

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

ROCK COUNTY
LUVERNE, MINNESOTA

FOR THE 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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**ROCK COUNTY
LIVERNE, MINNESOTA**

For the Year Ended December 31, 2012



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

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**ROCK COUNTY
LIVERNE, MINNESOTA**

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**ROCK COUNTY
LIVERNE, MINNESOTA**

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**ROCK COUNTY
LUVERNE, MINNESOTA**

ORGANIZATION SCHEDULE
2012

Office	Name	Term Expires
Commissioners		
1st District	Kenneth Hoime**	January 2013
2nd District	Stanley Williamson	January 2015
3rd District	Ronald Boyenga*	January 2013
4th District	Robert Jarchow	January 2015
5th District	Jane Wildung Lanphere	January 2013
Officers		
Elected		
Attorney	Donald R. Klosterbuer	January 2015
Sheriff	Evan Verbrugge	January 2015
Appointed		
Administrator	Kyle J. Oldre	Indefinite
Auditor/Treasurer	Ashley Kurtz	Indefinite
Highway Engineer	Mark Sehr	Indefinite
Land Records Director	Thomas Houselog	Indefinite

*Chair 2012

**Chair 2013

**ROCK COUNTY
LIVERNE, MINNESOTA**

**ORGANIZATION SCHEDULE
ROCK COUNTY RURAL WATER DISTRICT
2012**

<u>Position</u>	<u>Name</u>	<u>Term Expires</u>
Chair	Marvin Tofteland	April 2013
Vice Chair	Lowell Jauert	April 2013
Secretary	Nancy Overgaard	April 2014
Treasurer	Ronald Boyenga	April 2013
Director	Del Walraven	April 2015
Director	Matt Boeve	April 2015
Director	Paul Arends	April 2014

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Rock County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Rock County, Minnesota, 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Rock County as of December 31, 2012, and the respective changes in financial position 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rock 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 December 20, 2013, on our consideration of Rock 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 Rock County's internal control over financial reporting and compliance.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 20, 2013

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**ROCK COUNTY
LIVERNE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(Unaudited)**

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

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$55,076,560, of which \$47,674,388 represents net investment in capital assets, and \$1,348,084 is restricted to specific purposes. The \$6,054,088 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$1,147,475 for the year ended December 31, 2012. A large part of the increase is attributable to an increase in capital assets, net of accumulated depreciation.
- The net cost of governmental activities for the current fiscal year was \$4,062,366. General revenues and other items totaling \$5,209,841 funded the net cost.
- At the close of 2012, Rock County's combined ending governmental fund balances totaled \$9,343,107, an increase of \$1,807,987 from 2011. Of this balance, \$4,783,170 was unassigned by Rock County and thus available for spending at the government's discretion.
- For the year ended December 31, 2012, the assigned and unassigned balance of the General Fund was \$5,148,471, or 90.1 percent of the total General Fund expenditures for that year. This represents an increase from 2011, which had 78.1 percent of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities of the County using the accrual basis of accounting, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. It is important to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

The Statement of Activities presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities. The County has no business-type activities for which the County is legally accountable. The County has one component unit for which it is legally accountable.

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

Fund Financial Statements

Fund level financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County adopts an annual appropriated budget for its General Fund, Public Works Special Revenue Fund, Family Services Special Revenue Fund, Land Management Special Revenue Fund, and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with this budget.

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

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

The County reports the Rock County Rural Water District as a discretely presented component unit.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 74 of this report.

Other Information

In addition to the basic financial statements and notes, a schedule of Rock County's intergovernmental revenues is provided as supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Rock County's assets exceeded liabilities by \$55,076,560 at the close of 2012. The largest portion of Rock County's net position (86.6 percent) reflects the County's investment in capital assets (land, buildings, equipment, and infrastructure, such as roads and bridges), less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

**Table 1
Net Position**

	<u>2012</u>	<u>2011</u>
Assets		
Current and other assets	\$ 11,392,401	\$ 9,244,875
Capital assets	<u>49,983,741</u>	<u>48,212,077</u>
Total Assets	<u>\$ 61,376,142</u>	<u>\$ 57,456,952</u>
Liabilities		
Long-term liabilities	\$ 5,341,851	\$ 2,835,219
Current liabilities	<u>957,731</u>	<u>692,648</u>
Total Liabilities	<u>\$ 6,299,582</u>	<u>\$ 3,527,867</u>
Net Position		
Net investment in capital assets	\$ 47,674,388	\$ 46,691,750
Restricted	1,348,084	1,287,700
Unrestricted	<u>6,054,088</u>	<u>5,949,635</u>
Total Net Position	<u>\$ 55,076,560</u>	<u>\$ 53,929,085</u>

Unrestricted net position--the part of net position that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--was 11.0 percent of the net position.

Governmental Activities

The County's activities increased net position by 2.1 percent (\$55,076,560 for 2012 compared to \$53,929,085 for 2011). Key elements in this increase in net position are as follows:

**Table 2
Changes in Net Position**

	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 3,011,473	\$ 2,574,090
Operating grants and contributions	4,095,091	5,029,196
Capital grants and contributions	688,437	1,011,628
General revenues		
Property taxes	4,531,523	4,121,025
Unrestricted state aid	924,607	504,534
Investment earnings	62,727	85,466
Other	<u>249,078</u>	<u>270,007</u>
Total Revenues	<u>\$ 13,562,936</u>	<u>\$ 13,595,946</u>

	<u>2012</u>	<u>2011</u>
Expenses		
General government	\$ 2,441,850	\$ 2,310,175
Public safety	2,019,247	1,989,541
Highways and streets	4,588,437	3,323,543
Sanitation	744,832	782,502
Human services	1,193,903	2,306,694
Health	74,922	113,452
Culture and recreation	327,823	310,248
Conservation of natural resources	354,872	504,284
Economic development	2,840	1,500
Interest	108,641	88,313
	<u>\$ 11,857,367</u>	<u>\$ 11,730,252</u>
Total Expenses		
Change in Net Position Before Special Items	\$ 1,705,569	\$ 1,865,694
Special Items	(558,094)	-
	<u>\$ 1,147,475</u>	<u>\$ 1,865,694</u>
Change in Net Position		
Net Position - January 1	<u>53,929,085</u>	<u>52,063,391</u>
Net Position - December 31	<u>\$ 55,076,560</u>	<u>\$ 53,929,085</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$9,343,107, an increase of \$1,807,987 in comparison with the prior year. Of the combined ending fund balances, \$7,063,469 represents unrestricted (assigned and unassigned) fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is classified as either nonspendable or restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, or bond covenants, or is nonspendable.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted (assigned and unassigned) fund balance of \$5,148,471. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted (assigned and unassigned) fund balance to total expenditures. The General Fund's unrestricted (assigned and unassigned) fund balance represents 90.1 percent of total General Fund expenditures. During

2012, the ending fund balance increased by \$2,073,662. The primary reason for this increase was due to greater than anticipated revenues, and a bond issuance for the purchase of capital equipment and refinancing an existing bond.

The Public Works Special Revenue Fund had an assigned fund balance of \$922,587 at fiscal year-end, representing 15.3 percent of its annual expenditures. The ending fund balance increased \$252,017 during 2012, primarily due to greater than anticipated revenues.

The Family Services Special Revenue Fund had an assigned fund balance of \$264,492 at fiscal year-end, representing 22.2 percent of its annual expenditures. The ending fund balance decreased \$663,750 during 2012, due to the transfer of Family Service operations to Southwest Health and Human Services on January 1, 2012.

The Land Management Special Revenue Fund had an assigned fund balance of \$727,919 at fiscal year-end, representing 113.5 percent of its annual expenditures. The ending fund balance decreased \$31,064 during 2012, primarily because the County decreased budgeted expenditures with the intent of using reserves.

The Ditch Special Revenue Fund had a restricted fund balance of \$310,009 at fiscal year-end. The ending fund balance increased \$170,533 during 2012, due to the collection of special assessments assessed for the construction of Judicial Ditch #2.

The Debt Service Fund had a restricted fund balance of \$162,511 at fiscal year-end, representing 123.6 percent of its annual expenditures. The ending fund balance increased \$6,589. The Debt Service Fund consists of tax levy dollars used to pay the bond for the construction of the Law Enforcement Center.

Governmental Activities

The County's total revenues were \$13,562,936. Table 3 presents the percent of total County revenues by source for the year ended December 31, 2012.

