

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

DODGE COUNTY
MANTORVILLE, MINNESOTA

YEAR ENDED DECEMBER 31, 2012

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, 2012



**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, 2012**

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	John Allen	District 1	January 2016
Chair	Lyle Tjosaas	District 2	January 2014
Board Member	Rodney Peterson	District 3	January 2014
Board Member	David Erickson	District 4	January 2016
Board Member	Steven Gray	District 5	January 2016
Attorney	Paul Kiltinen		January 2014
Judge of County Court	Joseph Wieners		July 2013
County Recorder	Sue Alberts		January 2014
Registrar of Titles	Sue Alberts		January 2014
County Sheriff	Jim Jensen		January 2014
Appointed			
Assessor	Ryan DeCook		Indefinite
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		Indefinite
Veteran Services Officer	Todd Nelson		June 2015
Weed Inspector	Ken Folie		Indefinite
Zoning Administrator	Melissa DeVetter		Indefinite

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Dodge County

Report on the Financial Statements

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, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 statements were audited by other auditors whose report 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dodge County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dodge County's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 25, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012
(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, 2012. 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 position are \$71,501,144, of which \$52,683,362 are net investment in capital assets, and \$3,691,042 are restricted to specific purposes.
- Business-type activities have total net position of \$440,629. Net investment in capital assets, represents \$401,702 of the total, and \$7,346 are restricted for donations.
- Dodge County's net position increased by \$5,213,389 for the year ended December 31, 2012. Of the increase, \$5,338,683 was in the governmental activities' net position. The business-type activities' net position decreased by \$125,294.
- The net cost of governmental activities decreased by \$1,709,681 to \$6,381,595 for the current fiscal year. The net cost was funded by general revenues and other items.
- Governmental funds' fund balances increased by \$1,273,674.
- During 2012, Dodge County issued no new debt. The government activities total bonded debt at the end of the year was \$3,950,000.

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 Position 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 Position and the Statement of Activities

Our analysis of the County as a whole begins on Exhibits 1 and 2. The Statement of Net Position 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 position and changes in them. You can think of the County's net position--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 position 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 Position 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 Position 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 Position 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 position and changes in fiduciary net position. 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 position increased from \$66,728,384 to \$71,941,773. Looking at the net position and net expenses of governmental and business-type activities separately, however, two different stories emerge. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental and business-type activities.

Table 1
Net Position
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 23.6	\$ 22.1	\$ 0.4	\$ 0.6	\$ 24.0	\$ 22.7
Capital assets	55.1	51.6	0.7	0.7	55.8	52.3
Total Assets	\$ 78.7	\$ 73.7	\$ 1.1	\$ 1.3	\$ 79.8	\$ 75.0
Long-term debt outstanding	\$ 5.7	\$ 5.7	\$ 0.5	\$ 0.5	\$ 6.2	\$ 6.2
Other liabilities	1.5	1.8	0.2	0.2	1.7	2.0
Total Liabilities	\$ 7.2	\$ 7.5	\$ 0.7	\$ 0.7	\$ 7.9	\$ 8.2
Net position						
Net investment in capital assets	\$ 52.7	\$ 47.6	\$ 0.4	\$ 0.4	\$ 53.1	\$ 48.0
Restricted	3.7	2.9	-	-	3.7	2.9
Unrestricted	15.1	15.7	-	0.2	15.1	15.9
Total Net Position	\$ 71.5	\$ 66.2	\$ 0.4	\$ 0.6	\$ 71.9	\$ 66.8

Net position of the County's governmental activities increased by 8.0 percent (\$71.5 million compared to \$66.2 million). Unrestricted net position--the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--changed from \$15.7 million at December 31, 2011, to \$15.1 million at the end of 2012. The unrestricted net position of our business-type activities decreased \$0.2 million, to \$0 million December 31, 2012.

Table 2
Changes in Net Position
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 3.5	\$ 3.3	\$ 4.2	\$ 4.2	\$ 7.7	\$ 7.5
Operating grants and Contributions	7.2	6.7	-	-	7.2	6.7
Capital grants and Contributions	2.1	0.6	-	-	2.1	0.6
General revenues						
Property taxes	10.3	9.3	-	-	10.3	9.3
Unrestricted grants and Contributions	1.1	1.4	-	-	1.1	1.4
Other general revenues	0.3	0.4	-	-	0.3	0.4
Total Revenues	\$ 24.5	\$ 21.7	\$ 4.2	\$ 4.2	\$ 28.7	\$ 25.9
Program expenses						
General government	\$ 4.0	\$ 4.1	\$ -	\$ -	\$ 4.0	\$ 4.1
Public safety	4.0	3.9	-	-	4.0	3.9
Highways and streets	4.1	4.0	-	-	4.1	4.0
Sanitation	1.6	1.7	-	-	1.6	1.7
Human services	4.1	3.3	-	-	4.1	3.3
Health	0.8	0.9	-	-	0.8	0.9
Culture and recreation	0.2	0.4	-	-	0.2	0.4
Conservation of natural resources	0.3	0.3	-	-	0.3	0.3
Interest	0.1	0.1	-	-	0.1	0.1
Nursing home	-	-	4.3	4.3	4.3	4.3
Total Program Expenses	\$ 19.2	\$ 18.7	\$ 4.3	\$ 4.3	\$ 23.5	\$ 23.0
Revenues Over (Under) Program Expenses	\$ 5.3	\$ 3.0	\$ (0.1)	\$ (0.1)	\$ 5.2	\$ 2.9
Transfers	-	-	-	-	-	-
Increase (Decrease) in Net Position	\$ 5.3	\$ 3.0	\$ (0.1)	\$ (0.1)	\$ 5.2	\$ 2.9

The County’s total revenues increased by about 10.8 percent or \$2.8 million. The total cost of all programs and services increased by 2.2 percent or \$0.5 million over the previous year. Expenses in Human Services increased significantly contributing to the overall increase in expenses.

Governmental Activities

Revenues for the County governmental activities increased by 13.0 percent, from \$21,664,295 in 2011 to \$24,493,125 for 2012, and total expenses increased by 2.6 percent, from \$18,664,738 in 2011 to \$19,154,442 in 2012.

The cost of all governmental activities this year was \$19,154,442 compared to \$18,664,738 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 \$10,345,823, because some of the cost was paid by those who directly benefited from the programs (\$3,472,670) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9,300,177). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for services, increase in 2012 to \$12,772,847 from \$10,573,462 principally based on an increase in grants and contributions. The County paid for the remaining “public benefit” portion of governmental activities with \$11,720,278 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	
	2012	2011	2012	2011
Human services	\$ 4.1	\$ 3.3	\$ 1.9	\$ 1.4
Highways and streets	4.1	4.0	(2.2)	(0.4)
Public safety	4.0	3.9	3.0	2.9
General government	4.0	4.1	3.1	3.3
Sanitation	1.6	1.6	0.1	0.1
All others	1.4	1.8	0.5	0.8
Total Governmental Activities	\$ 19.2	\$ 18.7	\$ 6.4	\$ 8.1

Business-Type Activities

Revenues of the County's business-type activities (see Table 2) showed a decrease of 1.2 percent (\$4,155,987 in 2012 compared to \$4,205,495 in 2011), and expenses increased by less than 1.0 percent (\$4,281,281 in 2012 compared to \$4,265,630 in 2011). The most important factor driving these results the reimbursement rate for Medicare and Medicaid patients combined with continued positive census (94.1 percent) for 2012.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in Exhibit 3) reported a combined fund balance of \$18,553,994, which is an increase from last year's total of \$17,280,320. Of the 2012 combined fund balance of \$18,553,994, \$434,132 is nonspendable, \$3,326,905 is restricted to specific purposes, \$564,544 is committed to specific uses, and \$8,177,296 is assigned to specific purposes.

