

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**ROCK COUNTY**  
**(Including the Rock County**  
**Rural Water District)**  
**LUVERNE, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2016**

## **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 150 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 650 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**  
**(Including the Rock County**  
**Rural Water District)**  
**LUVERNE, MINNESOTA**

**Year Ended December 31, 2016**



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

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**ROCK COUNTY  
LIVERNE, MINNESOTA**

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LIVERNE, MINNESOTA**

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LUVERNE, MINNESOTA**

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**ROCK COUNTY  
LIVERNE, MINNESOTA**

ORGANIZATION SCHEDULE  
2016

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Kenneth Hoime	January 2017
2nd District	Stanley Williamson*	January 2019
3rd District	Ronald Boyenga	January 2017
4th District	Sherri Thompson	January 2019
5th District	Jody Reisch**	January 2017
<b>Officers</b>		
<b>Elected</b>		
Attorney	Donald R. Klosterbuer	January 2019
Sheriff	Evan Verbrugge	January 2019
<b>Appointed</b>		
Administrator	Kyle J. Oldre	Indefinite
Auditor-Treasurer	Ashley Kurtz	Indefinite
Highway Engineer	Mark Sehr	Indefinite
Land Records Director	Thomas Houselog	Indefinite

\*Chair 2017

\*\*Chair 2016

**ROCK COUNTY  
LUVERNE, MINNESOTA**

**ORGANIZATION SCHEDULE  
ROCK COUNTY RURAL WATER DISTRICT  
2016**

<u>Position</u>	<u>Name</u>	<u>Term Expires</u>
Chair	Paul Arends	January 2017
Vice Chair	Paul Heronimus	January 2019
Secretary	Del Walraven	January 2018
Treasurer	Stanley Williamson	January 2019
Director	Vern Van De Berg	January 2018
Director	Matt Boeve	January 2018
Director	Lila Bauer	January 2018



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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  
Luverne, Minnesota

#### 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, 2016, 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 from 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, 2016, 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 reports dated September 26, 2017, on our consideration of Rock County's and the Rock County Rural Water District's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports 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. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rock County's and the Rock County Rural Water District's internal control over financial reporting and compliance.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 26, 2017

*/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, 2016  
(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, 2016. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's basic financial statements that follow this section.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net position is \$56,999,230, of which \$54,242,791 represents net investment in capital assets, and \$1,399,741 is restricted to specific purposes. The \$1,356,698 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position decreased by \$597,159 for the year ended December 31, 2016.
- The net cost of governmental activities for the current fiscal year was \$6,965,489. The net cost was funded by general revenues totaling \$6,368,330.
- At the close of 2016, Rock County's combined ending governmental fund balances totaled \$6,938,892, a decrease of \$77,782 from 2015. Of this balance, \$2,946,757 was unassigned by Rock County and thus available for spending at the government's discretion.
- For the year ended December 31, 2016, the assigned and unassigned balance of the General Fund was \$3,819,208, or 57.0 percent, of the total General Fund expenditures for that year. This represents a decrease from 2015, which had 59.1 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**

The 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, deferred outflows of resources, liabilities, and deferred inflows of resources of the County using the full accrual basis of accounting, with the difference (assets plus deferred outflows of resources, less liabilities and deferred inflows of resources) 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 discretely presented component unit for which it is legally accountable.

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

## **Fund Financial Statements**

Fund 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, Ditch Special Revenue Fund, and Debt Service Fund. Budgetary comparison schedules have been provided as either required or other supplementary information for each of these funds to demonstrate compliance with this budget.

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

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

The County presents 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 31 through 86 of this report.

### **Other Information**

Other information is provided as supplementary information regarding Rock County's intergovernmental revenue and financial statements and schedules for the Rock County Rural Water District.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net position serves as a useful indicator of the County's financial position. Rock County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56,999,230 at the close of 2016. The largest portion of Rock County's net position (95.2 percent) reflects the County's net 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. Comparative data with 2015 is presented.

## Net Position

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	\$ 8,568,146	\$ 9,434,549
Capital assets	61,522,353	62,265,040
Total Assets	\$ 70,090,499	\$ 71,699,589
Deferred Outflows of Resources		
Deferred pension outflows	\$ 4,092,495	\$ 642,863
Liabilities		
Long-term liabilities	\$ 15,270,146	\$ 12,267,025
Current liabilities	653,486	549,214
Total Liabilities	\$ 15,923,632	\$ 12,816,239
Deferred Inflows of Resources		
Advances from other governments	\$ 378,297	\$ 1,526,717
Deferred pension inflows	881,835	403,107
Total Deferred Inflows of Resources	\$ 1,260,132	\$ 1,929,824
Net Position		
Net investment in capital assets	\$ 54,242,791	\$ 55,555,360
Restricted	1,399,741	1,373,840
Unrestricted	1,356,698	667,189
Total Net Position	\$ 56,999,230	\$ 57,596,389

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 2.4 percent of the net position.