**Table 3
County Revenues**

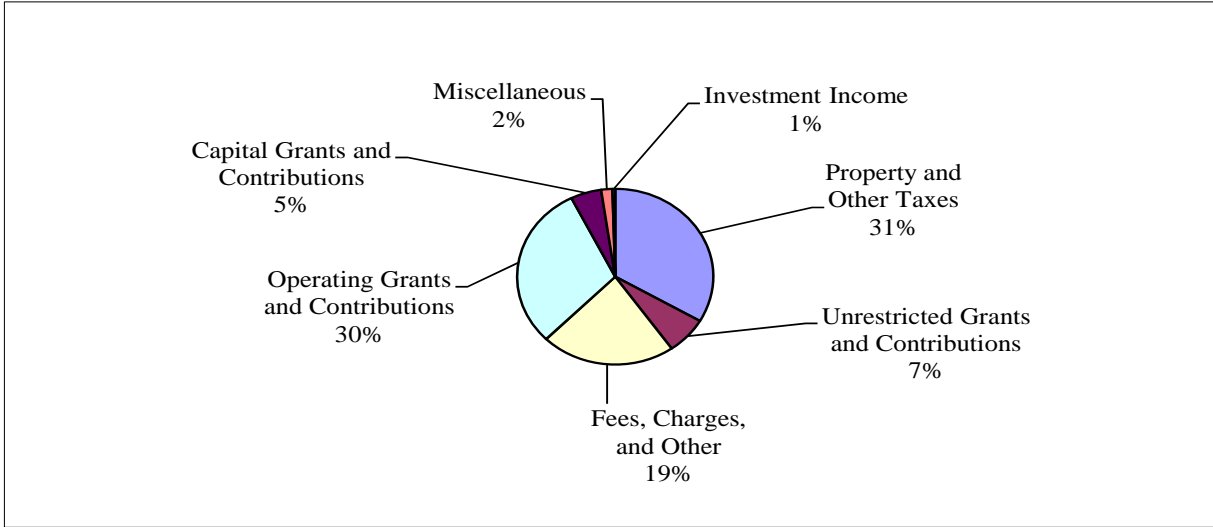
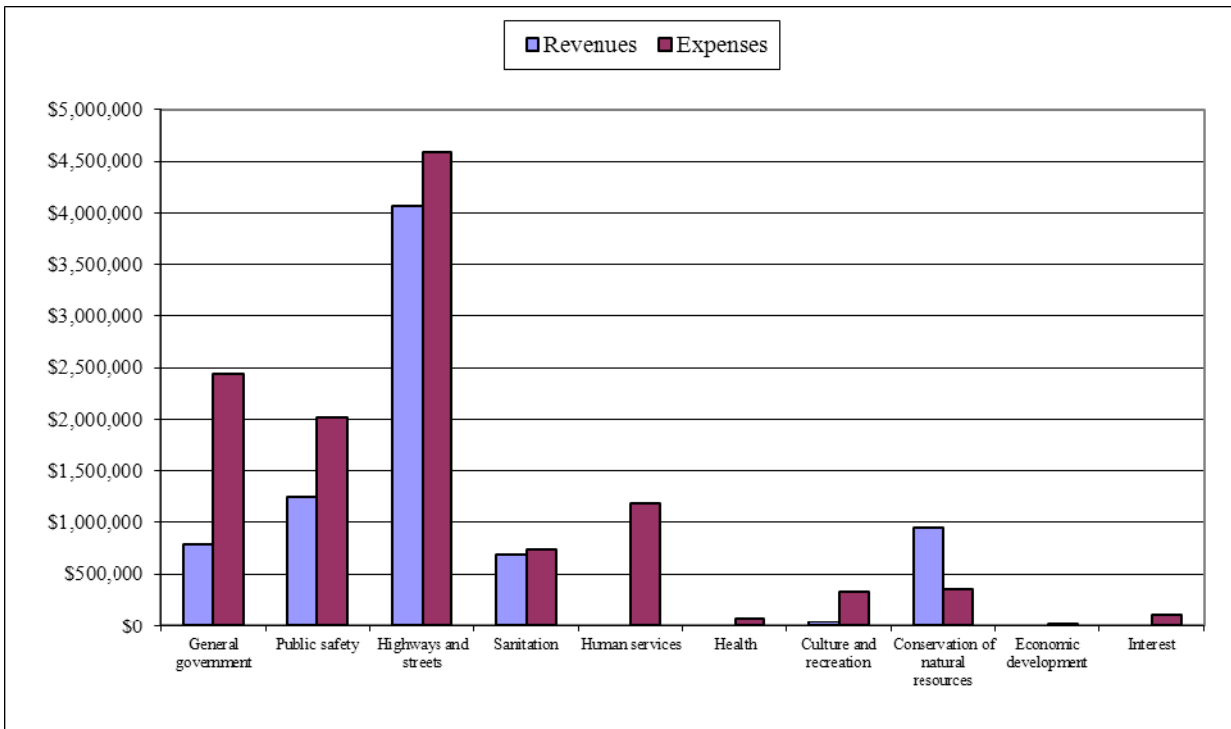


Table 4 presents the cost and revenue of each program of the County. Total program and general revenues for the County were \$13,562,936, while total expenses were \$11,857,367. Along with net special items of (\$588,094), this reflects a \$1,147,475 increase in net position for the year ended December 31, 2012.

**Table 4
Program Revenues and Expenses**



The cost of all governmental activities this year was \$11,857,367. However, as shown on the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$4,062,366 because some of the costs were paid by those who directly benefited from the programs (\$3,011,473) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,783,528). The County paid for the remaining “public benefit” portion of governmental activities with \$5,767,935 in general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as grants and contributions not restricted to specific programs, and interest.

Table 5 presents the cost of each of the County’s four largest program functions as well as each function’s net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden placed on the County’s taxpayers by each of these functions.

**Table 5
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Highways and streets	\$ 4,588,437	\$ 3,323,543	\$ 521,803	\$ (1,036,584)
General government	2,441,850	2,310,175	1,649,845	1,453,019
Public safety	2,019,247	1,989,541	766,401	671,084
Human services	1,193,903	2,306,694	1,193,903	1,124,922
All others	1,613,930	1,800,299	(69,586)	902,897
Totals	<u>\$ 11,857,367</u>	<u>\$ 11,730,252</u>	<u>\$ 4,062,366</u>	<u>\$ 3,115,338</u>

General Fund Budgetary Highlights

Actual General Fund revenues exceeded final budgeted revenues by \$458,953, primarily due to greater than expected grants and other intergovernmental aid and greater than expected charges for services and miscellaneous revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2012, totaled \$49,983,741 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased \$1,771,664, or 3.7 percent, from the previous year. The major capital asset events were additions to:

Infrastructure	\$ 1,760,195
Construction in progress	990,156
Machinery and equipment	985,145

Table 6
Capital Assets at Year-End
(Net of Depreciation)

	2012	2011
Land	\$ 1,179,782	\$ 1,179,782
Construction in progress	990,156	334,140
Works of art and historical treasures	600,000	600,000
Infrastructure	36,236,956	35,486,027
Buildings	7,891,386	8,079,614
Land improvements	185,992	197,097
Machinery, equipment, and vehicles	2,899,469	2,335,417
Total	\$ 49,983,741	\$ 48,212,077

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

Long-Term Debt

At the end of the current fiscal year, the County had total net outstanding debt of \$5,341,851, which was backed by the full faith and credit of the government.

Table 7
Outstanding Debt

	2012	2011
General obligation bonds	\$ 4,720,368	\$ 2,158,715
Capital leases	43,592	85,327
Loans payable	156,681	111,372
Compensated absences payable	335,574	413,410
Net OPEB obligation	85,636	66,395
Total	\$ 5,341,851	\$ 2,835,219

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2012, the County's outstanding debt was 0.28 percent of its total estimated market value of \$1,870,269,700.

Additional information on the County's long-term debt can be found in Note 3.C. to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The unemployment rate for Rock County at the end of 2012 was 3.8 percent. This compares favorably with the state unemployment rate of 5.4 percent and shows a slight increase from the County's 3.6 percent rate of one year ago. The 2012 population is estimated at 9,567.
- On December 11, 2012, the Rock County Board of Commissioners approved the 2013 budget and adopted a property tax levy of \$4,682,771, which represents a 1.8 percent increase over the 2012 property tax levy of \$4,597,714.

Rock County Tax Rate and Levy History

2013	24.639%	\$4,682,771
2012	29.144	4,597,714
2011	29.599	4,485,575
2010	28.573	4,170,151
2009	32.755	3,801,061
2008	35.717	3,654,847
2007	36.798	3,481,138

- Rock County is very dependent on state-paid aids, credits, and grants. Should there be any unallotments or changes in the state aid calculation or any reductions to grants, it would have a significant impact on next year's budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Rock County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator Kyle J. Oldre, or County Auditor-Treasurer Ashley Kurtz, Rock County Courthouse, 204 East Brown Street, P. O. Box 509, Luverne, Minnesota 56156-0509.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT 1

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

	Primary Government Governmental Activities	Rock County Rural Water District Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 7,222,659	\$ 677,457
Investments	2,585,500	1,117,428
Investments - restricted	-	1,175,000
Receivables - net	1,317,572	22,108
Receivables - restricted	-	388,401
Inventories	139,688	107,168
Prepaid items	40,840	1,647
Deferred debt issuance costs	86,142	-
Capital assets		
Non-depreciable capital assets	2,769,938	760,414
Depreciable capital assets - net of accumulated depreciation	47,213,803	3,408,360
Total Assets	\$ 61,376,142	\$ 7,657,983
<u>Liabilities</u>		
Accounts payable and other current liabilities	\$ 742,128	\$ 33,152
Accrued interest payable	53,266	4,914
Customer deposits	18,700	1,425
Unearned revenue	143,637	-
Long-term liabilities		
Due within one year	242,132	107,000
Due in more than one year	5,099,719	916,179
Total Liabilities	\$ 6,299,582	\$ 1,062,670
<u>Net Position</u>		
Net investment in capital assets	\$ 47,674,388	\$ 3,168,774
Restricted for		
Public safety	214,286	-
Highways and streets	784,804	-
Debt service	117,926	-
Rural water distribution system	-	1,563,401
Other purposes	231,068	-
Unrestricted	6,054,088	1,863,138
Total Net Position	\$ 55,076,560	\$ 6,595,313

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

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**ROCK COUNTY
LIVERNE, 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	\$ 2,441,850	\$ 516,743
Public safety	2,019,247	915,359
Highways and streets	4,588,437	172,153
Sanitation	744,832	640,185
Human services	1,193,903	-
Health	74,922	-
Culture and recreation	327,823	13,079
Conservation of natural resources	354,872	753,954
Economic development	2,840	-
Interest	108,641	-
Total Governmental Activities	\$ 11,857,367	\$ 3,011,473
Component Unit		
Rock County Rural Water District	\$ 780,620	\$ 820,656

General Revenues

Property taxes
Gravel taxes
Other taxes
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Interest income
Miscellaneous

Special Items

Proceeds from dissolution of public health joint venture
Transfer of family service operation to SWHHS
Transfer of public health operation to SWHHS

Total general revenues and special items

Change in net position

Net Position - Beginning

Net Position - Ending

EXHIBIT 2

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Rock County Rural Water District Component Unit</u>
\$ 271,017	\$ 4,245	\$ (1,649,845)	
254,428	83,059	(766,401)	
3,293,348	601,133	(521,803)	
55,950	-	(48,697)	
-	-	(1,193,903)	
-	-	(74,922)	
23,914	-	(290,830)	
196,434	-	595,516	
-	-	(2,840)	
-	-	(108,641)	
<u>\$ 4,095,091</u>	<u>\$ 688,437</u>	<u>\$ (4,062,366)</u>	
<u>\$ -</u>	<u>\$ 83,189</u>		<u>\$ 123,225</u>
		\$ 4,531,523	\$ -
		35,702	-
		12,833	-
		39,239	-
		924,607	-
		62,727	41,412
		161,304	-
		232,364	-
		(543,578)	-
		(246,880)	-
		<u>\$ 5,209,841</u>	<u>\$ 41,412</u>
		\$ 1,147,475	\$ 164,637
		<u>53,929,085</u>	<u>6,430,676</u>
		<u>\$ 55,076,560</u>	<u>\$ 6,595,313</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**ROCK COUNTY
LUVERNE, MINNESOTA**

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

	General	Public Works
<u>Assets</u>		
Cash and pooled investments	\$ 3,569,406	\$ 746,120
Cash with fiscal agent	1,246,579	-
Petty cash and change funds	1,475	75
Investments	1,720,500	860,000
Taxes receivable		
Prior	13,664	3,903
Special assessments receivable		
Prior	-	-
Noncurrent	-	-
Accounts receivable	73,425	14,466
Accrued interest receivable	2,884	2,103
Loans receivable	-	-
Due from other governments	30,269	547,199
Inventories	-	139,688
Prepaid items	36,038	3,591
	\$ 6,694,240	\$ 2,317,145
Total Assets	\$ 6,694,240	\$ 2,317,145