County Fund Budgetary Highlights

There were no amendments to the 2012 original County budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the County had \$55,811,136 (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 \$3,443,819 over last year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 1.8	\$ 1.5	\$ -	\$ -	\$ 1.8	\$ 1.5
Construction in progress	-	0.8	-	-	-	0.8
Land improvements	0.3	0.3	-	-	0.3	0.3
Building and improvements	4.8	3.9	0.6	0.6	5.4	4.5
Machinery, vehicles, furniture, and equipment	2.0	1.8	0.1	0.1	2.1	1.9
Infrastructure	46.2	43.3	-	-	46.2	43.3
Total Net Position	\$ 55.1	\$ 51.6	\$ 0.7	\$ 0.7	\$ 55.8	\$ 52.3

This year's major additions included:

- addition of \$3,972,635 in infrastructure construction costs and
- addition of \$1,115,917 in buildings upon completion of projects at the courthouse and transfer station.

Debt

At year-end, the County had \$4.2 million in bonds and notes outstanding, versus \$4.5 million last year, a decrease of 7 percent, as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Bonds	\$ 3.9	\$ 4.2	\$ 0.3	\$ 0.3	\$ 4.2	\$ 4.5

The County's general obligation bond rating carries a AA-/Stable bond rating from Standard and Poor's Agency as reported in 2012.

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 2012 budget, tax rates, and fees that will be charged for the business-type activities.

- The unemployment rate in Dodge County decreased, moving from 6.1 percent in 2011 to 5.3 percent in 2012 for the annual average. This still compared favorably with the Minnesota rate of 5.7 percent and the U.S. rate of 8.1 percent.
- County General Fund expenditures for 2013 are budgeted to decrease 3.56 percent over 2012.
- Dodge County population grew by 8.9 percent from 2002 to 2012, compared to an increase of 6.2 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 2.85 percent for 2013.

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 POSITION
DECEMBER 31, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 17,488,368	\$ 33,495	\$ 17,521,863
Petty cash and change funds	3,780	400	4,180
Investments	12,500	-	12,500
Investment in joint venture	976,570	-	976,570
Taxes receivable			
Prior - net	315,882	-	315,882
Special assessments receivable - net			
Prior - net	19,624	-	19,624
Accounts receivable - net	573,381	304,711	878,092
Accrued interest receivable	30,042	-	30,042
Loan receivable	464,770	-	464,770
Due from other governments	3,578,399	-	3,578,399
Inventories	118,260	-	118,260
Restricted assets			
Cash and pooled investments	-	111,341	111,341
Deferred charges	28,031	4,035	32,066
Capital assets			
Non-depreciable	1,804,460	15,600	1,820,060
Depreciable - net of accumulated depreciation	53,325,939	665,137	53,991,076
Total Assets	\$ 78,740,006	\$ 1,134,719	\$ 79,874,725
<u>Liabilities</u>			
Accounts payable	\$ 174,943	\$ 73,474	\$ 248,417
Salaries payable	360,383	113,352	473,735
Contracts payable	189,223	-	189,223
Due to other governments	332,142	-	332,142
Accrued interest payable	48,009	-	48,009
Unearned revenue	244,596	-	244,596
Customer deposits	162,254	-	162,254
Interest payable from restricted assets	-	3,043	3,043
Trust and security deposits from restricted assets	-	1,964	1,964
Long-term liabilities			
Due within one year	575,774	59,954	635,728
Due in more than one year	5,151,538	442,303	5,593,841
Total Liabilities	\$ 7,238,862	\$ 694,090	\$ 7,932,952

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Net Position</u>			
Net investment in capital assets	\$ 52,683,362	\$ 401,702	\$ 53,085,064
Restricted for			
Debt service	693,656	-	693,656
General government	382,361	-	382,361
Public safety	239,216	-	239,216
Highways and streets	1,897,825	-	1,897,825
Sanitation	91,684	-	91,684
Human services	230,798	-	230,798
Health	32,737	-	32,737
Economic development	47,984	-	47,984
Ditch	74,781	-	74,781
Donations	-	7,346	7,346
Unrestricted	15,126,740	31,581	15,158,321
Total Net Position	\$ 71,501,144	\$ 440,629	\$ 71,941,773

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 3,970,294	\$ 595,810
Public safety	4,015,052	647,881
Highways and streets	4,042,806	198,301
Sanitation	1,621,702	1,521,094
Human services	4,069,947	178,078
Health	826,503	316,341
Culture and recreation	220,646	-
Conservation of natural resources	267,403	15,165
Interest	120,089	-
	\$ 19,154,442	\$ 3,472,670
Business-type activities		
Nursing Home	4,281,281	4,150,962
	\$ 23,435,723	\$ 7,623,632

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 position

Net Position - Beginning

Net Position - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-Type Activities	Total
\$ 258,581	\$ -	\$ (3,115,903)	\$ -	\$ (3,115,903)
358,514	-	(3,008,657)	-	(3,008,657)
4,027,050	2,067,806	2,250,351	-	2,250,351
600	-	(100,008)	-	(100,008)
2,013,973	-	(1,877,896)	-	(1,877,896)
355,705	-	(154,457)	-	(154,457)
-	-	(220,646)	-	(220,646)
217,948	-	(34,290)	-	(34,290)
-	-	(120,089)	-	(120,089)
\$ 7,232,371	\$ 2,067,806	\$ (6,381,595)	\$ -	\$ (6,381,595)
3,671	-	-	(126,648)	(126,648)
\$ 7,236,042	\$ 2,067,806	\$ (6,381,595)	\$ (126,648)	\$ (6,508,243)
		\$ 10,345,823	\$ -	\$ 10,345,823
		18,793	-	18,793
		1,057,233	-	1,057,233
		44,498	1,354	45,852
		240,744	-	240,744
		13,187	-	13,187
		\$ 11,720,278	\$ 1,354	\$ 11,721,632
		\$ 5,338,683	\$ (125,294)	\$ 5,213,389
		66,162,461	565,923	66,728,384
		\$ 71,501,144	\$ 440,629	\$ 71,941,773

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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, 2012**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 7,840,171	\$ 1,458,755	\$ 5,219,852	\$ 2,969,590	\$ 17,488,368
Petty cash and change funds	3,330	-	300	150	3,780
Investments	-	12,500	-	-	12,500
Taxes receivable					
Prior	199,489	41,939	55,088	19,366	315,882
Special assessments					
Prior	-	-	-	19,624	19,624
Accounts receivable	56,886	-	442,204	74,291	573,381
Accrued interest receivable	-	-	-	-	-
Loans receivable	464,770	-	-	-	464,770
Accrued interest receivable	30,042	-	-	-	30,042
Due from other funds	5,226	13,599	-	-	18,825
Due from other governments	135,632	3,188,219	250,081	4,467	3,578,399
Inventories	-	118,260	-	-	118,260
Advances to other funds	-	-	81,120	-	81,120
Total Assets	\$ 8,735,546	\$ 4,833,272	\$ 6,048,645	\$ 3,087,488	\$ 22,704,951
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 40,846	\$ 33,241	\$ 84,574	\$ 16,282	\$ 174,943
Salaries payable	222,202	41,436	77,196	19,549	360,383
Contracts payable	-	189,223	-	-	189,223
Due to other funds	13,550	-	5,226	49	18,825
Due to other governments	232,501	7,439	34,582	57,620	332,142
Deferred revenue - unavailable	169,615	1,929,232	452,414	36,210	2,587,471
Deferred revenue - unearned	242,354	-	-	2,242	244,596
Customer deposits	162,254	-	-	-	162,254
Advances from other funds	81,120	-	-	-	81,120
Total Liabilities	\$ 1,164,442	\$ 2,200,571	\$ 653,992	\$ 131,952	\$ 4,150,957
Fund Balances					
Non-spendable					
Long-term loans/notes receivable	\$ 234,752	\$ -	\$ -	\$ -	\$ 234,752
Advances to other funds	-	-	81,120	-	81,120
Inventories	-	118,260	-	-	118,260