### Governmental Activities

The County's governmental activities' net position decreased by 1.0 percent (\$56,999,230 for 2016 compared to \$57,596,389 for 2015). Key elements in this decrease in net position are as follows for 2016, with comparative data for 2015:



## Changes in Net Position

	Governmental Activities	
	2016	2015
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 2,405,949	\$ 2,447,839
Operating grants and contributions	4,747,600	4,552,741
Capital grants and contributions	620,060	1,454,543
General revenues		
Property and other taxes	5,788,119	5,689,105
Unrestricted state aid	374,891	368,806
Investment income	48,424	41,807
Other	156,896	148,197
	\$ 14,141,939	\$ 14,703,038
Expenses		
General government	\$ 2,948,131	\$ 2,307,594
Public safety	2,776,761	2,168,362
Highways and streets	4,724,075	5,387,104
Sanitation	831,435	830,261
Human services	1,191,077	1,140,463
Health	99,140	87,031
Culture and recreation	472,123	427,148
Conservation of natural resources	513,761	359,968
Economic development	1,000,500	500
Interest	182,095	205,004
	\$ 14,739,098	\$ 12,913,435
Change in Net Position	\$ (597,159)	\$ 1,789,603
Net Position - January 1	57,596,389	55,806,786
Net Position - December 31	\$ 56,999,230	\$ 57,596,389

## 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 \$6,938,892, a decrease of \$77,782 in comparison with the prior year. Of the combined ending fund balances, \$4,990,113 represents unrestricted (committed, 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, bond covenants, or is not in spendable form.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted (committed, assigned, and unassigned) fund balance of \$3,919,208. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted (committed, assigned, and unassigned) fund balance to total expenditures. The General Fund's unrestricted (committed, assigned, and unassigned) fund balance represents 58.5 percent of total General Fund expenditures. During 2016, the ending fund balance decreased by \$1,142,417. The primary reasons for this decrease include the spending-down of bond proceeds and a contribution to the Buffalo Ridge Regional Rail Authority.

The Public Works Special Revenue Fund had an assigned fund balance of \$438,263 at fiscal year-end. The ending fund balance increased \$1,097,757 during 2016.

The Family Services Special Revenue Fund had an assigned fund balance of \$94,566 at fiscal year-end, representing 7.9 percent of its annual expenditures. The ending fund balance decreased \$1,290 during 2016.

The Land Management Special Revenue Fund had an assigned fund balance of \$538,076 at fiscal year-end, representing 76.1 percent of its annual expenditures. The ending fund balance decreased \$13,886 during 2016, primarily due to budgeted use of reserves.

The Ditch Special Revenue Fund had a restricted fund balance of \$247,948 at fiscal year-end, representing 171.0 percent of its annual expenditures. The ending fund balance decreased \$30,108 during 2016.

The Debt Service Fund had a restricted fund balance of \$400,109 at fiscal year-end, representing 51.6 percent of its annual expenditures. The ending fund balance increased \$12,162. The Debt Service Fund consists of tax levy dollars used to pay the bond for the construction of the Law Enforcement Center, bonds for highway capital equipment and infrastructure, and capital improvements to the library.

### **Governmental Activities**

The County's total revenues were \$14,141,939. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2016.