EXHIBIT 3

<u>Family Services</u>	<u>Land Management</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ 264,492	\$ 921,992	\$ 310,009	\$ 162,511	\$ 5,974,530
-	-	-	-	1,246,579
-	-	-	-	1,550
-	5,000	-	-	2,585,500
5,712	143	-	698	24,120
-	10,848	-	-	10,848
-	-	475,009	-	475,009
-	-	-	-	87,891
-	6	-	-	4,993
-	137,243	-	-	137,243
-	-	-	-	577,468
-	-	-	-	139,688
-	1,211	-	-	40,840
<u>\$ 270,204</u>	<u>\$ 1,076,443</u>	<u>\$ 785,018</u>	<u>\$ 163,209</u>	<u>\$ 11,306,259</u>

**ROCK COUNTY
LUVERNE, MINNESOTA**

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

	General	Public Works
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 289,478	\$ 96,185
Salaries payable	94,639	41,345
Contracts payable	-	127,631
Due to other governments	73,610	1,242
Deferred revenue - unavailable	15,029	551,242
Deferred revenue - unearned	-	-
Customer deposits	700	-
	\$ 473,456	\$ 817,645
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 139,688
Loans receivable	-	-
Prepaid items	36,038	3,591
Restricted for		
Missing heirs	3,549	-
Law library	12,964	-
Recorder's technology fund	90,653	-
Recorder's compliance fund	123,902	-
Enhanced 911	211,551	-
Septic system loans	-	-
Sheriff's contingency	7,018	-
Sheriff's forfeited property	24,570	-
Regional dispatch	3,381	-
Transportation	99,806	-
Unspent bond proceeds	458,881	-
Highway allotments	-	433,634
Ditch maintenance and repairs	-	-
Debt service	-	-
Assigned to		
Public works	-	922,587
Family services	-	-
Land management	-	-
Capital improvements	325,000	-
Elections	40,301	-
Unassigned	4,783,170	-
	\$ 6,220,784	\$ 1,499,500
Total Liabilities and Fund Balances	\$ 6,694,240	\$ 2,317,145

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

EXHIBIT 3
(Continued)

<u>Family Services</u>	<u>Land Management</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ 3,978	\$ -	\$ -	\$ 389,641
-	14,020	-	-	150,004
-	-	-	-	127,631
-	-	-	-	74,852
5,712	10,997	475,009	698	1,058,687
-	143,637	-	-	143,637
-	18,000	-	-	18,700
\$ 5,712	\$ 190,632	\$ 475,009	\$ 698	\$ 1,963,152
\$ -	\$ -	\$ -	\$ -	\$ 139,688
-	137,243	-	-	137,243
-	1,211	-	-	40,840
-	-	-	-	3,549
-	-	-	-	12,964
-	-	-	-	90,653
-	-	-	-	123,902
-	-	-	-	211,551
-	19,438	-	-	19,438
-	-	-	-	7,018
-	-	-	-	24,570
-	-	-	-	3,381
-	-	-	-	99,806
-	-	-	-	458,881
-	-	-	-	433,634
-	-	310,009	-	310,009
-	-	-	162,511	162,511
-	-	-	-	922,587
264,492	-	-	-	264,492
-	727,919	-	-	727,919
-	-	-	-	325,000
-	-	-	-	40,301
\$ 264,492	\$ 885,811	\$ 310,009	\$ 162,511	\$ 9,343,107
\$ 270,204	\$ 1,076,443	\$ 785,018	\$ 163,209	\$ 11,306,259

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**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT 4

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

Fund balance - total governmental funds (Exhibit 3)	\$	9,343,107
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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.		49,983,741
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,058,687
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General obligation bonds	\$	(4,680,000)	
Unamortized bond discount		24,117	
Unamortized bond premium		(64,485)	
Deferred debt issuance costs		86,142	
Capital leases payable		(43,592)	
Loans payable		(156,681)	
Compensated absences		(335,574)	
Net OPEB obligation		(85,636)	
Accrued interest payable		(53,266)	
		(5,308,975)	(5,308,975)

Net Position of Governmental Activities (Exhibit 1)	\$	<u>55,076,560</u>
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**ROCK COUNTY
LUVERNE, MINNESOTA**

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

	General	Public Works
Revenues		
Taxes	\$ 2,575,204	\$ 782,760
Special assessments	-	-
Licenses and permits	5,465	-
Intergovernmental	829,714	4,985,934
Charges for services	1,293,994	486,363
Fines and forfeits	19,376	-
Gifts and contributions	1,425	-
Investment earnings	55,803	8,010
Miscellaneous	255,348	87,881
	\$ 5,036,329	\$ 6,350,948
Expenditures		
Current		
General government	\$ 2,161,649	\$ -
Public safety	1,858,798	-
Highways and streets	6,952	5,444,119
Sanitation	-	334,122
Human services	-	-
Health	16,800	-
Culture and recreation	334,297	-
Conservation of natural resources	131,895	-
Economic development	2,840	-
Capital outlay	974,168	-
Intergovernmental	120,392	265,312
Debt service		
Principal	41,735	-
Interest	3,797	-
Administrative (fiscal) charges	-	-
Bond issuance costs	63,985	-
	\$ 5,717,308	\$ 6,043,553
Total Expenditures	\$ 5,717,308	\$ 6,043,553
Excess of Revenues Over (Under) Expenditures	\$ (680,979)	\$ 307,395

EXHIBIT 5

<u>Family Services</u>	<u>Land Management</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ 1,058,934	\$ 27,427	\$ 111	\$ 128,687	\$ 4,573,123
-	213,464	276,206	-	489,670
-	35,100	-	-	40,565
64,747	254,093	-	7,435	6,141,923
-	2,906	-	-	1,783,263
-	-	-	-	19,376
-	-	-	-	1,425
-	80	-	1,776	65,669
-	31,965	-	-	375,194
<u>\$ 1,123,681</u>	<u>\$ 565,035</u>	<u>\$ 276,317</u>	<u>\$ 137,898</u>	<u>\$ 13,490,208</u>
\$ -	\$ 39,045	\$ -	\$ -	\$ 2,200,694
-	-	-	-	1,858,798
-	-	-	-	5,451,071
-	396,494	-	-	730,616
1,193,903	-	-	-	1,193,903
-	-	-	-	16,800
-	-	-	-	334,297
-	205,869	16,309	-	354,073
-	-	-	-	2,840
-	-	-	-	974,168
-	-	-	-	385,704
-	-	70,000	75,000	186,735
-	-	19,475	56,088	79,360
-	-	-	425	425
-	-	-	-	63,985
<u>\$ 1,193,903</u>	<u>\$ 641,408</u>	<u>\$ 105,784</u>	<u>\$ 131,513</u>	<u>\$ 13,833,469</u>
<u>\$ (70,222)</u>	<u>\$ (76,373)</u>	<u>\$ 170,533</u>	<u>\$ 6,385</u>	<u>\$ (343,261)</u>

**ROCK COUNTY
LUVERNE, MINNESOTA**

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

	General	Public Works
Other Financing Sources (Uses)		
Transfers in	\$ 60,000	\$ -
Transfers out	-	(60,000)
Bonds issued	2,639,796	-
Premium on sale of bonds	69,091	-
Loans issued	-	-
Proceeds from the sale of assets	270	-
	\$ 2,769,157	\$ (60,000)
Total Other Financing Sources (Uses)		
Special Items		
Proceeds from dissolution of public health joint venture	\$ 232,364	\$ -
Transfer of family service operation to SWHHS	-	-
Transfer of public health operation to SWHHS	(246,880)	-
	\$ (14,516)	\$ -
Total Special Items		
Net Change in Fund Balance	\$ 2,073,662	\$ 247,395
Fund Balance - January 1	4,147,122	1,247,483
Increase (decrease) in inventories	-	4,622
	\$ 6,220,784	\$ 1,499,500
Fund Balance - December 31	\$ 6,220,784	\$ 1,499,500

EXHIBIT 5
(Continued)

<u>Family Services</u>	<u>Land Management</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 60,000
-	-	-	-	(60,000)
-	-	-	204	2,640,000
-	-	-	-	69,091
-	45,309	-	-	45,309
-	-	-	-	270
<u>\$ -</u>	<u>\$ 45,309</u>	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 2,754,670</u>
\$ -	\$ -	\$ -	\$ -	\$ 232,364
(593,528)	-	-	-	(593,528)
-	-	-	-	(246,880)
<u>\$ (593,528)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (608,044)</u>
\$ (663,750)	\$ (31,064)	\$ 170,533	\$ 6,589	\$ 1,803,365
928,242	916,875	139,476	155,922	7,535,120
-	-	-	-	4,622
<u>\$ 264,492</u>	<u>\$ 885,811</u>	<u>\$ 310,009</u>	<u>\$ 162,511</u>	<u>\$ 9,343,107</u>

**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 1,803,365

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 1,058,687	
Deferred revenue - January 1	(985,959)	72,728

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. Contributions of capital assets are reported in the statement of activities, but not in the funds. In the statement of activities, the net book value of assets disposed of is expensed, while not reported in the funds.

Expenditures for general capital assets and infrastructure	\$ 3,401,356	
Current year depreciation	(1,629,692)	1,771,664

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

Principal repayments		
General obligation bonds	\$ 145,000	
Capital leases payment	41,735	186,735

Debt issued		
Bond principal	\$ (2,640,000)	
Bond premium	(69,091)	
Bond issuance costs	63,985	(2,645,106)

Loans issued		(45,309)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	\$ 46,873	
Change in net OPEB obligation	(19,241)	
Change in accrued interest payable	(24,156)	
Discount and bond issuance costs amortization	(4,700)	
Change in inventories	4,622	3,398

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,147,475

FIDUCIARY FUNDS

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**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT 7

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

Assets

Cash and pooled investments	<u>\$ 357,654</u>
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Liabilities

Due to other governments	<u>\$ 357,654</u>
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**ROCK COUNTY
LIVERNE, 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

Rock County was established May 23, 1884, 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 Rock County (primary government) and its component unit for which the County is financially accountable. The County is financially accountable if it appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body, or if the organization could potentially provide specific financial benefits or impose specific financial burdens on the County. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the County Board, serves as the clerk of the Board but does not vote in its decisions.

Discretely Presented Component Unit

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The Rock County Rural Water District is included in the County's reporting entity because of the significance of its operational and financial relationship with the County. The Rock County Board of Commissioners appoints the members of the Rural Water District Board, and the District has the potential to be a financial burden or benefit to the County. The Rock County Rural Water District was established in 1978 to provide water to rural residents of Rock County with the power, duties, and privileges granted it by Minn. Stat. ch. 116A. Separate financial statements are not prepared.

**ROCK COUNTY
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in joint ventures described in Note 6.C. and jointly-governed organizations described in Note 6.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 unit. 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 are normally supported by taxes and intergovernmental revenue, are reported in a single column.

In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

**ROCK COUNTY
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

The Public Works 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 and accounts for the County's garbage transfer station.

The Family Services Special Revenue Fund accounts for committed property tax revenues used for economic assistance and community social services programs.