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Liabilities and Fund Balances</u>					
(Continued)					
Fund Balances					
Restricted for					
Law library	48,785	-	-	-	48,785
Recorder's technology equipment	170,349	-	-	-	170,349
Recorder's compliance fund	93,522	-	-	-	93,522
Enhanced 911	189,591	-	-	-	189,591
DARE	1,169	-	-	-	1,169
Conceal and carry	40,860	-	-	-	40,860
Sheriff DUI forfeiture	3,483	-	-	-	3,483
Attorney forfeiture	57,369	-	-	-	57,369
Sheriff DUI assessments	4,113	-	-	-	4,113
EDA loan receivable	47,984	-	-	-	47,984
2012 CWL grant	6,155	-	-	-	6,155
UCARE grant	32,737	-	-	-	32,737
Department of Veteran Affairs grant	5,098	-	-	-	5,098
Employee wellness	1,083	-	-	-	1,083
Conservation drainage biofilter grant	-	-	-	2,242	2,242
Capital project funds	-	350,000	-	1,258,469	1,608,469
Health	-	-	230,798	-	230,798
NRBG	-	-	-	89,442	89,442
Debt service	-	-	-	693,656	693,656
Ditch maintenance and repairs	-	-	-	74,781	74,781
Committed to					
Wetlands R-O-W	-	12,500	-	-	12,500
Wind tower decommission	162,524	-	-	-	162,524
Drug court	3,530	-	-	-	3,530
Public recreation	13,250	-	-	-	13,250
Veteran service van	5,000	-	-	-	5,000
Sheriff lojack safety net	334	-	-	-	334
Sheriff impound fee	17,299	-	-	-	17,299
Change funds	3,300	-	-	150	3,450
Capital equipment	-	-	-	242,817	242,817
Landfill postclosure	-	-	-	103,840	103,840
Assigned to					
Subsequent year's appropriated budget	377,700	-	-	-	377,700
Road and bridge	-	2,151,941	-	-	2,151,941
Human services	-	-	5,082,735	-	5,082,735
Environmental quality	-	-	-	490,139	490,139
Unassigned	<u>6,051,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,051,117</u>
Total Fund Balances	<u>\$ 7,571,104</u>	<u>\$ 2,632,701</u>	<u>\$ 5,394,653</u>	<u>\$ 2,955,536</u>	<u>\$ 18,553,994</u>
Total Liabilities and Fund Balances	<u>\$ 8,735,546</u>	<u>\$ 4,833,272</u>	<u>\$ 6,048,645</u>	<u>\$ 3,087,488</u>	<u>\$ 22,704,951</u>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012**

Fund balances - total governmental funds (Exhibit 3)		\$	18,553,994
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			55,130,399
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.			976,570
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			2,587,471
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	\$	(3,950,000)	
Capital leases		(63,531)	
Bond premium		(41,975)	
Net OPEB obligation		(933,611)	
Deferred debt issuance charges		28,031	
Accrued interest payable		(48,009)	
Compensated absences		(738,195)	
		<u> </u>	<u>(5,747,290)</u>
Net Position of Governmental Activities (Exhibit 1)		\$	<u>71,501,144</u>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 6,614,967	\$ 1,208,076	\$ 1,787,271	\$ 760,104	\$ 10,370,418
Special assessments	-	-	-	177,957	177,957
Licenses and permits	26,599	6,735	-	21,020	54,354
Intergovernmental	1,644,760	5,737,344	2,193,793	283,079	9,858,976
Charges for services	1,472,786	124,719	-	1,257,491	2,854,996
Fines and forfeits	12,103	-	-	-	12,103
Gifts and contributions	11,004	-	-	-	11,004
Investment earnings	45,197	-	-	816	46,013
Miscellaneous	298,734	66,847	231,839	73,630	671,050
Total Revenues	\$ 10,126,150	\$ 7,143,721	\$ 4,212,903	\$ 2,574,097	\$ 24,056,871
Expenditures					
Current					
General government	\$ 3,912,227	\$ -	\$ -	\$ -	\$ 3,912,227
Public safety	4,005,596	-	-	-	4,005,596
Highways and streets	-	6,718,176	-	-	6,718,176
Sanitation	-	-	-	1,955,285	1,955,285
Human services	3,685	-	4,224,617	-	4,228,302
Health	832,399	-	-	-	832,399
Culture and recreation	220,646	-	-	-	220,646
Conservation of natural resources	208,143	-	-	58,885	267,028
Intergovernmental					
Highways and streets	-	211,951	-	-	211,951
Capital outlay					
General government	-	-	-	32,100	32,100
Debt service					
Principal	-	-	-	267,110	267,110
Interest	-	-	-	124,606	124,606
Administrative (fiscal) charges	-	-	-	900	900
Total Expenditures	\$ 9,182,696	\$ 6,930,127	\$ 4,224,617	\$ 2,438,886	\$ 22,776,326

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

*EXHIBIT 5
(Continued)*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Excess of Revenues Over (Under) Expenditures	\$ 943,454	\$ 213,594	\$ (11,714)	\$ 135,211	\$ 1,280,545
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	<u>12,604</u>	<u>-</u>	<u>-</u>	<u>583</u>	<u>13,187</u>
Change in Fund Balance	\$ 956,058	\$ 213,594	\$ (11,714)	\$ 135,794	\$ 1,293,732
Fund Balance - January 1	6,615,046	2,439,165	5,406,367	2,819,742	17,280,320
Increase (decrease) in inventories	<u>-</u>	<u>(20,058)</u>	<u>-</u>	<u>-</u>	<u>(20,058)</u>
Fund Balance - December 31	<u>\$ 7,571,104</u>	<u>\$ 2,632,701</u>	<u>\$ 5,394,653</u>	<u>\$ 2,955,536</u>	<u>\$ 18,553,994</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, 2012**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 1,293,732

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 position, 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 position differs from the change in fund balance by the increases or decreases in the investment in joint venture.

Increase in investment in joint venture		176,083
---	--	---------

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	\$ 2,587,471	
Deferred revenue - January 1	<u>(2,163,746)</u>	423,725

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 position differs from the change in fund balance by the net book value of assets disposed.

Expenditures for general capital assets and infrastructure	\$ 5,282,407	
Net book value of disposed capital assets	(5,463)	
Current year depreciation	<u>(1,788,837)</u>	3,488,107

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 position. 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 position.

Principal repayments		
General obligation bonds	\$ 260,000	
Capital lease	<u>7,143</u>	267,143

**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, 2012**

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	\$ (259,049)	
Amortization of premiums on debt	5,140	
Amortization of deferred debt issuance costs	(3,433)	
Change in accrued interest payable	3,710	
Change in inventories	(20,058)	
Change in compensated absences	(36,417)	(310,107)
	<u> </u>	<u> </u>
Change in Net Assets of Governmental Activities (Exhibit 2)		<u><u>\$ 5,338,683</u></u>

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PROPRIETARY FUND

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
NURSING HOME ENTERPRISE FUND
DECEMBER 31, 2012**

Assets

Current assets

Cash and pooled investments	\$	33,495
Petty cash and change funds		400
Accounts receivable - net		304,711

Total current assets **\$ 338,606**

Restricted assets

Cash and pooled investments	\$	111,341
-----------------------------	----	---------

Noncurrent assets

Deferred debt issuance costs	\$	4,035
Capital assets		
Nondepreciable		15,600
Depreciable - net		665,137

Total noncurrent assets **\$ 684,772**

Total Assets **\$ 1,134,719**

Liabilities

Current liabilities

Accounts payable	\$	73,474
Salaries payable		113,352
Compensated absences payable - current		34,954

Total current liabilities **\$ 221,780**

Current liabilities payable from restricted assets

Interest payable	\$	3,043
Resident trust and security deposits		1,964
General obligation bonds payable - current		25,000

Total current liabilities payable from restricted assets **\$ 30,007**

Noncurrent liabilities

Compensated absences payable - long-term	\$	188,268
General obligation bonds payable - long-term		254,035

Total noncurrent liabilities **\$ 442,303**

Total Liabilities **\$ 694,090**

Net Position

Net investment in capital assets	\$	401,702
Restricted for donations		7,346
Unrestricted		31,581

Total Net Position **\$ 440,629**

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NURSING HOME ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