**Table 1  
Total County Revenues**

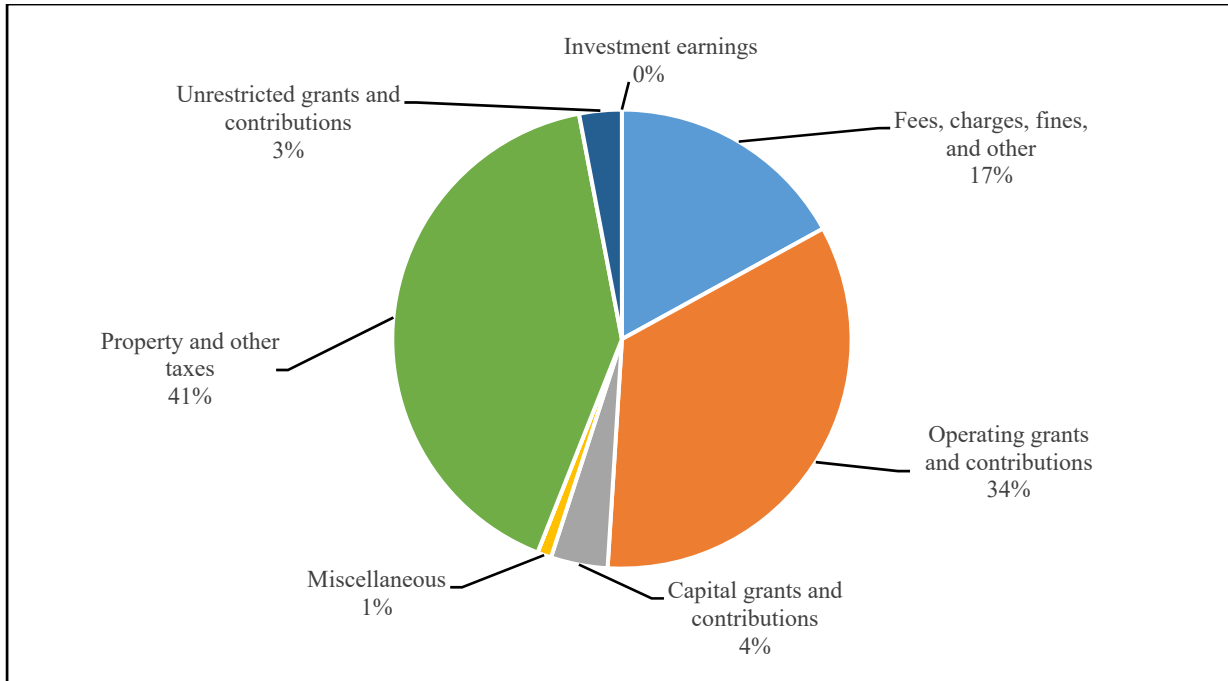
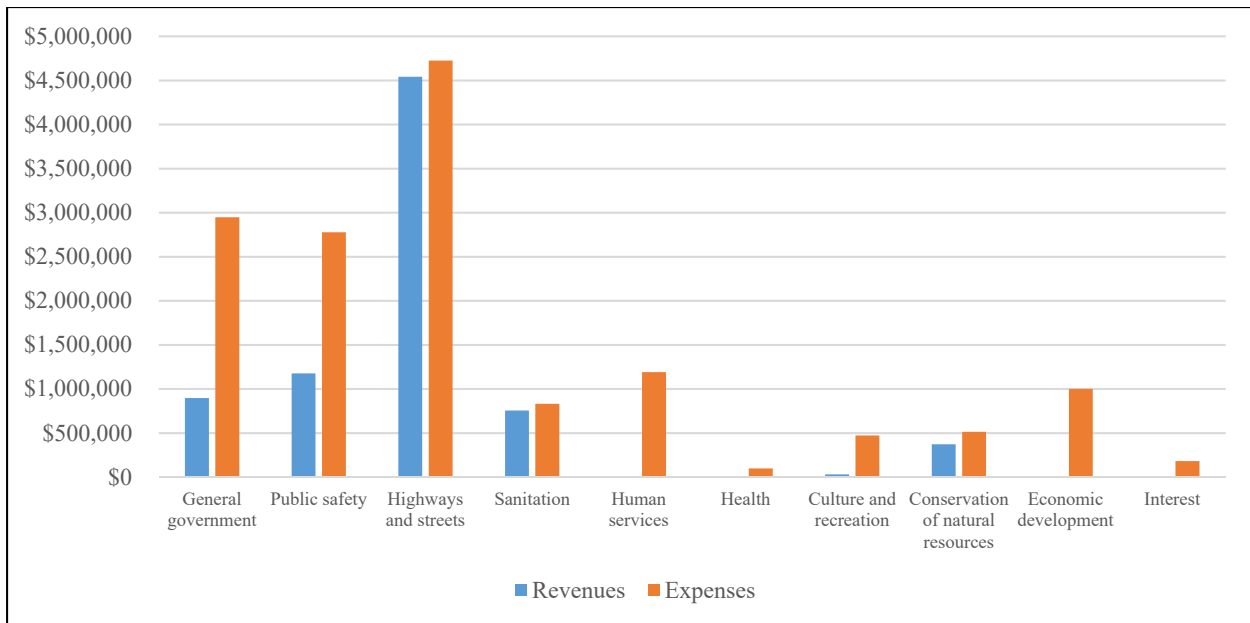


Table 2 presents the cost and revenue of each program of the County. Total program and general revenues for the County were \$14,141,939, while total expenses were \$14,739,098. This reflects a \$597,159 decrease in net position for the year ended December 31, 2016.

**Table 2  
Total Program Revenues and Expenses**



(Unaudited)

The cost of all governmental activities this year was \$14,739,098. However, as shown on the Statement of Activities on Exhibit 2, the amount that taxpayers ultimately financed for these activities through County taxes was only \$6,965,489, because some of the costs were paid by those who directly benefited from the programs (\$2,405,949) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,367,660). The County paid for the remaining “public benefit” portion of governmental activities with \$6,368,330 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 investment income.