The Land Management Special Revenue Fund accounts for restricted special assessment revenues, restricted revenues from the state government, and committed property tax revenues for the maintenance of the County's sanitation, planning and zoning, and water planning functions.

**ROCK COUNTY
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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. Rock County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, shared revenues, 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

**ROCK COUNTY
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Cash Equivalents

Rock County and its component unit have 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 or component unit's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-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 of governmental and fiduciary funds 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 \$34,141 for the County.

**ROCK COUNTY
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not in spendable form.

All receivables, including those of the discretely presented component units, 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 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

4. Inventories and Prepaid Items

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

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

**ROCK COUNTY
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 (such as roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. The County and the Rock County Rural Water District define capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Improvements other than buildings	20 - 35
Public domain infrastructure	15 - 75
Machinery and equipment	3 - 15

**ROCK COUNTY
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences

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

8. Deferred Revenue

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

Delinquent property taxes	\$ 24,120
Delinquent and noncurrent special assessments	485,857
Interest on investments	1,509
Receivables that do not provide current financial resources	<u>547,201</u>
Total Deferred Revenue - Unavailable	<u>\$ 1,058,687</u>

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column on the 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.

**ROCK COUNTY
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

9. Long-Term Obligations (Continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other 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 and the component unit financial statements are 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.

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 investments in capital assets.

11. Classification of Fund Balances

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

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

**ROCK COUNTY
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

11. Classification of Fund Balances (Continued)

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 (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Administrator or County Auditor/Treasurer who have been delegated that authority by Board resolution.

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

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

**ROCK COUNTY
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Minimum Fund Balance

Rock County has adopted a minimum fund balance policy for the General Fund and special revenue funds. The General Fund and special revenue funds are heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. The fund balance policy was adopted by the County Board on March 20, 2012. At December 31, 2012, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

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.

14. Special Items

Rock County approved a resolution seeking to join Southwest Health and Human Services (SWHHS) for both human services and community health functions. In the approved resolution, Rock County agreed to contribute \$619,000 to the human services and \$250,900 to the community health functions of SWHHS. Payment was made to SWHHS to join the joint powers in January 2012.

Rock County terminated the joint powers agreement with Nobles County for Nobles-Rock Community Health Services effective December 31, 2011. Rock County was in receipt of \$232,364 from the dissolution of this joint powers agreement.

**ROCK COUNTY
LIVERNE, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

Expenditures exceeded budgets in the following funds:

<u>Fund</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 5,717,308	\$ 4,531,216	\$ 1,186,092
Special Revenue Funds			
Public Works	6,043,553	2,224,366	3,819,187
Family Services	1,193,903	1,121,454	72,449
Land Management	641,408	546,208	95,200

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	\$ 7,222,659
Investments	2,585,500
Statement of fiduciary net position	
Cash and pooled investments	<u>357,654</u>
Total Cash and Investments	<u>\$ 10,165,813</u>
Petty cash and change funds	\$ 1,550
Checking	6,212,181
Cash with fiscal agent	1,246,579
Money market savings	120,003
Certificates of deposit	<u>2,585,500</u>
Total Deposits and Investments	<u>\$ 10,165,813</u>

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2012, the County's deposits were not exposed to custodial credit risk.

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

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 policy of the County and the Rock County Rural Water District to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage are available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31 2012, the County's investments were not exposed to custodial credit risk.

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's and the Rural Water District's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities may be held without limit.

2. Receivables

Receivables as of December 31, 2012, for the County's governmental activities, net of the applicable allowances for uncollectible accounts, are as follows:

	<u>Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes	\$ 24,120	\$ -
Special assessments	485,857	395,881
Accounts	87,891	-
Interest	4,993	-
Loans receivable	137,243	122,712
Due from other governments	577,468	-
	<u>1,317,572</u>	<u>518,593</u>
Total Governmental Activities	\$ 1,317,572	\$ 518,593

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Loans Receivable

Loans receivable activity for MPCA septic system loans is as follows:

Loans receivable, January 1, 2012	\$	106,459
New loans issued during the year - MPCA		45,309
Payments received during the year		(14,525)
Loans Receivable	\$	137,243

The Land Management Special Revenue Fund has a \$137,243 loans receivable from septic loans issued in 2010, 2011 and 2012.

4. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 193,861	\$ -	\$ -	\$ 193,861
Right-of-way	985,921	-	-	985,921
Construction in progress	334,140	990,156	334,140	990,156
Works of art and historical treasures	600,000	-	-	600,000
Total capital assets not depreciated	\$ 2,113,922	\$ 990,156	\$ 334,140	\$ 2,769,938
Capital assets depreciated				
Buildings	\$ 10,256,698	\$ -	\$ -	\$ 10,256,698
Land improvements	242,912	-	-	242,912
Machinery, furniture, and equipment	5,746,029	985,145	897,017	5,834,157
Infrastructure	48,703,221	1,760,195	-	50,463,416
Total capital assets depreciated	\$ 64,948,860	\$ 2,745,340	\$ 897,017	\$ 66,797,183

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

4. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 2,177,084	\$ 188,228	\$ -	\$ 2,365,312
Land improvements	45,815	11,105	-	56,920
Machinery, furniture, and equipment	3,410,612	421,093	897,017	2,934,688
Infrastructure	<u>13,217,194</u>	<u>1,009,266</u>	<u>-</u>	<u>14,226,460</u>
 Total accumulated depreciation	 <u>\$ 18,850,705</u>	 <u>\$ 1,629,692</u>	 <u>\$ 897,017</u>	 <u>\$ 19,583,380</u>
 Total capital assets depreciated, net	 <u>\$ 46,098,155</u>	 <u>\$ 1,115,648</u>	 <u>\$ -</u>	 <u>\$ 47,213,803</u>
 Capital Assets, Net	 <u>\$ 48,212,077</u>	 <u>\$ 2,105,804</u>	 <u>\$ 334,140</u>	 <u>\$ 49,983,741</u>

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

Governmental Activities	
General government	\$ 242,464
Culture and recreation	45,116
Public safety	127,554
Highways and streets (including infrastructure)	1,169,987
Sanitation	<u>44,571</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 1,629,692</u>

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Interfund transfers for the year ended December 31, 2012, consisted of the following:

Transfer to General Fund from Public Works	
Special Revenue Fund	<u>\$ 60,000</u> Provide funding

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2012, were as follows:

	Primary Government
Accounts	\$ 389,641
Salaries	150,004
Contracts	127,631
Due to other governments	74,852
Total Payables	\$ 742,128

2. Leases

Capital Leases

Rock County has a lease agreement that qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. It consists of the following at December 31, 2012:

Capital Lease	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amounts	Outstanding Balance December 31, 2012
HVAC system	2013	\$45,382	4.45	\$ 361,168	\$ 43,592

The gross amounts of assets included in the statement of net position recorded under capital leases are \$652,268, and the related accumulated depreciation included in the general government accumulated depreciation is \$256,561.

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Leases

Capital Leases (Continued)

Payments on the HVAC system capital lease are made from the General Fund. The future lease obligations and the net present value of these minimum lease payments as of December 31, 2012, were as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2013	\$ 45,532
Total minimum lease payments	\$ 45,532
Less: amount representing interest	<u>(1,940)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 43,592</u>

3. Long-Term Debt

Bonds Payable

In 2010, Rock County issued General Obligation Ditch Bonds, Series 2010A, in the amount of \$750,000 to finance improvements on Judicial Ditch 2.

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Average Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2012</u>
Special assessment bonds with government commitment 2010 G.O. Ditch Bonds	2021	\$70,000 - \$85,000	1.25 - 3.50	<u>\$ 750,000</u>	\$ 680,000
Less: unamortized discounts					<u>(4,464)</u>
Special Assessment Bonds With Government Commitment, Net					<u>\$ 675,536</u>

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Bonds Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2012
General obligation bonds					
2012 G.O. Bond, Series 2012A	2026	\$110,000 - \$270,000	2.00 - 2.40	\$ 2,640,000	\$ 2,640,000
2005 G.O. Capital Improvement Bonds	2026	\$45,000 - \$125,000	2.90 - 4.30	<u>1,750,000</u>	<u>1,360,000</u>
Total general obligation bonds				<u>\$ 4,390,000</u>	\$ 4,000,000
Add: unamortized premium					64,485
Less: unamortized discounts					<u>(19,653)</u>
Total General Obligation Bonds, Net					<u><u>\$ 4,044,832</u></u>

Loans Payable

In 2010, the County agreed to act as loan and project sponsor for a loan agreement made under the Clean Water Partnership (CWP) Law with the State of Minnesota through its Pollution Control Agency. The County makes loans to residents to be used for the control and abatement of water pollution. The loans are to be repaid at an interest rate of 3.0 percent, with a repayment term of 10 years, and are secured by special assessments placed on the individual parcels.

In 2010, the County entered into the Rock River Watershed Clean Water Partnership. The County is financing the loans to residents with loans from Minnesota Pollution Control Agency, payable semi-annually with interest at two percent. Loan payments are reported in the Land Management Special Revenue Fund.

Principal and interest requirements to maturity for clean water loans of \$156,681 for the Rock River Replacement Project are not included because a fixed repayment schedule was not available.

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 75,000	\$ 121,025	\$ 70,000	\$ 18,175
2014	1,430,000	52,600	70,000	17,038
2015	240,000	48,750	70,000	15,638
2016	245,000	43,900	75,000	13,906
2017	245,000	39,000	75,000	11,844
2018 - 2022	1,315,000	117,900	320,000	22,531
2023 - 2026	450,000	21,290	-	-
Total	<u>\$ 4,000,000</u>	<u>\$ 444,465</u>	<u>\$ 680,000</u>	<u>\$ 99,132</u>

Year Ending December 31	Capital Leases	
	Principal	Interest
Total	<u>\$ 43,592</u>	<u>\$ 1,940</u>

5. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 1,435,000	\$ 2,640,000	\$ 75,000	\$ 4,000,000	\$ 75,000
Add: unamortized premiums	-	69,091	4,606	64,485	-
Less: unamortized discounts	(21,184)	-	(1,531)	(19,653)	-
General obligation bonds, net	<u>\$ 1,413,816</u>	<u>\$ 2,709,091</u>	<u>\$ 78,075</u>	<u>\$ 4,044,832</u>	<u>\$ 75,000</u>
Special assessment bonds with government commitment	\$ 750,000	\$ -	\$ 70,000	\$ 680,000	\$ 70,000
Less: unamortized discounts	(5,101)	-	(637)	(4,464)	-
Special assessment bonds with government commitment, net	<u>\$ 744,899</u>	<u>\$ -</u>	<u>\$ 69,363</u>	<u>\$ 675,536</u>	<u>\$ 70,000</u>

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Changes in Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable	\$ 2,158,715	\$ 2,709,091	\$ 147,438	\$ 4,720,368	\$ 145,000
Capital leases	85,327	-	41,735	43,592	43,592
Loans payable	111,372	45,309	-	156,681	9,446
Compensated absences	413,410	-	77,836	335,574	44,094
Net OPEB obligation	66,395	19,241	-	85,636	-
Governmental Activities Long-Term Liabilities	<u>\$ 2,835,219</u>	<u>\$ 2,773,641</u>	<u>\$ 267,009</u>	<u>\$ 5,341,851</u>	<u>\$ 242,132</u>

6. Crossover Refunding Debt

On May 24, 2012, Rock County issued General Obligation Refunding Bonds, Series 2012A, in the amount of \$2,640,000 with interest rates of 2.00 percent to 2.40 percent to provide capital equipment financing (\$1,400,000) and to crossover refund the General Obligation Capital Improvement Bond, dated November 1, 2005, maturing after February 1, 2014. The balance of the outstanding maturities to be refunded is \$1,205,000, and interest rates are 3.75 percent to 4.30 percent.