Operating Revenues	
Charges for services	\$ 4,146,892
Miscellaneous	4,070
	<hr/>
Total Operating Revenues	\$ 4,150,962
Operating Expenses	
Employee benefits and payroll taxes	\$ 814,350
Nursing services	1,612,772
Administrative and fiscal services	359,092
Other care-related	137,759
Ancillary services	393,083
Repair and maintenance	177,693
Property and household	147,843
Laundry	84,248
Dietary	390,240
Housekeeping	105,559
Depreciation	51,834
	<hr/>
Total Operating Expenses	\$ 4,274,473
Operating Income (Loss)	\$ (123,511)
Nonoperating Revenues (Expenses)	
Interest income	\$ 1,354
Gifts and contributions	3,671
Gain on sale/disposal of capital assets	0
Interest expense	(6,808)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (1,783)
Change in Net Position	\$ (125,294)
Net Position - January 1	565,923
	<hr/>
Net Position - December 31	\$ 440,629
	<hr/> <hr/>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
NURSING HOME ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 4,172,229
Payments to suppliers and employees	<u>(4,218,284)</u>
Net cash provided by (used in) operating activities	<u>\$ (46,055)</u>
Cash Flows from Noncapital Financing Activities	
Advance from Dodge County	\$ 98,300
Return of advance	(98,300)
Contributions	<u>3,671</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ 3,671</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (50,000)
Interest paid on long-term debt	(7,564)
Bond issue cost, discount, and premium	533
Purchases of capital assets	<u>(7,546)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (64,577)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 1,354</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (105,607)
Cash and Cash Equivalents at January 1	<u>250,843</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 145,236</u></u>
Cash and Cash Equivalents - Exhibit 7	
Cash and pooled investments	\$ 33,495
Petty cash and change funds	400
Restricted cash and pooled investments	<u>111,341</u>
Total Cash and Cash Equivalents	<u><u>\$ 145,236</u></u>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

***EXHIBIT 9
(Continued)***

**STATEMENT OF CASH FLOWS
NURSING HOME ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ (123,511)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 51,834
(Increase) decrease in accounts receivable	21,267
Increase (decrease) in accounts payable	(11,725)
Increase (decrease) in salaries payable	(5,311)
Increase (decrease) in compensated absences payable	<u>21,391</u>
Total adjustments	<u>\$ 77,456</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (46,055)</u></u>

FIDUCIARY FUNDS

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012**

	Cemetery Perpetual Care Private-Purpose Trust	Agency
<u>Assets</u>		
Cash and pooled investments	\$ 5,648	\$ 754,133
Restricted assets		
Cash and pooled investments	1,106	-
Investments	126,815	-
Interest receivable	30	-
Total Assets	\$ 133,599	\$ 754,133
<u>Liabilities</u>		
Accounts payable	\$ 5,678	\$ 102,585
Due to other governments	-	651,548
Total Liabilities	\$ 5,678	\$ 754,133
<u>Net Position</u>		
Held in trust for other organizations		
Nonexpendable	\$ 127,921	
Total Net Position	\$ 127,921	

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Cemetery Perpetual Care Private-Purpose Trust <hr style="border: 0.5px solid black;"/>
<u>Additions</u>	
Investment earnings	
Interest	\$ 4,835
Net increase (decrease) in fair value of investments	<hr style="border: 0.5px solid black;"/> 9,966
Total Additions	\$ 14,801
<u>Deductions</u>	
Distributions to participants	<hr style="border: 0.5px solid black;"/> 4,835
Change in net position	\$ 9,966
Net Position - January 1	<hr style="border: 0.5px solid black;"/> 117,955
Net Position - December 31	<hr style="border: 0.5px solid black;"/><hr style="border: 0.5px solid black;"/>\$ 127,921

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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**

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 position 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 position, 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 position are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

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. The County does not allocate indirect expenses to functions within the financial statements.

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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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.

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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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 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.

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.

D. Assets, Liabilities, and Net Position 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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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, 2012, 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 2012 were \$43,682.

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 nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

3. Receivables and Payables (Continued)

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.

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 position 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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

6. Capital Assets (Continued)

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.

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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

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 position. 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. Classification of Net Position

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

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

10. Classification of Net Position (Continued)

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

11. Classifications of Fund Balances

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 form” criterion includes items that are not expected to be converted to cash.

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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

11. Classifications of Fund Balances (Continued)

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.

12. 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.

13. 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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

2. Stewardship, Compliance and Accountability

Excess of Expenditures Over Budget

The Road and Bridge Special Revenue Fund expenditures of \$6,930,127 exceeded the final budget of \$6,640,453 by \$289,674.

The Ditch Special Revenue Fund expenditures of \$11,286 exceeded the final budget of \$9,780 by \$1,506.

The Solid Waste Special Revenue Fund expenditures of \$2,069,486 exceeded the final budget of \$1,766,725 by \$302,761.

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 position	
Governmental activities	
Cash and pooled investments	\$ 17,488,368
Petty cash and change funds	3,780
Investments	12,500
Business-type activities	
Cash and pooled investments	33,495
Petty cash and change funds	400
Cash and pooled investments - restricted assets	111,341
Statement of fiduciary net position	
Cash and pooled investments	760,887
Investments	126,815
	<hr/>
Total Cash and Investments	\$ 18,537,586

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

		Carrying (Fair) Value
Deposits	\$	5,201,848
Petty cash		4,180
Investments		
Equity investments (stock)		
AT&T		126,815
Investment pools/mutual funds		
MAGIC Fund	\$	9,463,819
Dreyfus - General Government Security Money		
Market	<u>3,924</u>	9,467,743
Negotiable certificates of deposit		<u>3,737,000</u>
Total Deposits and Investments		<u>\$ 18,537,586</u>

a. Deposits

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

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

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. 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, 2012, the County does not have any deposits exposed to custodial credit risk.

b. Investments

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

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

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County 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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk (Continued)

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 negotiable certificates.

<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Amount</u>
January 22, 2013	1.300	\$ 243,000
February 6, 2013	0.400	110,000
June 3, 2013	0.791	100,000
August 26, 2013	0.790	100,000
October 7, 2013	1.000	245,000
October 21, 2013	1.500	239,000
November 29, 2013	0.650	248,000
January 6, 2014	1.096	100,000
May 28, 2014	2.500	40,000
June 3, 2014	0.700	247,000
November 7, 2014	0.700	246,000
November 28, 2014	0.630	246,000
November 28, 2014	1.000	245,000
December 1, 2014	0.600	247,000
December 1, 2014	0.750	246,000
December 4, 2014	0.650	246,000
December 4, 2014	0.600	247,000
April 30, 2015	0.950	100,000
November 9, 2015	1.000	242,000
Total Negotiable Certificates of Deposit		<u>\$ 3,737,000</u>

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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

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, 2012, the County does not have any investments exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County's 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 71 percent.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2012, for the County's governmental activities and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 315,882	\$ -
Special assessments - prior	19,624	-
Accounts	573,381	340,010
Interest	30,042	-
Loans	464,770	-
Due from other governments	3,578,399	-
Total Governmental Activities	\$ 4,982,098	\$ 340,010
Business-Type Activities		
Accounts	\$ 304,711	\$ -

**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, 2012, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Construction in progress	\$ 765,254	\$ -	\$ 765,254	\$ -
Non-depreciable land improvements	19,284	-	-	19,284
Land	1,497,797	287,379	-	1,785,176
Total capital assets not depreciated	\$ 2,282,335	\$ 287,379	\$ 765,254	\$ 1,804,460
Capital assets depreciated				
Land improvements	\$ 398,569	\$ 69,621	\$ -	\$ 468,190
Buildings	7,134,473	1,115,917	106,325	8,144,065
Machinery, furniture, and equipment	5,841,485	602,109	152,642	6,290,952
Infrastructure	58,765,617	3,972,635	-	62,738,252
Total capital assets depreciated	\$ 72,140,144	\$ 5,760,282	\$ 258,967	\$ 77,641,459
Less: accumulated depreciation for				
Land improvements	\$ 130,044	\$ 20,219	\$ -	\$ 150,263
Buildings	3,221,474	193,430	102,460	3,312,444
Machinery, furniture, and equipment	3,997,499	438,912	151,044	4,285,367
Infrastructure	15,431,170	1,136,276	-	16,567,446
Total accumulated depreciation	\$ 22,780,187	\$ 1,788,837	\$ 253,504	\$ 24,315,520
Total capital assets depreciated, net	\$ 49,359,957	\$ 3,971,445	\$ 5,463	\$ 53,325,939
Governmental Activities Capital Assets, Net	\$ 51,642,292	\$ 4,258,824	\$ 770,717	\$ 55,130,399