Table 3 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 3  
Governmental Activities**

	Total Cost of Services		Net Cost (Revenue) of Services	
	2016	2015	2016	2015
Highways and streets	\$ 4,724,075	\$ 5,387,104	\$ 182,636	\$ 23,720
General government	2,948,131	2,307,594	2,051,376	1,407,235
Public safety	2,776,761	2,168,362	1,600,265	1,023,719
Human services	1,191,077	1,140,463	1,191,077	1,136,498
All others	3,099,054	1,909,912	1,940,135	867,140
<b>Totals</b>	<b>\$ 14,739,098</b>	<b>\$ 12,913,435</b>	<b>\$ 6,965,489</b>	<b>\$ 4,458,312</b>

**General Fund Budgetary Highlights**

Actual General Fund revenues exceeded final budgeted revenues by \$1,090,618 primarily due to greater than expected grants and other intergovernmental aid and the receipt of the first full year of wind production tax.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The County’s capital assets for its governmental activities at December 31, 2016, totaled \$61,522,353 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets decreased \$742,687, or 1.2 percent, from the previous year. The major capital asset events were additions to:

Construction in progress	\$ 1,188,730
Infrastructure	427,812

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

	2016	2015
Land	\$ 1,212,882	\$ 1,212,882
Construction in progress	1,188,730	656,002
Works of art and historical treasures	620,000	620,000
Infrastructure	47,419,429	48,324,506
Buildings	7,709,482	7,700,551
Land improvements	141,572	152,677
Machinery, equipment, and vehicles	3,230,258	3,598,422
<b>Total</b>	<b>\$ 61,522,353</b>	<b>\$ 62,265,040</b>

Additional information about the County's capital assets can be found in Note 2.A.4. to the financial statements.

### **Long-Term Debt**

At the end of the current fiscal year, the County had total outstanding debt of \$7,482,874, which was backed by the full faith and credit of the government.

**Table 5**  
**Outstanding Debt**

	2016	2015
General obligation bonds	\$ 6,915,000	\$ 7,565,000
Capital leases	84,523	121,118
Loans payable	483,351	504,278
<b>Total</b>	<b>\$ 7,482,874</b>	<b>\$ 8,190,396</b>

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2016, the County's outstanding debt was 0.25 percent of its total estimated market value of \$3,025,792,100.

Additional information on the County's long-term debt can be found in Note 2.C.4. through Note 2.C.7. to the financial statements of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The unemployment rate for Rock County at the end of 2016 was 2.5 percent. This compares favorably with the state unemployment rate of 4.1 percent. The 2016 population is estimated at 9,484.
- On December 27, 2016, the Rock County Board of Commissioners approved the 2017 budget and adopted a property tax levy of \$5,469,492, which represents a 6.13 percent increase over the 2016 property tax levy of \$5,153,362.

### Rock County Tax Rate and Levy History

2017	19.741%	\$5,469,492
2016	19.841	5,153,362
2015	18.241	5,009,217
2014	18.890	4,821,191
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

- 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 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**

**ROCK COUNTY  
LUVERNE, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Rock County Rural Water District</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 4,689,720	\$ 1,108,383
Cash equivalents	2,548,755	451,802
Cash and cash equivalents - restricted	-	1,175,000
Receivables	1,277,048	280,335
Receivables - restricted	-	709,181
Inventories	46,083	127,573
Prepaid items	6,540	1,240
Net other postemployment benefits receivable	-	46
Capital assets		
Non-depreciable capital assets	3,021,612	5,797,427
Depreciable capital assets - net of accumulated depreciation	58,500,741	3,339,347
<b>Total Assets</b>	<b>\$ 70,090,499</b>	<b>\$ 12,990,334</b>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred pension outflows	<b>\$ 4,092,495</b>	<b>\$ 82,540</b>
<b><u>Liabilities</u></b>		
Accounts payable and other current liabilities	\$ 481,199	\$ 321,960
Accrued interest payable	55,670	2,580
Customer deposits	19,490	2,078
Unearned revenue	97,127	-
Long-term liabilities		
Due within one year	830,531	158,768
Due in more than one year	7,163,814	2,868,252
Net other postemployment benefits obligation	186,615	-
Net pension liability	7,089,186	268,091
<b>Total Liabilities</b>	<b>\$ 15,923,632</b>	<b>\$ 3,621,729</b>
<b><u>Deferred Inflows of Resources</u></b>		
Deferred pension inflows	\$ 881,835	\$ 28,955
Advance from other governments	378,297	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,260,132</b>	<b>\$ 28,955</b>