The General Obligation Crossover Refunding Bonds, Series 2012A, were issued at a premium of \$25,571, and after paying debt issuance cost of \$30,296, the net proceeds were \$1,246,579. This amount was used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide partial interest payments on the General Obligation Crossover Refunding Bonds, Series 2012A, until February 1, 2014, at which time the refunded bonds will be paid off. The principal balance of both the original issue and the refunding issued will be shown on the balance sheet until the call date of refunded bonds, at which time the 2005 bonds will be paid, and the liability for those bonds will be removed.

As a result of the crossover refunding, the County reduced its total debt service requirements by \$122,593, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt service) of \$107,383.

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Rock 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).

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.

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

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.

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.

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Funding Policy (Continued)

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

Rock 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:

	2012	2011	2010
General Employees Retirement Fund	\$ 191,975	\$ 250,109	\$ 250,803
Public Employees Police and Fire Fund	89,425	88,696	86,445

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

B. Defined Contribution Plan

Six of the elected officials of Rock 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.

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

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.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2012, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 927	\$ 927
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

Rock County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Rock County Board of Commissioners. Retirees are required to pay 100 percent of the premium costs.

The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2012, there were approximately 80 participants of the County in the plan, including 4 retirees. The implicit rate subsidy amount was determined by an actuary study to be \$24,097 for 2012.

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) 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 that, 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 the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	45,340
Interest on net OPEB obligation		2,966
Adjustment to ARC		(4,968)

Annual OPEB cost (expense)	\$	43,338
Contributions made		(24,097)

Increase in net OPEB obligation	\$	19,241
Net OPEB Obligation - Beginning of Year		66,395

Net OPEB Obligation - End of Year	\$	85,636

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	\$ 66,652	\$ 56,300	84.47%	\$ 55,249
December 31, 2011	66,610	55,364	83.24	66,395
December 31, 2012	43,338	24,097	55.60	85,636

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, Rock County had no assets to fund the plan. The actuarial accrued liability for benefits was \$399,473, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$399,473. The covered payroll (annual payroll of active employees covered by the plan) was \$3,636,645, and the ratio of the UAAL to the covered payroll was 11.0 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. 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. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections 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 benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Rock County's implicit rate of return on the General Fund.

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2012, was 25 years.

5. Risk Management

Rock 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. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. The County purchases commercial insurance for employee health and dental coverage as well as for other risks. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$460,000 per claim in 2012 and \$470,000 per claim 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.

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.

**ROCK COUNTY
LIVERNE, MINNESOTA**

5. Risk Management (Continued)

The Southwest/West Central Service Cooperative is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

6. Summary of Significant Contingencies and Other Items

A. Subsequent Events

On August 16, 2011, the County Board approved a loan of \$150,000 to the Southwestern Mental Health Center, Inc., for a building project at an interest rate of two percent. On March 20, 2012, the County Board approved a repayment term of 30 years for this loan. The loan was made to Southwestern Mental Health Center, Inc., on July 12, 2013.

On April 2, 2013, the County Board approved a grant of \$40,516 and a loan of \$100,000 to the Rock County Agricultural Society for the bleacher replacement project. The loan has a repayment term of 5 years at no interest.

On August 14, 2012, the County Board was notified that Rock County will be the loan recipient of USDA RED-G proceeds of \$360,000 from the Lismore Telephone Cooperative. Lismore Telephone Cooperative will also retain the loan repayment proceeds from Rock County as a Revolving Loan Fund for future economic development projects. The loan proceeds were received by the County on May 30, 2013.

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.

**ROCK COUNTY
LIVERNE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

The County is currently involved in a class action lawsuit that was filed on November 27, 2012, involving misuse of driver's license files. This lawsuit may exceed MCIT coverage of \$2,000,000. This includes \$200,000 in coverage for those that opt out of the class and \$1,800,000 for the class action lawsuit. The settlement has not yet been approved by a federal judge.

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

Lincoln-Pipestone Rural Water System

At December 31, 2012, the Lincoln-Pipestone Rural Water System had \$36,231,499 of general obligation bonds outstanding through 2052. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specially benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and unlimited taxing powers are pledged. The participating counties (Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn. Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the nine participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

**ROCK COUNTY
LIVERNE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities

Lincoln-Pipestone Rural Water System (Continued)

In 2012, Lincoln County issued a General Obligation Water System Refunding Bond for \$1,050,000 on behalf of the Lincoln-Pipestone Rural Water System to crossover advance refund the General Obligation Water System Refunding Bonds, Series 2003.

C. Joint Ventures

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

Southwest Health and Human Services

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

In 2011, Rock County petitioned to join SWHHS. Rock County's health and human services functions were assumed by SWHHS as of January 1, 2012. In 2012, Pipestone County petitioned for its human services function to join SWHHS and joined as of January 1, 2013. In 2012, Redwood County petitioned to join SWHHS for its health and human services functions and joined as of January 1, 2013.

SWHHS is governed by the:

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

**ROCK COUNTY
LIVERNE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwest Health and Human Services (Continued)

- Human Services Board - responsible for duties set forth in Minn. Stat. ch. 393 and made up of two County Commissioners appointed annually and one layperson to be appointed consistent with the requirement of the Commissioner of Human Services.
- Community Health Board - responsible for all duties set forth in Minn. Stat. ch. 145A and made up of one County Commissioner and one alternate from each member county unless such County shall have a population in excess of twice that of any other member County, in which case it shall have two Commissioners and two alternates.

Financing is provided by state and federal grants and appropriations from member counties. Rock County's contribution in 2012 was \$1,121,654.

At December 31, 2012, SWHHS reported a total fund balance of \$6,108,171. In addition, SWHHS reported total net position of \$5,277,383. SWHHS's long-term liabilities at December 31, 2012, total \$1,253,550 and include the net OPEB obligation and compensated absences. The debt will be funded by intergovernmental revenue and revenue from computer services.

Complete financial statements of Southwest Health and Human Services can be obtained at 607 West Main, Marshall, Minnesota 56258.

Lincoln-Pipestone Rural Water System

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

**ROCK COUNTY
LIVERNE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Lincoln-Pipestone Rural Water System (Continued)

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

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2012, are \$36,231,499.

The Lincoln-Pipestone Rural Water System's 2012 financial report shows total net position of \$49,589,244, including unrestricted net position of \$18,020,861. The increase in net position for the year ended December 31, 2012, is \$1,044,426.

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

Rock Nobles Community Corrections

Rock County participates with Nobles County in a joint venture to provide community corrections services. Rock Nobles Community Corrections develops and implements humane and effective methods of prevention, control, and rehabilitation of offenders.

The governing board is composed of two County Commissioners from the participating counties and three lay members.

Rock Nobles Community Corrections is headquartered in Worthington, Minnesota, with offices at the county seats of the member counties. Financing is provided by state grants and appropriations from member counties. Rock County's contribution to Rock Nobles Community Corrections for the year ended December 31, 2012, was \$62,270.

**ROCK COUNTY
LIVERNE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rock Nobles Community Corrections (Continued)

The following is a summary of Rock Nobles Community Corrections' annual financial report for the year ended December 31, 2012:

Total Assets	\$	320,907
Total Liabilities		79,818
Total Net Position		241,089
Total Revenues		701,209
Total Expenses		706,081
Increase (Decrease) in Net Position		(4,872)

Rock Nobles Community Corrections' long-term obligations consist of compensated absences of \$45,334 and a net OPEB obligation of \$491 at December 31, 2012.

Complete financial statements of Rock Nobles Community Corrections can be obtained at the Rock County Courthouse, 204 East Brown Street, P. O. Box 509, Luverne, Minnesota 56156-0509.

Southwest Minnesota Regional Radio Board

The Southwest Minnesota Regional Radio Board Joint Powers Board was established April 22, 2008, between Rock County, the City of Marshall, the City of Worthington, and 12 other counties under authority of Minn. Stat. §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities are appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the Board include a member of the Southwest Minnesota Regional Advisory Committee, a member of the Southwest Minnesota Regional Radio System User Committee, and a member of the Southwest Minnesota Owners and Operators Committee.

During 2012, Rock County contributed \$2,635 to the Joint Powers Board.

**ROCK COUNTY
LIVERNE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southwest Regional Solid Waste Commission

The County has entered into a joint powers agreement with a number of other counties to create and operate the Southwest Regional Solid Waste Commission, under the authority of Minn. Stat. § 471.59. The Commission was formed to exercise the County's authority and obligation pursuant to Minn. State. chs. 400 and 115A to provide for the management of solid waste in the respective counties; and provide the greatest public service benefit possible for the entire contiguous 12-county area encompassed by the counties in planning, management, and implementation of methods to deal with solid waste in Southwest Minnesota.

The governing board is composed of one County Commissioner from each of the participating counties. Financing the Commission's solid waste management program is through appropriations from the participating counties, grants and loans from the Minnesota Office of Waste Management, or from the sale of bonds or other obligations secured by revenues of the Commission. Administration and planning costs of the Commission are assessed to the counties on equal shares up to \$1,000 per county per year. The current assessment is \$500.

The Commission is headquartered in Ivanhoe, Minnesota, where Lincoln County acts as fiscal host. A complete financial report of the Southwest Regional Solid Waste Commission can be obtained from the Lincoln County Auditor at 319 Rebecca Street, P. O. Box 29, Ivanhoe, Minnesota 56142.

Retired and Senior Volunteer Program of Southwest Minnesota (SW-RSVP)

Rock County, in conjunction with five counties and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, have formed an agreement to coordinate the delivery of volunteer services to non-profit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The Board comprises one voting member from each participating County and one voting member of the SW-RSVP Advisory Council. In 2012, the County did not make any contributions to the SW-RSVP.

**ROCK COUNTY
LIVERNE, MINNESOTA**

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

D. Jointly-Governed Organizations

Kanaranzi-Little Rock Watershed District

The County Board is responsible for appointing two members of the Board of Managers for the Kanaranzi-Little Rock Watershed District, but the County's responsibility does not extend beyond making the appointments.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use. During 2012, Rock County paid \$2,000 to the Board.