**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	-	-	-	-
Total capital assets not depreciated	\$ 15,600	\$ -	\$ -	\$ 15,600
Capital assets depreciated				
Buildings	\$ 1,556,804	\$ -	\$ 11,481	\$ 1,545,323
Improvements other than buildings	68,588	-	-	68,588
Machinery, furniture, and equipment	569,699	7,546	7,259	569,986
Total capital assets depreciated	\$ 2,195,091	\$ 7,546	\$ 18,740	\$ 2,183,897
Less: accumulated depreciation for				
Buildings	\$ 911,869	\$ 42,303	\$ 15,100	\$ 939,072
Improvements other than buildings	68,588	-	-	68,588
Machinery, furniture, and equipment	505,209	9,531	3,640	511,100
Total accumulated depreciation	\$ 1,485,666	\$ 51,834	\$ 18,740	\$ 1,518,760
Total capital assets depreciated, net	\$ 709,425	\$ (44,288)	\$ -	\$ 665,137
Business-Type Activities Capital Assets, Net	\$ 725,025	\$ (44,288)	\$ -	\$ 680,737

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

Governmental Activities	
General government	\$ 210,007
Public safety	141,230
Highways and streets, including depreciation of infrastructure assets	1,313,924
Human services	383
Sanitation	123,293
Total Depreciation Expense - Governmental Activities	<u>\$ 1,788,837</u>
Business-Type Activities	
Nursing home	<u>\$ 51,834</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, 2012, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 5,226
Road and Bridge	General	\$ 13,550
	Solid Waste, Nonmajor	49
Total due to Road and Bridge Fund		\$ 13,599
Total Due To/From Other Funds		\$ 18,825

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, 2012:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental Activities Loader	2014	Monthly	\$ 995	\$ 85,075	\$ 63,531

**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, 2012, were as follows:

Year Ending December 31	Governmental Activities
2013	\$ 11,021
2014	57,895
Total minimum lease payments	\$ 68,916
Less: amount representing interest	(5,385)
Present Value of Minimum Lease Payments	\$ 63,531

2. Bonded Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2012
General obligation bonds 2008A CIP G.O. Bonds	2016	\$190,000 - \$250,000	3.00 - 4.20	\$ 1,570,000	\$ 950,000
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	130,000
Total General Obligation Bonds				\$ 4,585,000	\$ 3,950,000

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Bonded Debt

Governmental Activities (Continued)

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, 2012
2011A G.O. Nursing Home Bonds	2021	\$25,000 - \$40,000	2.00 - 3.128	\$ 275,000	\$ 275,000

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

3. Debt Service Requirements

Debt service requirements at December 31, 2012, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2013	\$ 530,000	\$ 109,105
2014	545,000	94,440
2015	555,000	78,531
2016	575,000	60,875
2017	335,000	46,956
2018 - 2021	1,410,000	87,925
Total	\$ 3,950,000	\$ 477,832

**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
2013	\$ 25,000	\$ 7,069
2014	25,000	6,569
2015	30,000	5,981
2016	30,000	5,269
2017	30,000	4,481
2018 - 2021	135,000	8,872
Total	<u>\$ 275,000</u>	<u>\$ 38,241</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 4,210,000	\$ -	\$ 260,000	\$ 3,950,000	\$ 530,000
Plus: Deferred amounts for premiums	47,115	-	5,140	41,975	-
Total bonds payable	\$ 4,257,115	\$ -	\$ 265,140	\$ 3,991,975	\$ 530,000
Capital leases	70,674	-	7,143	63,531	7,565
Net OPEB obligation	674,562	259,049	-	933,611	-
Compensated absences	701,778	36,417	-	738,195	38,209
Governmental Activities Long-Term Liabilities	<u>\$ 5,704,129</u>	<u>\$ 295,466</u>	<u>\$ 272,283</u>	<u>\$ 5,727,312</u>	<u>\$ 575,774</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	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ -
2011A G.O. Nursing Home Bonds	275,000	-	-	275,000	25,000
Deferred amounts					
Unamortized discount	(70)	-	(70)	-	-
Unamortized premium	4,529	-	494	4,035	-
Total bonds payable	\$ 329,459	\$ -	\$ 50,424	\$ 279,035	\$ 25,000
Compensated absences	201,831	21,391	-	223,222	34,954
Business-Type Activities Long-Term Liabilities	<u>\$ 531,290</u>	<u>\$ 21,391</u>	<u>\$ 50,424</u>	<u>\$ 502,257</u>	<u>\$ 59,954</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**

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**

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; 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 2012:

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**

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, 2012, 2011, and 2010, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Employees Retirement Fund	\$ 582,374	\$ 567,156	\$ 529,416
Public Employees Police and Fire Fund	195,343	186,097	182,975

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**

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	\$ 3,774	\$ 3,774
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 34 retirees on this plan in 2012. 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, 2012, there were two 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**

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 2012, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$	346,751
Interest on net OPEB obligations		30,355
Adjustment to ARC		(31,852)

Annual OPEB cost	\$	345,254
Contribution during the year		(86,205)

Increase in net OPEB obligation	\$	259,049
Net OPEB - Beginning of Year		674,562

Net OPEB - End of Year	\$	933,611

**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, 2010, 2011, and 2012, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2010	\$ 369,804	\$ 189,697	56.50%	\$ 474,089
December 31, 2011	366,822	166,349	45.35	674,562
December 31, 2012	345,254	86,205	22.86	933,611

Funding Status

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

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, 2012	-	3,050,912	3,050,912	0.0	7,957,336	38.30

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**

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, 2012, 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 8.0 initially, reduced incrementally to an ultimate rate of 5.0 percent in 2019. The initial unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30-year period beginning in 2012.

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 \$460,000 per claim in 2012 and \$470,000 in 2013. 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**

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.

The County co-signed a loan made by the Dodge County Agricultural and Mechanical Society in 2005. In 2011, the Dodge County Agricultural and Mechanical Society restructured the loan for \$147,812. As of December 31, 2012, \$147,813 was outstanding on the loan co-signed by the County. In March 2013, the County made a payment on the loan of \$11,367.

5. Summary of Significant Contingencies and Other Items

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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Central Human Relations Center, Inc. (Continued)

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.

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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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.

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, 2012, was \$976,570. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. 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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 2012.

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

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 \$53,590 to the Cooperative.

The Minnesota Workforce Development (MWD) provides various job training services for member organizations. During the year, the County paid \$94,999 to the MWD.

The Southeast Minnesota Emergency Medical Services (EMS) provides various health services to several counties. During the year, the County paid \$50 to 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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

The Southeastern Minnesota Library (SELCO) provides library services within the County. During the year, the County contributed \$118,381 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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,249,249	\$ 6,249,249	\$ 6,614,967	\$ 365,718
Licenses and permits	16,455	16,455	26,599	10,144
Intergovernmental	1,485,995	1,485,995	1,644,760	158,765
Charges for services	1,733,377	1,733,377	1,472,786	(260,591)
Fines and forfeits	-	-	12,103	12,103
Gifts and contributions	-	-	11,004	11,004
Investment earnings	55,000	55,000	45,197	(9,803)
Miscellaneous	278,600	278,600	298,734	20,134
Total Revenues	\$ 9,818,676	\$ 9,818,676	\$ 10,126,150	\$ 307,474
Expenditures				
Current				
General government				
Commissioners	\$ 249,135	\$ 249,135	\$ 175,495	\$ 73,640
Courts	129,350	129,350	111,098	18,252
County assessor	355,372	355,372	360,772	(5,400)
Elections	51,102	51,102	68,713	(17,611)
Finance	459,847	459,847	487,346	(27,499)
Central services	212,180	212,180	214,650	(2,470)
Personnel	142,974	142,974	123,622	19,352
Information services	341,338	341,338	247,388	93,950
Attorney	332,859	332,859	332,014	845
Law library	17,000	17,000	8,462	8,538
Recorder	554,300	554,300	412,212	142,088
Surveyor	91,715	91,715	72,273	19,442
Planning and zoning	278,285	278,285	278,244	41
Buildings and plant	532,257	532,257	324,535	207,722
Veterans service officer	57,417	57,417	58,773	(1,356)
County administrator	196,380	196,380	199,396	(3,016)
Other general government	359,112	359,112	437,234	(78,122)
Total general government	\$ 4,360,623	\$ 4,360,623	\$ 3,912,227	\$ 448,396