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

**ROCK COUNTY  
LUVERNE, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Rock County Rural Water District</b>
<b><u>Net Position</u></b>		
Net investment in capital assets	\$ 54,242,791	\$ 6,127,774
Restricted for		
Public safety	430,149	-
Highways and streets	310,911	-
Debt service	349,758	-
Rural water distribution system	-	1,884,181
Short-lived assets	-	45,700
Other purposes	308,923	-
Unrestricted	1,356,698	1,364,535
<b>Total Net Position</b>	<b>\$ 56,999,230</b>	<b>\$ 9,422,190</b>

**ROCK COUNTY  
LIVERNE, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 2,948,131	\$ 532,509
Public safety	2,776,761	981,912
Highways and streets	4,724,075	124,308
Sanitation	831,435	686,312
Human services	1,191,077	-
Health	99,140	-
Culture and recreation	472,123	9,523
Conservation of natural resources	513,761	71,385
Economic development	1,000,500	-
Interest	182,095	-
	<b>\$ 14,739,098</b>	<b>\$ 2,405,949</b>
<b>Total Governmental Activities</b>		
	<b>\$ 1,095,774</b>	<b>\$ 970,384</b>
<b>Component Unit</b>		
Rock County Rural Water District		

**General Revenues**

Property taxes  
Wind production tax  
Other taxes  
Payments in lieu of tax  
Grants and contributions not restricted to specific programs  
Interest income  
Miscellaneous  
Gain on disposal of assets

**Total general revenues**

**Change in net position**

**Net Position - Beginning, as restated (Note 6.B.)**

**Net Position - Ending**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Component Unit Rock County Rural Water District</b>
\$ 364,246	\$ -	\$ (2,051,376)	
194,584	-	(1,600,265)	
3,797,071	620,060	(182,636)	
68,710	-	(76,413)	
-	-	(1,191,077)	
-	-	(99,140)	
21,393	-	(441,207)	
301,596	-	(140,780)	
-	-	(1,000,500)	
-	-	(182,095)	
<b>\$ 4,747,600</b>	<b>\$ 620,060</b>	<b>\$ (6,965,489)</b>	
<b>\$ -</b>	<b>\$ 415,546</b>		<b>\$ 290,156</b>
		\$ 5,011,811	\$ -
		660,551	-
		69,081	-
		46,676	-
		374,891	1,273
		48,424	14,394
		146,433	-
		10,463	-
		<b>\$ 6,368,330</b>	<b>\$ 15,667</b>
		<b>\$ (597,159)</b>	<b>\$ 305,823</b>
		<b>57,596,389</b>	<b>9,116,367</b>
		<b>\$ 56,999,230</b>	<b>\$ 9,422,190</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**ROCK COUNTY  
LUVERNE, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	<b>General</b>	<b>Public Works</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 3,117,406	\$ 111,057
Petty cash and change funds	1,475	75
Cash equivalents	1,680,500	863,255
Taxes receivable		
Delinquent	8,785	2,471
Special assessments receivable		
Current	-	-
Delinquent	-	-
Noncurrent	-	-
Accounts receivable	29,431	81,594
Accrued interest receivable	1,837	1,045
Loans receivable	170,488	-
Due from other governments	94,984	323,234
Due from other funds	-	55,916
Inventories	-	46,083
Prepaid items	6,178	280
	<b>\$ 5,111,084</b>	<b>\$ 1,485,010</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 134,616	\$ 100,201
Salaries payable	44,385	19,468
Contracts payable	2,982	102,717
Due to other governments	52,969	1,930
Due to other funds	317	-
Unearned revenue	-	-
Customer deposits	1,490	-
	<b>\$ 236,759</b>	<b>\$ 224,316</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue	\$ 10,424	\$ 322,649
Advance from other governments	-	378,297
	<b>\$ 10,424</b>	<b>\$ 700,946</b>

**EXHIBIT 3**

<u>Family Services</u>	<u>Land Management</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ 94,566	\$ 707,104	\$ 257,928	\$ 400,109	\$ 4,688,170
-	-	-	-	1,550
-	5,000	-	-	2,548,755
3,603	83	-	932	15,874
-	-	45,619	-	45,619
-	9,072	4,545	-	13,617
-	-	301,827	-	301,827
-	-	-	-	111,025
-	6	-	-	2,888
-	185,879	-	-	356,367
-	11,613	-	-	429,831
-	-	-	-	55,916
-	-	-	-	46,083
-	82	-	-	6,540
<u>\$ 98,169</u>	<u>\$ 918,839</u>	<u>\$ 609,919</u>	<u>\$ 401,041</u>	<u>\$ 8,624,062</u>
\$ -	\$ 14,199	\$ -	\$ -	\$ 249,016
-	7,732	-	-	71,585
-	-	-	-	105,699
-	-	-	-	54,899
-	-	55,599	-	55,916
-	97,127	-	-	97,127
-	18,000	-	-	19,490
<u>\$ -</u>	<u>\$ 137,058</u>	<u>\$ 55,599</u>	<u>\$ -</u>	<u>\$ 653,732</u>
\$ 3,603	\$ 9,161	\$ 306,372	\$ 932	\$ 653,141
-	-	-	-	378,297
<u>\$ 3,603</u>	<u>\$ 9,161</u>	<u>\$ 306,372</u>	<u>\$ 932</u>	<u>\$ 1,031,438</u>