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

In addition to those policies identified in Note 1, the County's discretely presented component unit has the following significant accounting policies.

Reporting Entity

The Rock County Rural Water District is included in the County's reporting entity because of the significance of its operational and financial relationship with the County. The Rock County Rural Water District was established in 1978 to provide water to rural residents of Rock County. It is governed by a board composed of seven members appointed by the Rock County Board of Commissioners. It is reported in a separate column in the financial statements to emphasize that it is legally separate from the County. Financial statements of the Rock County Rural Water District can be obtained at 541 - 150th Avenue, Luverne, Minnesota 56156.

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Rock County Rural Water District presents as an enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Deposits and Investments

The cash balances are invested by the District for the purpose of increasing earnings through investment activities. Investments are reported at fair value at December 31, 2012, based on market prices. Pooled investment earnings for 2012 were \$1,400.

The District 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). The investment in the pool is measured at the net asset value per share provided by the pool.

Rock County is holding short-term investments of the District. These certificates of deposit are for future expenditures on the distribution system and any other related expenditures. The total held by the County for the District was \$1,175,000 at December 31.

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures (Continued)

B. Detailed Notes

1. Assets

Deposits and Investments

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

Cash and pooled investments	\$ 677,457
Investments	1,117,428
Investments - restricted	<u>1,175,000</u>
Total Deposits and Investments	<u>\$ 2,969,885</u>

Petty cash and change funds	\$ 75
Checking	663,141
Savings	14,241
Certificates of deposit	2,197,428
MAGIC Fund CD	<u>95,000</u>
Total Deposits and Investments	<u>\$ 2,969,885</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. Rock County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2012, the County's deposits were not exposed to custodial credit risk.

**ROCK COUNTY
LIVERNE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

1. Assets (Continued)

Receivables

Receivables as of December 31, 2012, for the Rock County Rural Water District are as follows:

	Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Special assessments	\$ 171	\$ -
Interest	21,937	-
Total Receivables	\$ 22,108	\$ -
Special Assessments - Total Restricted Receivables	\$ 388,401	\$ 347,020

Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and right-of-way	\$ 106,587	\$ -	\$ -	\$ 106,587
Lewis and Clark project	632,123	-	-	632,123
Expansion project	21,704	-	-	21,704
Total capital assets not depreciated	\$ 760,414	\$ -	\$ -	\$ 760,414
Capital assets depreciated				
Buildings and pumps	\$ 2,885,272	\$ 21,834	\$ -	\$ 2,907,106
Land improvements	11,649	-	-	11,649
Machinery, furniture, and equipment	205,356	146,385	23,775	327,966
Infrastructure - distribution system	4,037,664	37,186	-	4,074,850
Total capital assets depreciated	\$ 7,139,941	\$ 205,405	\$ 23,775	\$ 7,321,571

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

1. Assets

Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings and pumps	\$ 1,531,571	\$ 75,570	\$ -	\$ 1,607,141
Land improvements	958	291	-	1,249
Machinery, furniture, and equipment	121,110	23,575	23,775	120,910
Infrastructure - distribution system	2,079,110	104,801	-	2,183,911
Total accumulated depreciation	\$ 3,732,749	\$ 204,237	\$ 23,775	\$ 3,913,211
Total capital assets depreciated, net	\$ 3,407,192	\$ 1,168	\$ -	\$ 3,408,360
Capital Assets, Net	\$ 4,167,606	\$ (1,168)	\$ -	\$ 4,168,774

Depreciation expense for 2012 was \$204,237.

2. Liabilities

Payables

Payables at December 31, 2012, were as follows:

Accounts	\$ 23,587
Salaries	9,565
Total Payables	\$ 33,152

Long-Term Debt

In 2000, the Rock County Rural Water District obtained financing through Rock County with the Minnesota Public Facilities Authority in the form of a General Obligation Revenue Bond debt of \$1,460,000 at 1.79 percent interest for 20 years and a grant of \$500,000.

**ROCK COUNTY
LIVERNE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities

Long-Term Debt (Continued)

Financing was obtained again during 2007 through Rock County with the Minnesota Public Facilities Authority in the form of a General Obligation Revenue Note of \$533,000 at 1.02 percent interest.

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2012
General obligation notes					
2000 G.O. Revenue Note	2019	\$14,000 - \$89,000	1.79	\$ 1,460,000	\$ 590,000
2007 G.O. Revenue Note	2026	\$16,000 - \$31,000	1.02	<u>533,000</u>	<u>410,000</u>
Total General Obligation Notes				<u>\$ 1,993,000</u>	<u>\$ 1,000,000</u>

Debt Service Requirements

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

Year Ending December 31	General Obligation Revenue Note 2000		General Obligation Revenue Note 2007	
	Principal	Interest	Principal	Interest
2013	\$ 80,000	\$ 10,561	\$ 27,000	\$ 4,182
2014	81,000	9,129	28,000	3,907
2015	83,000	7,679	28,000	3,621
2016	84,000	6,193	28,000	3,335
2017	86,000	4,690	29,000	3,050
2018 - 2022	176,000	4,743	147,000	10,802
2023 - 2026	-	-	<u>123,000</u>	<u>3,151</u>
Total	<u>\$ 590,000</u>	<u>\$ 42,995</u>	<u>\$ 410,000</u>	<u>\$ 32,048</u>

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities (Continued)

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. revenue note 2000	\$ 668,000	\$ -	\$ 78,000	\$ 590,000	\$ 80,000
G.O. revenue note 2007	437,000	-	27,000	410,000	27,000
Total G.O. revenue notes	\$ 1,105,000	\$ -	\$ 105,000	\$ 1,000,000	\$ 107,000
Compensated absences	17,496	4,466	-	21,962	-
Net OPEB obligation	-	1,217	-	1,217	-
Total Long-Term Liabilities	<u>\$ 1,122,496</u>	<u>\$ 5,683</u>	<u>\$ 105,000</u>	<u>\$ 1,023,179</u>	<u>\$ 107,000</u>

C. Pension Plans

Full-time and certain part-time employees of the Rock County Rural Water District are covered by the Coordinated Plan administered by the Public Employees Retirement Association of Minnesota as described in Note 4 herein.

The Rock County Rural Water District's contributions to the General Employees Retirement Fund for the years ended December 31, 2012, 2011, and 2010, were \$13,278, \$7,612, and \$13,998, respectively. These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

**ROCK COUNTY
LIVERNE, MINNESOTA**

7. Component Unit Disclosures (Continued)

D. Other Postemployment Benefits

Rock County Rural Water District provides a single-employer defined health care plan to eligible retirees and their spouses as described in Note 4 herein.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employee, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, 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 District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan.

ARC	\$	754
Interest on net OPEB obligation		22
Adjustment to ARC		879
		879
Annual OPEB cost (expense)	\$	1,655
Contributions made		(438)
		(438)
Increase in net OPEB obligation	\$	1,217
Net OPEB Obligation - Beginning of Year		-
		-
Net OPEB Obligation - End of Year	\$	1,217

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended December 31, 2012, was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2012	\$ 1,655	\$ 438	26.47%	\$ 1,217

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REQUIRED SUPPLEMENTARY INFORMATION

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**ROCK COUNTY
LIVERNE, 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	\$ 2,620,811	\$ 2,620,811	\$ 2,575,204	\$ (45,607)
Licenses and permits	1,265	1,265	5,465	4,200
Intergovernmental	470,883	470,883	829,714	358,831
Charges for services	1,233,892	1,233,892	1,293,994	60,102
Fines and forfeits	2,500	2,500	19,376	16,876
Gifts and contributions	-	-	1,425	1,425
Investment earnings	76,000	76,000	55,803	(20,197)
Miscellaneous	172,025	172,025	255,348	83,323
Total Revenues	\$ 4,577,376	\$ 4,577,376	\$ 5,036,329	\$ 458,953
Expenditures				
Current				
General government				
Commissioners	\$ 343,896	\$ 343,896	\$ 214,976	\$ 128,920
District Court	-	-	35,274	(35,274)
Law library	-	-	8,890	(8,890)
County administration	201,774	201,774	199,607	2,167
Auditor/Treasurer	296,591	296,591	284,707	11,884
Elections	42,142	42,142	33,366	8,776
Accounting and auditing	45,000	45,000	45,065	(65)
Data processing	173,235	173,235	178,727	(5,492)
Attorney	154,627	154,627	154,691	(64)
Land records	348,162	348,162	349,945	(1,783)
Recorder's technology	19,275	19,275	24,115	(4,840)
Buildings and plant	260,396	260,396	284,857	(24,461)
Veterans service officer	29,932	29,932	32,491	(2,559)
Transportation	363,287	363,287	290,490	72,797
Veterans memorial	-	-	7,183	(7,183)
Other general government	11,550	11,550	17,265	(5,715)
Total general government	\$ 2,289,867	\$ 2,289,867	\$ 2,161,649	\$ 128,218
Public safety				
Sheriff	\$ 1,553,939	\$ 1,553,939	\$ 1,749,746	\$ (195,807)
Coroner	10,000	10,000	1,064	8,936
E-911 system	-	-	42,299	(42,299)
Prisoner care	91,000	91,000	65,689	25,311
Total public safety	\$ 1,654,939	\$ 1,654,939	\$ 1,858,798	\$ (203,859)

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

**ROCK COUNTY
LIVERNE, 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)				
Highways and streets				
Highway equipment and maintenance shops	\$ -	\$ -	\$ 6,952	\$ (6,952)
Health				
Community health	\$ 16,800	\$ 16,800	\$ 16,800	\$ -
Culture and recreation				
Historical society	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Minnesota trails	-	-	23,914	(23,914)
Senior citizens	6,204	6,204	6,011	193
Library	253,079	253,079	253,598	(519)
Heritage museum	34,750	34,750	30,261	4,489
Library donations	-	-	7	(7)
Children's library books	-	-	4,586	(4,586)
Other	5,920	5,920	5,920	-
Total culture and recreation	\$ 309,953	\$ 309,953	\$ 334,297	\$ (24,344)
Conservation of natural resources				
Extension	\$ 119,343	\$ 119,343	\$ 115,895	\$ 3,448
Agricultural society	16,000	16,000	16,000	-
Total conservation of natural resources	\$ 135,343	\$ 135,343	\$ 131,895	\$ 3,448
Economic development				
Tourism	\$ 1,500	\$ 1,500	\$ 2,840	\$ (1,340)
Intergovernmental				
Public safety	\$ 62,270	\$ 62,270	\$ 62,270	\$ -
Health	60,544	60,544	58,122	2,422
Total intergovernmental	\$ 122,814	\$ 122,814	\$ 120,392	\$ 2,422
Debt service				
Principal	\$ -	\$ -	\$ 41,735	\$ (41,735)
Interest	-	-	3,797	(3,797)
Bond issuance costs	-	-	63,985	(63,985)
Total debt service	\$ -	\$ -	\$ 109,517	\$ (109,517)

