were \$124,089 and \$68,120 more than the amount of collateral pledged, respectively.

**Effect:** The County was not in compliance with Minn. Stat. § 118A.03.

**Cause:** The County was not adequately monitoring collateral amounts to determine if deposits were adequately covered.

**Recommendation:** We recommend the County establish procedures to monitor all County deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

##### Client's Response:

*The County is now using a spreadsheet to track collateralization on a monthly basis to ensure adequate coverage.*

##### PREVIOUSLY REPORTED ITEM RESOLVED

##### **Sale of Excess Property (10-1)**

Review of excess property sales found the County is selling excess property on Craigslist, and some of those sales were made to County employees. Minn. Stat. § 15.054 states that property or material owned by the County and not needed for public purposes can be sold to an employee only after reasonable public notice at a public auction or by sealed bid.

##### **Resolution**

Review of excess property sales did not find any violations of Minn. Stat. § 15.054.



REBECCA OTTO  
STATE AUDITOR

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

Board of County Commissioners  
Dodge County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dodge County as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 20, 2012. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Dodge County Nursing Home, presented as the enterprise fund and the business-type activities of the County, as described in our report on Dodge County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

Management of Dodge County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Dodge 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 and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 06-2 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 11-1 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dodge 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 Political Subdivisions*, 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 Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because the County did not have any.

The results of our tests indicate that for the items tested, Dodge County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 11-3.

Dodge County's written responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses 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 Dodge 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

September 20, 2012

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### **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Dodge County

#### Compliance

We have audited Dodge County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. Dodge County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dodge 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, Dodge County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

#### Internal Control Over Compliance

Management of Dodge 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 11-2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Dodge County's corrective action plan to the federal award finding identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plan and, accordingly, we express no opinion on it.



This report is intended solely for the information and use of the Board of County Commissioners, management and others within the 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

September 20, 2012