**ROCK COUNTY  
LUVERNE, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	<b>General</b>	<b>Public Works</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> (Continued)		
<b>Fund Balances</b>		
Nonspendable		
Inventories	\$ -	\$ 46,083
Loans receivable	170,488	-
Prepaid items	6,178	280
Missing heirs	3,549	-
Restricted for		
Law library	9,795	-
Gun permit fees	54,097	-
Recorder's technology fund	41,280	-
Recorder's compliance fund	166,966	-
Enhanced 911	322,627	-
Septic system loans	-	-
Sheriff's contingency	2,394	-
Sheriff's forfeited property	51,031	-
Attorney forfeitures	10,026	-
Transportation	80,856	-
Unspent bond proceeds	25,406	-
Highway allotments	-	75,122
Ditch maintenance and repairs	-	-
Debt service	-	-
Committed to		
Historical society	100,000	-
Assigned to		
Public works	-	438,263
Family services	-	-
Land management	-	-
Capital improvements	250,000	-
Capital equipment	572,080	-
Elections	50,371	-
Unassigned	2,946,757	-
<b>Total Fund Balances</b>	<b>\$ 4,863,901</b>	<b>\$ 559,748</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 5,111,084</b>	<b>\$ 1,485,010</b>

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

<u>Family Services</u>	<u>Land Management</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 46,083
-	185,879	-	-	356,367
-	82	-	-	6,540
-	-	-	-	3,549
-	-	-	-	9,795
-	-	-	-	54,097
-	-	-	-	41,280
-	-	-	-	166,966
-	-	-	-	322,627
-	48,583	-	-	48,583
-	-	-	-	2,394
-	-	-	-	51,031
-	-	-	-	10,026
-	-	-	-	80,856
-	-	-	-	25,406
-	-	-	-	75,122
-	-	247,948	-	247,948
-	-	-	400,109	400,109
-	-	-	-	100,000
-	-	-	-	438,263
94,566	-	-	-	94,566
-	538,076	-	-	538,076
-	-	-	-	250,000
-	-	-	-	572,080
-	-	-	-	50,371
-	-	-	-	2,946,757
<u>\$ 94,566</u>	<u>\$ 772,620</u>	<u>\$ 247,948</u>	<u>\$ 400,109</u>	<u>\$ 6,938,892</u>
<u>\$ 98,169</u>	<u>\$ 918,839</u>	<u>\$ 609,919</u>	<u>\$ 401,041</u>	<u>\$ 8,624,062</u>

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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, 2016**

<b>Fund balance - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>6,938,892</b>
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.		61,522,353
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		4,092,495
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources--unavailable revenue in the governmental funds.		653,141
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (6,915,000)	
Unamortized bond discount	1,916	
Unamortized bond premium	(156,810)	
Net pension liability	(7,089,186)	
Capital leases	(84,523)	
Loans payable	(483,351)	
Compensated absences	(356,577)	
Net other postemployment benefits obligation	(186,615)	
Accrued interest payable	<u>(55,670)</u>	(15,325,816)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds.		<u>(881,835)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>56,999,230</u></b>

**ROCK COUNTY  
LIVERNE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>General</b>	<b>Public Works</b>
<b>Revenues</b>		
Taxes	\$ 3,490,749	\$ 798,748
Special assessments	-	-
Licenses and permits	30,275	-
Intergovernmental	824,856	4,157,260
Charges for services	1,330,999	524,561
Fines and forfeits	59,896	-
Gifts and contributions	1,215	-
Investment earnings	43,555	4,851
Miscellaneous	224,741	49,044
	<b>\$ 6,006,286</b>	<b>\$ 5,534,464</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 2,365,332	\$ -
Public safety	2,085,892	-
Highways and streets	-	3,683,986
Sanitation	-	454,412
Health	16,800	-
Culture and recreation	483,303	-
Conservation of natural resources	137,888	-
Economic development	1,000,500	-
<b>Intergovernmental</b>	422,082	310,657
<b>Capital outlay</b>		
General government	153,446	-
<b>Debt service</b>		
Principal	36,595	-
Interest	1,198	-
Administrative (fiscal) charges	-	-
	<b>\$ 6,703,036</b>	<b>\$ 4,449,055</b>