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

**ROCK COUNTY
LUVERNE, 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 (Continued)				
Capital Outlay				
General government	\$ -	\$ -	\$ 38,486	\$ (38,486)
Public safety	-	-	159,989	(159,989)
Highways and streets	-	-	775,693	(775,693)
Total capital outlay	\$ -	\$ -	\$ 974,168	\$ (974,168)
Total Expenditures	\$ 4,531,216	\$ 4,531,216	\$ 5,717,308	\$ (1,186,092)
Excess of Revenues Over (Under)				
Expenditures	\$ 46,160	\$ 46,160	\$ (680,979)	\$ (727,139)
Other Financing Sources (Uses)				
Transfers in	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Bonds issued	-	-	2,639,796	2,639,796
Premium on sale of bonds	-	-	69,091	69,091
Proceeds from the sale of assets	2,000	2,000	270	(1,730)
Total Other Financing Sources (Uses)	\$ 62,000	\$ 62,000	\$ 2,769,157	\$ 2,707,157
Special Items				
Proceeds from NRPH dissolution	\$ -	\$ -	\$ 232,364	\$ 232,364
Transfer public health to SWHHS	-	-	(246,880)	(246,880)
Total Special Items	\$ -	\$ -	\$ (14,516)	\$ (14,516)
Net Change in Fund Balance	\$ 108,160	\$ 108,160	\$ 2,073,662	\$ 1,965,502
Fund Balance - January 1	4,147,122	4,147,122	4,147,122	-
Fund Balance - December 31	\$ 4,255,282	\$ 4,255,282	\$ 6,220,784	\$ 1,965,502

**ROCK COUNTY
LIVERNE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS 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	\$ 791,334	\$ 791,334	\$ 782,760	\$ (8,574)
Intergovernmental	1,120,527	1,120,527	4,985,934	3,865,407
Charges for services	337,500	337,500	486,363	148,863
Investment earnings	30,000	30,000	8,010	(21,990)
Miscellaneous	5,005	5,005	87,881	82,876
Total Revenues	\$ 2,284,366	\$ 2,284,366	\$ 6,350,948	\$ 4,066,582
Expenditures				
Current				
Highways and streets				
Administration	\$ 226,793	\$ 226,793	\$ 203,532	\$ 23,261
Maintenance	869,796	869,796	786,689	83,107
Construction	273,126	273,126	3,827,652	(3,554,526)
Equipment and maintenance shops	548,287	548,287	500,826	47,461
Material and services for resale	11,547	11,547	43,841	(32,294)
Other	104,859	104,859	81,579	23,280
Total highways and streets	\$ 2,034,408	\$ 2,034,408	\$ 5,444,119	\$ (3,409,711)
Sanitation				
Solid waste	189,958	189,958	334,122	(144,164)
Intergovernmental				
Highways and streets	-	-	265,312	(265,312)
Total Expenditures	\$ 2,224,366	\$ 2,224,366	\$ 6,043,553	\$ (3,819,187)
Excess of Revenues Over (Under) Expenditures	\$ 60,000	\$ 60,000	\$ 307,395	\$ 247,395
Other Financing Sources (Uses)				
Transfers out	(60,000)	(60,000)	(60,000)	-
Net Change in Fund Balance	\$ -	\$ -	\$ 247,395	\$ 247,395
Fund Balance - January 1	1,247,483	1,247,483	1,247,483	-
Increase (decrease) in inventories	-	-	4,622	4,622
Fund Balance - December 31	\$ 1,247,483	\$ 1,247,483	\$ 1,499,500	\$ 252,017

**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
FAMILY 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	\$ 1,083,181	\$ 1,083,181	\$ 1,058,934	\$ (24,247)
Intergovernmental	<u>38,273</u>	<u>38,273</u>	<u>64,747</u>	<u>26,474</u>
Total Revenues	\$ 1,121,454	\$ 1,121,454	\$ 1,123,681	\$ 2,227
Expenditures				
Current				
Human services	<u>1,121,454</u>	<u>1,121,454</u>	<u>1,193,903</u>	<u>(72,449)</u>
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (70,222)	\$ (70,222)
Special Item				
Transfer of family service operation to SWHHS	<u>-</u>	<u>-</u>	<u>(593,528)</u>	<u>(593,528)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ (663,750)	\$ (663,750)
Fund Balance - January 1	<u>928,242</u>	<u>928,242</u>	<u>928,242</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 928,242</u>	<u>\$ 928,242</u>	<u>\$ 264,492</u>	<u>\$ (663,750)</u>

**ROCK COUNTY
LIVERNE, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
LAND MANAGEMENT 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	\$ 28,594	\$ 28,594	\$ 27,427	\$ (1,167)
Special assessments	209,306	209,306	213,464	4,158
Licenses and permits	35,983	35,983	35,100	(883)
Intergovernmental	165,218	165,218	254,093	88,875
Charges for services	2,275	2,275	2,906	631
Investment earnings	-	-	80	80
Miscellaneous	9,261	9,261	31,965	22,704
Total Revenues	\$ 450,637	\$ 450,637	\$ 565,035	\$ 114,398
Expenditures				
Current				
General government				
Planning and zoning	\$ 40,533	\$ 40,533	\$ 39,045	\$ 1,488
Sanitation				
Solid waste	\$ 50,778	\$ 50,778	\$ 55,150	\$ (4,372)
Recycling	94,260	94,260	122,158	(27,898)
Hazardous waste	27,426	27,426	35,554	(8,128)
Environmental office	169,045	169,045	183,632	(14,587)
Total sanitation	\$ 341,509	\$ 341,509	\$ 396,494	\$ (54,985)
Conservation of natural resources				
Agricultural inspection	\$ 11,644	\$ 11,644	\$ 10,854	\$ 790
Water planning	152,522	152,522	195,015	(42,493)
Total conservation of natural resources	\$ 164,166	\$ 164,166	\$ 205,869	\$ (41,703)
Total Expenditures	\$ 546,208	\$ 546,208	\$ 641,408	\$ (95,200)
Excess of Revenues Over (Under) Expenditures	\$ (95,571)	\$ (95,571)	\$ (76,373)	\$ 19,198
Other Financing Sources (Uses)				
Loans issued	-	-	45,309	45,309
Net Change in Fund Balance	\$ (95,571)	\$ (95,571)	\$ (31,064)	\$ 64,507
Fund Balance - January 1	916,875	916,875	916,875	-
Fund Balance - December 31	\$ 821,304	\$ 821,304	\$ 885,811	\$ 64,507

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

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**ROCK COUNTY
LIVERNE, MINNESOTA**

EXHIBIT A-5

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, 2009	\$ -	\$ 513,365	\$ 513,365	0.0%	\$ 3,800,699	13.5%
January 1, 2012	-	399,473	399,473	0.0	3,636,645	11.0

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**ROCK COUNTY
LIVERNE, MINNESOTA**

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

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund, Public Works Special Revenue Fund, Family Services Special Revenue Fund, Land Management Special Revenue Fund, and the Debt Service Fund. The expenditure budget is approved at the fund level. The Ditch Special Revenue Fund is not budgeted for.

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

2. Budget Basis of Accounting

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

3. Budget Amendments

There were no amendments to the expenditure budgets in the current year.

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

Fund	Expenditures	Budget	Excess
General Fund	\$ 5,717,308	\$ 4,531,216	\$ 1,186,092
Special Revenue Funds			
Public Works	6,043,553	2,224,366	3,819,187
Family Services	1,193,903	1,121,454	72,449
Land Management	641,408	546,208	95,200

**ROCK COUNTY
LUVERNE, MINNESOTA**

5. Other Postemployment Benefits - Funding Status

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the accrued liability for postemployment benefits is zero. Currently, only two actuarial valuations are available. As the information becomes available, future reports will provide additional trend analysis to meet the three valuation funding status requirement.

See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

6. Other Postemployment Benefits - Significant Plan Provision and Actuarial Assumption Changes

2012 Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated to reflect the projection of 2000 rates to 2012 based on scale BB.
- Future retirees electing to continue coverage on the County medical plan was reduced from 50 percent to 35 percent.

SUPPLEMENTARY INFORMATION

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**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
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	\$ 131,614	\$ 131,614	\$ 128,687	\$ (2,927)
Intergovernmental	4,650	4,650	7,435	2,785
Investment earnings	-	-	1,776	1,776
Total Revenues	<u>\$ 136,264</u>	<u>\$ 136,264</u>	<u>\$ 137,898</u>	<u>\$ 1,634</u>
Expenditures				
Debt service				
Principal	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Interest	60,839	60,839	56,088	4,751
Administrative (fiscal) fees	425	425	425	-
Total Expenditures	<u>\$ 136,264</u>	<u>\$ 136,264</u>	<u>\$ 131,513</u>	<u>\$ 4,751</u>
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 6,385	\$ 6,385
Other Financing Sources (Uses)				
Bonds issued	-	-	204	204
Net Change in Fund Balance	\$ -	\$ -	\$ 6,589	\$ 6,589
Fund Balance - January 1	<u>155,922</u>	<u>155,922</u>	<u>155,922</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 155,922</u></u>	<u><u>\$ 155,922</u></u>	<u><u>\$ 162,511</u></u>	<u><u>\$ 6,589</u></u>

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**ROCK COUNTY
LUVERNE, MINNESOTA**

AGENCY FUNDS

Rock Nobles Community Corrections - to account for the collection and disbursement of funds for Rock Nobles Community Corrections.

Family Services Collaborative - to account for the collection and disbursement of funds for the local collaborative.

Social Welfare - to account for the collection and disbursement of funds held on behalf of individuals in the Social Welfare program.

Taxes and Penalties - to account for the collection of taxes and penalties and their distribution to the various funds and governmental units.