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 3,597,975	\$ 3,597,975	\$ 3,392,738	\$ 205,237
Coroner	45,000	45,000	44,951	49
E-911 system	93,000	93,000	80,864	12,136
Community corrections	226,392	226,392	222,593	3,799
Drug court	156,018	156,018	155,320	698
DARE program	-	-	8,312	(8,312)
Emergency management	106,090	106,090	91,609	14,481
Other public safety	-	-	9,209	(9,209)
Total public safety	\$ 4,224,475	\$ 4,224,475	\$ 4,005,596	\$ 218,879
Human services				
Other	\$ 3,685	\$ 3,685	\$ 3,685	\$ -
Health				
Nursing services	\$ 890,580	\$ 890,580	\$ 746,190	\$ 144,390
WIC	97,483	97,483	86,034	11,449
Maternal and child health	-	-	175	(175)
Total health	\$ 988,063	\$ 988,063	\$ 832,399	\$ 155,664
Culture and recreation				
Historical society	\$ 5,500	\$ 5,500	\$ 5,500	\$ -
Senior citizens	1,620	1,620	2,620	(1,000)
County/regional library	118,381	118,381	118,381	-
Ice arena	14,000	14,000	93,795	(79,795)
Other culture and recreation	350	350	350	-
Total culture and recreation	\$ 139,851	\$ 139,851	\$ 220,646	\$ (80,795)
Conservation of natural resources				
County extension	\$ 113,979	\$ 113,979	\$ 111,143	\$ 2,836
Soil and water conservation	97,000	97,000	97,000	-
Agriculture society/County fair	1,000	1,000	-	1,000
Total conservation of natural resources	\$ 211,979	\$ 211,979	\$ 208,143	\$ 3,836
Total Expenditures	\$ 9,928,676	\$ 9,928,676	\$ 9,182,696	\$ 745,980

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ (110,000)	\$ (110,000)	\$ 943,454	\$ 1,053,454
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	<u>2,000</u>	<u>2,000</u>	<u>12,604</u>	<u>10,604</u>
Change in Fund Balance	\$ (108,000)	\$ (108,000)	\$ 956,058	\$ 1,064,058
Fund Balance - January 1	<u>6,615,046</u>	<u>6,615,046</u>	<u>6,615,046</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 6,507,046</u>	<u>\$ 6,507,046</u>	<u>\$ 7,571,104</u>	<u>\$ 1,064,058</u>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,276,927	\$ 1,276,927	\$ 1,208,076	\$ (68,851)
Licenses and permits	-	-	6,735	6,735
Intergovernmental	5,185,551	5,185,551	5,737,344	551,793
Charges for services	115,975	115,975	124,719	8,744
Miscellaneous	62,000	62,000	66,847	4,847
Total Revenues	\$ 6,640,453	\$ 6,640,453	\$ 7,143,721	\$ 503,268
Expenditures				
Current				
Highways and streets				
Administration	\$ 487,145	\$ 487,145	\$ 464,541	\$ 22,604
Maintenance	1,751,443	1,539,492	1,626,466	(86,974)
Construction	3,873,942	3,873,942	4,181,642	(307,700)
Equipment maintenance and shop	527,923	527,923	445,527	82,396
Total highways and streets	\$ 6,640,453	\$ 6,428,502	\$ 6,718,176	\$ (289,674)
Intergovernmental				
Highways and streets	-	211,951	211,951	-
Total Expenditures	\$ 6,640,453	\$ 6,640,453	\$ 6,930,127	\$ (289,674)
Change in Fund Balance	\$ -	\$ -	\$ 213,594	\$ 213,594
Fund Balance - January 1	2,439,165	2,439,165	2,439,165	-
Increase (decrease) in inventories	-	-	(20,058)	(20,058)
Fund Balance - December 31	\$ 2,439,165	\$ 2,439,165	\$ 2,632,701	\$ 193,536

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,707,268	\$ 1,707,268	\$ 1,787,271	\$ 80,003
Intergovernmental	2,205,483	2,205,483	2,193,793	(11,690)
Miscellaneous	175,000	175,000	231,839	56,839
Total Revenues	\$ 4,087,751	\$ 4,087,751	\$ 4,212,903	\$ 125,152
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,481,719	\$ 1,481,719	\$ 1,540,941	\$ (59,222)
Social services	3,120,545	3,120,545	2,683,676	436,869
Total Expenditures	\$ 4,602,264	\$ 4,602,264	\$ 4,224,617	\$ 377,647
Excess of Revenues Over (Under)				
Expenditures	\$ (514,513)	\$ (514,513)	\$ (11,714)	\$ 502,799
Other Financing Sources (Uses)				
Transfers in	\$ 20,820	\$ 20,820	\$ -	\$ (20,820)
Transfers out	(101,400)	(101,400)	-	101,400
Total Other Financing Sources (Uses)	\$ (80,580)	\$ (80,580)	\$ -	\$ 80,580
Change in Fund Balance	\$ (595,093)	\$ (595,093)	\$ (11,714)	\$ 583,379
Fund Balance - January 1	5,406,367	5,406,367	5,406,367	-
Fund Balance - December 31	\$ 4,811,274	\$ 4,811,274	\$ 5,394,653	\$ 583,379

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2012**

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
January 1, 2012	-	3,050,912	3,050,912	0.0	7,957,336	38.30

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund	\$ 6,930,127	\$ 6,640,453	\$ 286,674

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, 2012**

	<u>Special Revenue Funds</u>		<u>Capital Improvement Plan Capital Projects Fund</u>	<u>Courthouse Improvements Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
	<u>Ditch</u>	<u>Solid Waste</u>			
<u>Assets</u>					
Cash and pooled investments	\$ 76,016	\$ 1,034,328	\$ 1,170,416	\$ 688,830	\$ 2,969,590
Petty cash and change funds	-	150	-	-	150
Taxes receivable					
Prior	-	5,718	-	13,648	19,366
Special assessments receivable					
Prior	104	19,520	-	-	19,624
Accounts receivable	-	74,291	-	-	74,291
Due from other governments	468	3,999	-	-	4,467
Total Assets	\$ 76,588	\$ 1,138,006	\$ 1,170,416	\$ 702,478	\$ 3,087,488
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 16,282	\$ -	\$ -	\$ 16,282
Salaries payable	-	19,549	-	-	19,549
Contracts payable	-	-	-	-	-
Due to other funds	-	49	-	-	49
Due to other governments	1,703	55,917	-	-	57,620
Deferred revenue - unavailable	104	27,284	-	8,822	36,210
Deferred revenue - unearned	-	2,242	-	-	2,242
Total Liabilities	\$ 1,807	\$ 121,323	\$ -	\$ 8,822	\$ 131,952
Fund Balances					
Restricted for					
Capital projects	\$ -	\$ 88,053	\$ 1,170,416	\$ -	\$ 1,258,469
NRBG	-	89,442	-	-	89,442
Conservation drainage biofilter grant	-	2,242	-	-	2,242
Debt service	-	-	-	693,656	693,656
Ditch maintenance and repairs	74,781	-	-	-	74,781
Committed to					
Capital equipment	-	242,817	-	-	242,817
Change funds	-	150	-	-	150
Landfill post closure	-	103,840	-	-	103,840
Assigned to					
Environmental quality	-	490,139	-	-	490,139
Total Fund Balances	\$ 74,781	\$ 1,016,683	\$ 1,170,416	\$ 693,656	\$ 2,955,536
Total Liabilities and Fund Balances	\$ 76,588	\$ 1,138,006	\$ 1,170,416	\$ 702,478	\$ 3,087,488