**EXHIBIT 5**

<b>Family Services</b>	<b>Land Management</b>	<b>Ditch</b>	<b>Debt Service</b>	<b>Total</b>
\$ 1,118,191	\$ 25,418	\$ -	\$ 317,950	\$ 5,751,056
-	216,789	114,892	-	331,681
-	26,941	-	-	57,216
75,720	373,125	-	21,525	5,452,486
-	2,813	-	-	1,858,373
-	-	-	-	59,896
-	-	-	-	1,215
-	19	-	-	48,425
-	20,926	-	-	294,711
<b>\$ 1,193,911</b>	<b>\$ 666,031</b>	<b>\$ 114,892</b>	<b>\$ 339,475</b>	<b>\$ 13,855,059</b>
\$ 4,124	\$ 51,840	\$ -	\$ -	\$ 2,421,296
-	-	-	-	2,085,892
-	-	-	-	3,683,986
-	313,171	-	-	767,583
-	-	-	-	16,800
-	-	-	-	483,303
-	323,896	55,599	-	517,383
-	-	-	-	1,000,500
1,191,077	-	-	-	1,923,816
-	-	-	-	153,446
-	15,588	75,000	607,336	734,519
-	2,419	13,906	166,562	184,085
-	-	495	2,132	2,627
<b>\$ 1,195,201</b>	<b>\$ 706,914</b>	<b>\$ 145,000</b>	<b>\$ 776,030</b>	<b>\$ 13,975,236</b>

**ROCK COUNTY  
LUVERNE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>General</b>	<b>Public Works</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (696,750)</b>	<b>\$ 1,085,409</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	(448,717)	-
Loans issued	-	-
Proceeds from sale of capital assets	3,050	10,463
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (445,667)</b>	<b>\$ 10,463</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,142,417)</b>	<b>\$ 1,095,872</b>
<b>Fund Balance - January 1</b>	<b>6,006,318</b>	<b>(538,009)</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>1,885</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,863,901</b>	<b>\$ 559,748</b>

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

<u>Family Services</u>	<u>Land Management</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ (1,290)	\$ (40,883)	\$ (30,108)	\$ (436,555)	\$ (120,177)
\$ -	\$ -	\$ -	\$ 448,717	\$ 448,717
-	-	-	-	(448,717)
-	26,997	-	-	26,997
-	-	-	-	13,513
\$ -	\$ 26,997	\$ -	\$ 448,717	\$ 40,510
\$ (1,290)	\$ (13,886)	\$ (30,108)	\$ 12,162	\$ (79,667)
95,856	786,506	278,056	387,947	7,016,674
-	-	-	-	1,885
<u>\$ 94,566</u>	<u>\$ 772,620</u>	<u>\$ 247,948</u>	<u>\$ 400,109</u>	<u>\$ 6,938,892</u>

**ROCK COUNTY  
LIVERNE, 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, 2016**

**Net change in fund balance - total governmental funds (Exhibit 5)** **\$ (79,667)**

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.

Unavailable revenue - December 31	\$ 653,141	
Unavailable revenue - January 1	<u>(402,149)</u>	250,992

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

Expenditures for general capital assets and infrastructure	\$ 1,311,369	
Current year depreciation	<u>(2,054,056)</u>	(742,687)

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

Loans issued		(26,997)
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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	\$ 650,000	
Capital leases	36,595	
Loan payments	<u>47,924</u>	734,519

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	\$ (3,146)	
Change in net other postemployment benefits obligation	(29,638)	
Change in accrued interest payable	4,535	
Change in net pension liability	(3,677,446)	
Change in deferred pension outflows	3,449,632	
Change in deferred pension inflows	(478,728)	
Amortization of discount and premium on bonds	(413)	
Change in inventories	<u>1,885</u>	<u>(733,319)</u>

**Change in Net Position of Governmental Activities (Exhibit 2)** **\$ (597,159)**

**FIDUCIARY FUNDS**

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**ROCK COUNTY  
LIVERNE, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2016**

<u>Assets</u>	
Cash and cash equivalents	<u>\$ 535,058</u>
 <u>Liabilities</u>	
Salaries payable	\$ 14,687
Due to other governments	<u>520,371</u>
<b>Total Liabilities</b>	<b><u>\$ 535,058</u></b>

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**ROCK COUNTY  
LIVERNE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2016. 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. § 373.01. 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 Rural Water District has the potential to be a financial burden or benefit to the County. The Rock County

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Unit (Continued)

Rural Water District was established in 1978 to provide water to rural residents of Rock County with the powers, duties, and privileges granted it by Minn. Stat. ch. 116A. Separate financial statements are not prepared.

Joint Ventures

The County participates in several joint ventures described in Note 5.B.

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 separately.

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

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The Public Works Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned 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 assigned 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 assigned property tax revenues for the maintenance of the County's sanitation, planning and zoning, and water planning functions.

**ROCK COUNTY  
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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 fiduciary fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the full 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 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.