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**ROCK COUNTY
LIVERNE, 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>ROCK NOBLES COMMUNITY CORRECTIONS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 235,320</u>	<u>\$ 707,887</u>	<u>\$ 702,307</u>	<u>\$ 240,900</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 235,320</u>	<u>\$ 707,887</u>	<u>\$ 702,307</u>	<u>\$ 240,900</u>
 <u>FAMILY SERVICES COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 88,044</u>	<u>\$ 181</u>	<u>\$ 88,225</u>	<u>\$ -</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 88,044</u>	<u>\$ 181</u>	<u>\$ 88,225</u>	<u>\$ -</u>
 <u>SOCIAL WELFARE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 34,175</u>	<u>\$ -</u>	<u>\$ 34,175</u>	<u>\$ -</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 34,175</u>	<u>\$ -</u>	<u>\$ 34,175</u>	<u>\$ -</u>

**ROCK COUNTY
LIVERNE, 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>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 142,102</u>	<u>\$ 8,156,475</u>	<u>\$ 8,181,823</u>	<u>\$ 116,754</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 142,102</u>	<u>\$ 8,156,475</u>	<u>\$ 8,181,823</u>	<u>\$ 116,754</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 499,641</u>	<u>\$ 8,864,543</u>	<u>\$ 9,006,530</u>	<u>\$ 357,654</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 499,641</u>	<u>\$ 8,864,543</u>	<u>\$ 9,006,530</u>	<u>\$ 357,654</u>

OTHER SCHEDULE

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**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT D-1

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

Shared Revenue

State

Highway users tax	\$ 3,864,861
County program aid	157,387
PERA rate reimbursement	15,089
Disparity reduction aid	12,380
Police aid	64,725
Enhanced 911	80,798
Market value credit - agriculture	89,971
	<u>89,971</u>

Total shared revenue **\$ 4,285,211**

Payments

Local

Payments in lieu of taxes	\$ 39,239
Local	679,579
	<u>679,579</u>

Total payments **\$ 718,818**

Grants

State

Minnesota Department/Board of	
Natural Resources	\$ 23,914
Public Safety	75,157
Transportation	359,909
Water and Soil Resources	166,635
Veterans Affairs	2,298
Pollution Control Agency	55,950
	<u>55,950</u>

Total state **\$ 683,863**

Federal

Department of	
Agriculture	\$ 1,744
Health and Human Services	10,557
Transportation	327,401
Homeland Security	114,329
	<u>114,329</u>

Total federal **\$ 454,031**

Total state and federal grants **\$ 1,137,894**

Total Intergovernmental Revenue **\$ 6,141,923**

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ROCK COUNTY RURAL WATER DISTRICT

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**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT E-1

**ROCK COUNTY RURAL WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Assets

Current assets

Cash and pooled investments	\$	677,457
Investments		1,117,428
Receivables - net		22,108
Inventories		107,168
Prepaid items		1,647
		1,647

Total current assets **\$ 1,925,808**

Restricted assets

Investments	\$	1,175,000
Receivables - net		388,401
		388,401

Total restricted assets **\$ 1,563,401**

Noncurrent assets

Capital assets		
Non-depreciable capital assets	\$	760,414
Depreciable capital assets - net of accumulated depreciation		3,408,360
		3,408,360

Total noncurrent liabilities **\$ 4,168,774**

Total Assets **\$ 7,657,983**

Liabilities

Current liabilities

Accounts payable and other current liabilities	\$	33,152
Accrued interest payable		4,914
Customer deposits		1,425
Notes payable		107,000
		107,000

Total current liabilities **\$ 146,491**

Noncurrent liabilities

Compensated absences	\$	21,962
Notes payable		893,000
Net other postemployment benefits		1,217
		1,217

Total noncurrent liabilities **\$ 916,179**

Total Liabilities **\$ 1,062,670**

**ROCK COUNTY
LIVERNE, MINNESOTA**

*EXHIBIT E-1
(Continued)*

**ROCK COUNTY RURAL WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Net Position

Net investment in capital assets	\$	3,168,774
Restricted for repairs and upgrades to distribution system		1,563,401
Unrestricted		<u>1,863,138</u>
Total Net Position	\$	<u><u>6,595,313</u></u>

**ROCK COUNTY
LIVERNE, MINNESOTA**

EXHIBIT E-2

**ROCK COUNTY RURAL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012**

Operating Revenues	
Charges for services	\$ 803,877
Miscellaneous	16,779
	<hr/>
Total Operating Revenues	\$ 820,656
Operating Expenses	
Personal services	\$ 246,903
Office expense	51,030
Operations	89,285
Materials	91,639
Utilities	79,143
Depreciation	204,237
	<hr/>
Total Operating Expenses	\$ 762,237
Operating Income (Loss)	\$ 58,419
Nonoperating Revenues (Expenses)	
Interest on non-restricted investments	\$ 30,167
Interest on restricted investments	11,245
Interest on long-term debt	(15,857)
Lewis and Clark expense	(2,526)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 23,029
Income (Loss) Before Contributions	\$ 81,448
Capital contributions	83,189
	<hr/>
Change in net position	\$ 164,637
Net Position - January 1	6,430,676
	<hr/>
Net Position - December 31	\$ 6,595,313
	<hr/> <hr/>

**ROCK COUNTY
LIVERNE, MINNESOTA**

EXHIBIT E-3

**ROCK COUNTY RURAL WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Cash Flows from Operating Activities	
Cash received from services	\$ 820,045
Cash paid to employees for services	(238,567)
Cash paid to suppliers for goods or services	(293,184)
	\$ 288,294
Cash Flows from Non-Capital Financing Activities	
Lewis and Clark expenses	\$ (2,525)
Cash Flows from Capital and Related Financing Activities	
Payments of long-term debt	\$ (105,000)
Interest on long-term debt	(16,415)
Capital contributions/special assessments	99,149
Acquisition of capital assets	(205,405)
	\$ (227,671)
Cash Flows from Investing Activities	
Interest on non-restricted investments	\$ 31,468
Interest on restricted investments	11,933
Sale or (purchase) of non-restricted investments	(19,330)
	\$ 24,071
Net Increase (Decrease) in Cash and Cash Equivalents	
	82,169
Cash and Cash Equivalents at January 1	595,288
Cash and Cash Equivalents at December 31	\$ 677,457
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ 58,419
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 204,236
(Increase) decrease in inventories	4,824
(Increase) decrease in prepaid expense	5,216
Increase (decrease) in accounts payable	8,923
Increase (decrease) in salaries payable and compensated absences	6,070
Increase (decrease) in net OPEB obligation	1,217
Increase (decrease) in customer deposits	(611)
	\$ 229,875
Total Adjustments	\$ 229,875
Net Cash Provided by (Used In) Operating Activities	\$ 288,294

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**ROCK COUNTY
LIVERNE, MINNESOTA**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

05-1 Segregation of Duties

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

Condition: Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

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

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

Cause: County staff indicated that Rock County does not have the available resources to hire additional qualified accounting staff to segregate duties in every department.

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

Client's Response:

Rock County management is aware of the lack of segregation of duties that exist within the accounting functions due to limited staff and also the importance of the cross-training within these functions. Rock County will continue to find ways to implement and monitor internal controls and will also continue to work on cross-training of the accounting functions.

06-3 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. Clarified Auditing Standards AU-C Section 265 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Context: The inability to make accrual adjustments or to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following audit adjustments were recorded to correctly identify and report assets and liabilities:

Public Works Special Revenue Fund

- Decreased due from other governments and related deferred revenue - unavailable for bridge bonding state grants of \$311,719, as bridge bonding is an expenditure-driven grant, and the related expenditures had not yet been incurred.

Ditch Special Revenue Fund

- Increased non-current special assessments receivable and related deferred revenue-unavailable by \$475,009 for amounts assessed and levied, but no corresponding receivable had been recorded.

Cause: County staff did not consider controls over calculating the proper amounts of balances and transactions, and did not consider the need for controls over the recording of certain accounting transactions.

Recommendation: We recommend County staff review the trial balances and journal entries in detail to ensure they have an understanding of all audit adjustments made. We also recommend that the County modify internal controls over financial reporting to detect misstatements, including misclassifications, in the financial statements.

Client's Response:

Rock County will improve controls over financial reporting to ensure accuracy in the financial statements.

11-1 Network/Application Password Controls

Criteria: County management is responsible for the County's internal controls over its information systems. This requires establishing security policies and performing assessments of existing controls to determine if the internal controls established are still effective or if changes are needed to ensure County data is protected as prescribed by management.

Condition: Rock County updated to a new version of the Integrated Financial System (IFS) application software. This application was written as a web-based application and may be run on a server or a mainframe system. For an employee of Rock County to access the new IFS application, the user must be signed on to the County network and have a current sign-on for the IFS application. The sign-on differs from the sign-on for the IBM I Series system, so the mainframe security settings do not apply to the application. Rock County has not reviewed the network controls or assessed risks from the change to a web-based application to ensure password controls are working as intended.

Context: The IFS application is the general ledger for Rock County. Detailed receipt and disbursement transactions as well as budget information are maintained on the IFS application throughout the year. This information is used by management to monitor the resources available and make decisions based on the available resources. At or near year-end, certain accrual information is also recorded in the application. The information maintained within the IFS application is the key source of information used for the preparation of the County's annual financial statements.

Effect: Normal password controls in place in the IBM I Series system are not effective for the IFS application, so a review of the IFS application controls and County network controls is imperative to ensure passwords are working as intended.

Cause: Rock County updated to a new web-based version of the IFS application software. Although County management was made aware of some of the password implications of this change during the previous audit, updates needed are not complete.

Recommendation: We recommend Rock County management complete updates and review password controls in place that limit access to the IFS application to ensure they are appropriate to protect the County data as prescribed by management.

Client's Response:

Rock County will take the steps necessary to ensure that all users with IFS application access comply with a password policy.

PREVIOUSLY REPORTED ITEMS RESOLVED

Bank Reconciliations (11-2)

The County did not complete timely reconciliations of bank statements. When we were on site in mid-February 2012 for the previous audit, bank reconciliations were completed only through September 2011.

Resolution

The current audit found that bank reconciliations were completed on a consistent, timely basis in 2012 and 2013.

New Vendors (11-3)

Rock County did not have any formal procedures for determining if new vendors had been added to the accounts payable system or if the new vendors added were legitimate vendors.

Resolution

During 2012, the County implemented procedures to ensure all new vendors added to the accounting system are reviewed for legitimacy by someone other than the individual(s) responsible for adding new vendors.

II. OTHER FINDINGS AND RECOMMENDATIONS

PREVIOUSLY REPORTED ITEMS RESOLVED

Eligibility Testing - Medical Assistance (CFDA No. 93.778) (11-4)

The state maintains the computer system, MAXIS, used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all documentation was available to support participant eligibility. In other circumstances, information was input into MAXIS incorrectly.

Resolution

As of January 1, 2012, all human service functions of Rock County were assumed by the joint powers entity Southwest Health and Human Services. The County is no longer responsible for using MAXIS to support the eligibility determination process.

**Identification of Federal Awards - Highway Planning and Construction
(CFDA No. 20.205) (11-5)**

The County did not adequately identify amounts received and expended for this major federal award program (\$233,538) on the Schedule of Expenditures of Federal Awards (SEFA).

Resolution

The County did not expend over \$500,000 in federal awards during 2012, and, therefore, was not required to prepare a SEFA.

Insufficient Collateral (11-6)

At December 31, 2011, the County had deposits at Exchange State Bank that were not adequately covered by collateral.

Resolution

At December 31, 2012, the County had sufficient collateral to cover deposits at all financial institutions where deposits were held.

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REBECCA OTTO
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Rock 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Rock County, Minnesota, 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 December 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rock 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 Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be 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 Recommendations as item 06-3 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 the attention of those charged with governance. We considered the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 05-1 and 11-1 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rock 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 Rock County has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Rock 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

Rock County's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Recommendations. 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.

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 20, 2013