**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, 2012**

	<u>Special Revenue Funds</u>		<u>Capital Improvement Plan Capital Projects Fund</u>	<u>Debt Service Fund Courthouse Improvements</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
	<u>Ditch</u>	<u>Solid Waste</u>			
Revenues					
Taxes	\$ -	\$ 192,630	\$ -	\$ 567,474	\$ 760,104
Special assessments	6,838	171,119	-	-	177,957
Licenses and permits	-	21,020	-	-	21,020
Intergovernmental	-	225,293	-	57,786	283,079
Charges for services	-	1,257,491	-	-	1,257,491
Investment earnings	-	415	205	196	816
Miscellaneous	5,818	67,812	-	-	73,630
Total Revenues	\$ 12,656	\$ 1,935,780	\$ 205	\$ 625,456	\$ 2,574,097
Expenditures					
Current					
Sanitation	\$ -	\$ 1,955,285	\$ -	\$ -	\$ 1,955,285
Conservation of natural resources	11,286	47,599	-	-	58,885
Capital outlay					
General government	-	-	32,100	-	32,100
Debt service					
Principal	-	47,110	-	220,000	267,110
Interest	-	19,492	-	105,114	124,606
Administrative - fiscal charges	-	-	-	900	900
Total Expenditures	\$ 11,286	\$ 2,069,486	\$ 32,100	\$ 326,014	\$ 2,438,886
Excess of Revenues Over (Under) Expenditures	\$ 1,370	\$ (133,706)	\$ (31,895)	\$ 299,442	\$ 135,211
Other Financing Sources (Uses)					
Proceeds from sale of assets	-	583	-	-	583
Net Change in Fund Balance	\$ 1,370	\$ (133,123)	\$ (31,895)	\$ 299,442	\$ 135,794
Fund Balance - January 1	73,411	1,149,806	1,202,311	394,214	2,819,742
Fund Balance - December 31	\$ 74,781	\$ 1,016,683	\$ 1,170,416	\$ 693,656	\$ 2,955,536

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 7,000	\$ 7,000	\$ 6,838	\$ (162)
Miscellaneous	5,000	5,000	5,818	818
Total Revenues	\$ 12,000	\$ 12,000	\$ 12,656	\$ 656
Expenditures				
Current				
Conservation of natural resources				
Other	9,780	9,780	11,286	(1,506)
Change in Fund Balance	\$ 2,220	\$ 2,220	\$ 1,370	\$ (850)
Fund Balance - January 1	73,411	73,411	73,411	-
Fund Balance - December 31	<u>\$ 75,631</u>	<u>\$ 75,631</u>	<u>\$ 74,781</u>	<u>\$ (850)</u>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 181,037	\$ 181,037	\$ 192,630	\$ 11,593
Special assessments	165,616	165,616	171,119	5,503
Licenses and permits	24,000	24,000	21,020	(2,980)
Intergovernmental	112,984	112,984	225,293	112,309
Charges for services	1,279,338	1,279,338	1,257,491	(21,847)
Investment earnings	350	350	415	65
Miscellaneous	3,400	3,400	67,812	64,412
Total Revenues	\$ 1,766,725	\$ 1,766,725	\$ 1,935,780	\$ 169,055
Expenditures				
Current				
Sanitation				
Solid waste	\$ 1,168,538	\$ 1,168,538	\$ 1,498,881	\$ (330,343)
Recycling	371,018	371,018	312,796	58,222
Hazardous waste	22,634	22,634	22,594	40
Wastewater treatment	137,671	137,671	121,014	16,657
Total sanitation	\$ 1,699,861	\$ 1,699,861	\$ 1,955,285	\$ (255,424)
Conservation of natural resources				
Water planning	-	-	47,599	(47,599)
Debt service				
Principal	47,143	47,143	47,110	33
Interest	19,721	19,721	19,492	229
Total Expenditures	\$ 1,766,725	\$ 1,766,725	\$ 2,069,486	\$ (302,761)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (133,706)	\$ (133,706)
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	583	583
Change in Fund Balance	\$ -	\$ -	\$ (133,123)	\$ (133,123)
Fund Balance - January 1	1,149,806	1,149,806	1,149,806	-
Fund Balance - December 31	\$ 1,149,806	\$ 1,149,806	\$ 1,016,683	\$ (133,123)

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
COURTHOUSE IMPROVEMENTS PLAN DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 545,834	\$ 545,834	\$ 567,474	\$ 21,640
Intergovernmental	57,302	57,302	57,786	484
Interest on investment	-	-	196	196
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 603,136	\$ 603,136	\$ 625,456	\$ 22,320
Expenditures				
Debt service				
Principal	\$ 465,000	\$ 465,000	\$ 220,000	\$ 245,000
Interest	137,236	137,236	105,114	32,122
Administrative - fiscal charges	900	900	900	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 603,136	\$ 603,136	\$ 326,014	\$ 277,122
Change in Fund Balance	\$ -	\$ -	\$ 299,442	\$ 299,442
Fund Balance - January 1	394,214	394,214	394,214	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - December 31	\$ 394,214	\$ 394,214	\$ 693,656	\$ 299,442

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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 SEMN Human Services SDA Fund accounts for transactions of the Service Delivery Authority for which the County is the fiscal agent.

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, 2012**

	Balance January 1	Additions	Deductions	Balance December 31
<u>EDA/HRA</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>72,792</u>	\$ <u>33,091</u>	\$ <u>23,490</u>	\$ <u>82,393</u>
<u>Liabilities</u>				
Accounts payable	\$ <u>72,792</u>	\$ <u>33,091</u>	\$ <u>23,490</u>	\$ <u>82,393</u>
 <u>SETTLEMENT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>193,767</u>	\$ <u>26,605,372</u>	\$ <u>26,588,835</u>	\$ <u>210,304</u>
<u>Liabilities</u>				
Accounts payable	\$ 5,550	\$ 20,192	\$ 5,550	\$ 20,192
Due to other funds	-	10,630,992	10,630,992	-
Due to other governments	<u>188,217</u>	<u>15,954,188</u>	<u>15,952,293</u>	<u>190,112</u>
Total Liabilities	\$ <u>193,767</u>	\$ <u>26,605,372</u>	\$ <u>26,588,835</u>	\$ <u>210,304</u>
 <u>REVOLVING</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>78,478</u>	\$ <u>3,071,125</u>	\$ <u>3,003,313</u>	\$ <u>146,290</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>78,478</u>	\$ <u>3,071,125</u>	\$ <u>3,003,313</u>	\$ <u>146,290</u>

**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, 2012**

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY CLUSTER</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 562	\$ -	\$ -	\$ 562
<u>Liabilities</u>				
Due to other governments	\$ 562	\$ -	\$ -	\$ 562
 <u>SE MN HUMAN SERVICES SDA</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 160,000	\$ -	\$ 160,000
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 160,000	\$ -	\$ 160,000
 <u>FAMILY SERVICES COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 155,331	\$ 102,433	\$ 103,180	\$ 154,584
<u>Liabilities</u>				
Due to other governments	\$ 155,331	\$ 102,433	\$ 103,180	\$ 154,584

**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, 2012**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 500,930	\$ 29,972,021	\$ 29,718,818	\$ 754,133
<u>Liabilities</u>				
Accounts payable	\$ 78,342	\$ 53,283	\$ 29,040	\$ 102,585
Due to other funds	-	10,630,992	10,630,992	-
Due to other governments	422,588	19,287,746	19,058,786	651,548
Total Liabilities	\$ 500,930	\$ 29,972,021	\$ 29,718,818	\$ 754,133

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OTHER SCHEDULES

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Funds
Shared Revenue	
State	
Highway users tax	\$ 3,432,025
PERA rate reimbursement	30,670
Disparity reduction aid	162,511
Police aid	142,396
County program aid	740,114
Market value credit	46,857
Market value credit - residential	76,360
Enhanced 911	94,194
	\$ 4,725,127
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 388,955
Payments	
Local	
Other contributions	\$ 721
Household hazardous waste	600
Local contributions	56,695
Payments in lieu of taxes	18,793
	\$ 76,809
Grants	
State	
Minnesota Department/Board of	
Employment and Economic Development	\$ 17,848
Health	63,843
Human Services	663,643
Natural Resources	26,987
Public Safety	36,387
Revenue	6,282
Transportation	116,477
Trial Courts	36,000
Water and Soil Resources	207,890
Pollution Control Agency	77,961
Peace Officer Standards and Training Board	9,299
	\$ 1,262,617

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

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

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Funds
Grants (Continued)	
Federal	
Department of	
Agriculture	\$ 178,792
Transportation	1,923,494
Health and Human Services	1,108,196
Homeland Security	194,986
	<hr/>
Total federal	\$ 3,405,468
	<hr/>
Total state and federal grants	\$ 4,668,085
	<hr/>
Total Intergovernmental Revenue	\$ 9,858,976
	<hr/> <hr/>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 81,308
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	104,382
Total U.S. Department of Agriculture		\$ 185,690
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,891,009
Passed Through Minnesota Department of Public Safety Highway Safety Cluster		
State and Community Highway Safety	20.600	\$ 25,474
Occupant Protection Incentive Grants	20.602	3,000
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	4,011
Total U.S. Department of Transportation		\$ 1,923,494
U.S. Department of Health and Human Services		
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	\$ 5,000
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	780
Universal Newborn Hearing Screening	93.251	1,025
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	19,914
Temporary Assistance for Needy Families	93.558	9,868
(Total Temporary Assistance for Needy Families 93.558 \$130,383)		
Maternal and Child Health Services Block Grant to the States	93.994	18,107

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	9,213
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families	93.558	120,515
(Total Temporary Assistance for Needy Families 93.558 \$130,383)		
Emergency Contingency Fund for Temporary Assistance for Needy Families		
(TANF) State Program - ARRA	93.714	16,685
Child Support Enforcement	93.563	356,019
Refugee and Entrant Assistance - State-Administered Programs	93.566	264
Child Care and Development Block Grant	93.575	13,111
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2,303
Foster Care Title IV-E	93.658	62,060
Social Services Block Grant	93.667	100,074
Chafee Foster Care Independence Program	93.674	2,768
Children's Health Insurance Program	93.767	33
Medical Assistance Program	93.778	367,799
Passed Through Minnesota Secretary of State		
Voting Access for Individuals with Disabilities Grants to States	93.617	5,041
Total U.S. Department of Health and Human Services		\$ 1,110,579
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 125,013
Hazard Mitigation Grant	97.039	2,917
Emergency Management Performance Grants	97.042	37,038
Passed Through Southeast Minnesota Regional Radio Board		
Homeland Security Grant Program	97.067	30,018
Total U.S. Department of Homeland Security		\$ 194,986
Total Federal Awards		\$ 3,414,749

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012. 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	\$ 147,068
Highway Safety Cluster	28,474

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 3,405,468
Grants received more than 60 days after year-end, deferred in 2012	
Special Supplemental Nutrition Program For Women, Infants and Children (CFDA #10.557)	6,898
Medical Assistance Program (CFDA #93.778)	32
Child Care and Development Block Grant (CFDA #93.575)	466
Foster Care Title IV-E (CFDA #93.658)	1,828
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program - ARRA (CFDA #93.714)	1,156
Deferred in 2010, recognized as revenue in 2011	
Child Care and Development Block Grant (CFDA #93.575)	(1,059)
Medical Assistance Program (CFDA #93.778)	(40)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 3,414,749</u>

6. Subrecipients

During 2012, 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, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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: **Unmodified**

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

The major program is:

Highway Planning and Construction

CFDA #20.205

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

Dodge County qualified as a 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. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility 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 material adjustments which 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 reduce deferred revenue and increase intergovernmental revenue for an amount recorded twice in the Road and Bridge Special Revenue Fund of \$1,720,055; reclassify intergovernmental revenues in the Road and Bridge Special Revenue Fund of \$522,464; and increase accounts receivable and miscellaneous revenue for a receivable not recorded in the Human Services Special Revenue Fund of \$260,656.

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:

County staff will adjust trial balance and financial statement preparation timelines to allow more time for review. Staff will track progress to ensure timely completion.

ITEMS ARISING THIS YEAR

12-1 IFS-General Ledger System Security Controls

Criteria: Internal controls should provide adequate segregation of functions and responsibilities so no one person has incompatible duties that would permit the perpetration and concealment of material irregularities.

Condition: During our review of general ledger security access, we noted the individual assigned to the County user maintenance function is also involved in the County general ledger accounting functions.

Context: The duties assigned to the County general ledger user maintenance security function are incompatible with duties assigned to the general ledger accounting function because that individual has unlimited access to make changes to the accounting records.

Effect: Personnel assigned to the County user maintenance function should be segregated from personnel assigned general ledger accounting functions to ensure the integrity of the data stored in the County's information system.

Cause: The County was not aware of the capabilities of the user maintenance security function.

Recommendation: We recommend personnel assigned to the County user maintenance function be segregated from personnel assigned to the general ledger accounting functions.

Client's Response:

The user maintenance function has been restricted to the Information Services Director only.

12-2 Investment Oversight

Criteria: Internal controls should provide adequate segregation of functions and responsibilities so no one person has incompatible duties that would permit the perpetration and concealment of material irregularities.

Condition: The Finance Director and Accounting Services Director are able to exchange, renew, purchase, and sell investments. The County's investment policy indicates the investment committee is to review the County's investment activity. That committee did not convene in 2012 to review the investment activity.

Context: The duties of purchasing investments and selling/exchanging investments are considered incompatible duties because it provides an opportunity for errors or irregularities to occur without being detected in a timely basis. A review of the investment activity by the investment committee would allow oversight of the investing process.

Effect: Investment activity was not reviewed, providing an opportunity for errors or irregularities to occur without being detected in a timely manner.

Cause: The investment committee did not meet during 2012 due to leave taken by the Finance Director.

Recommendation: We recommend Dodge County follow its investment policy by having the investment committee review investments made by the Finance Director and Accounting Services Director.

Client's Response:

The investment committee will review the County's investment portfolio in 2013.

PREVIOUSLY REPORTED ITEM RESOLVED

Segregation of Duties (11-1)

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.

Resolution

Departments reviewed disclosed management is monitoring activity within the department to compensate for segregation of duties issues.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

12-3 Identification of Federal Awards

Program: U. S. Department of Transportation Highway Planning and Construction (CFDA No. 20.205)

Pass Through Agency: Minnesota Department of Transportation

Criteria: OMB Circular A-133, Subpart C, § .300, indicates auditee responsibilities include the identification of all federal awards received and expended and the federal programs under which they were received and preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Condition: The County did not adequately identify amounts received and expended for federal awards on the SEFA. The following item of improper classification and misidentification of federal awards was noted:

- The County did not identify \$431,000 as federal Highway Planning and Construction (CFDA No. 20.205). This is a Type A major program required to be audited under OMB Circular A-133.

Questioned Costs: None.

Context: In 2012, the County expended \$3,414,749 in federal awards.

Effect: The inability to identify and track federal expenditures or to detect significant misstatements in the SEFA increases the likelihood that the federal expenditures would not be fairly reported.

Cause: The County does not have adequate procedures in place to identify, classify, and track federal awards for reporting on the SEFA or in the financial statements.

Recommendation: We recommend County management develop a system and written procedures that will allow staff to correctly identify and classify all federal financial assistance received and expended. Procedures should include determination of the correct program CFDA number, revenue source, and program name.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Lisa Kramer, Finance Director

Corrective Action Planned:

The County is using the federal awards report within IFSpi to identify federal money as it is received. As new funds are received, the finance staff requests the cover page from the original grant documentation, so we can determine the correct CFDA number and properly identify the grant.

Anticipated Completion Date:

Implemented September 2013.

PREVIOUSLY REPORTED ITEMS RESOLVED

Reporting Controls - Temporary Assistance for Needy Families (CFDA No. 93.558 (11-2))

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.

Resolution

Review of reports submitted to the Minnesota Department of Health disclosed reports are being reviewed by a supervisory-level individual independent of the individual who prepares the reports.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Collateral to Secure Deposits (11-3)

The County had deposits at Citizens Bank and Equity Bank that were not adequately covered by collateral as required by Minn. Stat. § 118A.03.

Resolution

Review of collateral pledged to secure deposits did not find any violations of Minn. Stat. § 118A.03.



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

Independent Auditor's Report

Board of County Commissioners
Dodge County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 25, 2013. 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

In planning and performing our audit of the financial statements, we considered Dodge County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and significant deficiencies.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 12-1 and 12-2 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, 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 audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Dodge County has no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Dodge County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

Dodge County's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 25, 2013

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

Independent Auditor's Report

Board of County Commissioners
Dodge County

Report on Compliance for Each Major Federal Program

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 the County's major federal program for the year ended December 31, 2012. Dodge County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with Dodge County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Dodge County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Dodge County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be

material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 12-3 that we consider to be a significant deficiency.

Dodge County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plan. Dodge County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 25, 2013