**ROCK COUNTY  
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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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, Deferred Outflows/Inflows of Resources, 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 the 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. 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 2016 were \$28,129 for the County.

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 expendable available financial resources.

**ROCK COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

3. Receivables and Payables (Continued)

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

Special assessments receivable consist of delinquent special assessments payable in the years 2010 through 2016 and noncurrent special assessments payable in 2017 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

No allowance for accounts receivable and uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

4. Inventories and Prepaid Items

All government-wide and fund inventories are valued at cost using the first in/first out method. Rock County Rural Water District inventories are valued at cost using the weighted average 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.

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.

**ROCK COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

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 defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The Rock County Rural Water District defines capital assets as assets with an initial, individual cost of more than \$500 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 acquisition value (entry price) on 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, furniture, and equipment	3 - 15

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation 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

**ROCK COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

7. Compensated Absences (Continued)

termination are included. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation and vested sick leave. The noncurrent portion consists of the remaining amount of vacation and vested sick leave. The County's compensated absences are liquidated by the General Fund, the Public Works Special Revenue Fund, and the Land Management Special Revenue Fund. The Rock County Rural Water District's compensated absences are liquidated by its enterprise fund.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose,



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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

9. Pension Plan (Continued)

plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The County's net pension liability is liquidated through the General Fund, the Public Works Special Revenue Fund, and the Land Management Special Revenue Fund. The Rock County Rural Water District's net pension liability is liquidated by its enterprise fund.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County and the Rock County Rural Water District have one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, differences between projected and actual earnings on pension plan investments, changes in actuarial assumptions, and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, interest receivable, and grant monies receivable, for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has an advance from other governments which is reported as a deferred inflow.

**ROCK COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

10. Deferred Outflows/Inflows of Resources (Continued)

The advance from other governments arises under both the modified and the full accrual basis of accounting, and is in both the governmental funds balance sheet and on the statement of net position. Advances are recognized when timing requirements have been met. The County and the Rock County Rural Water District also have deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

11. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received but not yet earned.

12. Classification of Net Position

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

- Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

**ROCK COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

13. 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 upon the use of the resources in the governmental funds. The classifications are as follows:

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- Restricted - amounts in 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 not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board, the County Administrator, or the County Auditor/Treasurer, who have been delegated that authority by Board resolution.

**ROCK COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

13. Classification of Fund Balances (Continued)

- Unassigned - the residual classification for the General Fund and 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.

14. 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 35 to 50 percent of fund operating revenues, or no less than five months of operating expenditures.

15. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; 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.

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Reconciliation of the County’s total deposits and cash on hand to the basic financial statements follows:

Government-wide statement of net position	
Governmental activities	
Cash and cash equivalents	\$ 4,689,720
Cash equivalents	2,548,755
Statement of fiduciary net position	
Cash and cash equivalents	535,058
Total Cash and Cash Equivalents	\$ 7,773,533
Petty cash and change funds	\$ 1,550
Checking	4,436,314
Savings	786,914
Non-negotiable certificates of deposit	2,548,755
Total Deposits and Cash on Hand	\$ 7,773,533

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.

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County'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, 2016, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments

Custodial Credit Risk (Continued)

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.

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.

Rock County and the Rock County Rural Water District had no investments at December 31, 2016.

2. Receivables

Receivables as of December 31, 2016, for the County's governmental activities are as follows:

	Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 15,874	\$ -
Special assessments	361,063	237,959
Accounts receivable	111,025	-
Interest	2,888	-
Loans receivable	356,367	310,483
Due from other governments	429,831	-
	\$ 1,277,048	\$ 548,442
Total Governmental Activities	\$ 1,277,048	\$ 548,442



**ROCK COUNTY  
LIVERNE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Loans Receivable

The General Fund has a loans receivable balance of \$170,488 as follows:

In March 2012, the County approved a \$150,000 loan to the Southwestern Mental Health Center, Inc., to bridge a financing gap for a building project. The loan is to be repaid with semi-annual repayments of \$3,336 each year, which includes interest on the unpaid principal at two percent beginning October 15, 2013, and ending March 1, 2043. The loan was issued during July 2013. As of December 31, 2016, the remaining balance on this loan is \$135,488.

In May 2013, the County issued a \$100,000 no-interest loan to the Rock County Agricultural Society to assist with fundraising gaps. Repayment is scheduled in \$20,000 installments beginning in 2014 and ending in 2018, with the intention to pay off early. As of December 31, 2016, the remaining balance on this loan is \$35,000.

The Land Management Special Revenue Fund has a \$185,879 loans receivable balance from septic loans issued in 2010 through 2016. Loans receivable activity for Minnesota Pollution Control Agency (MPCA) septic system loans is as follows:

Loans receivable, January 1, 2016	\$	182,705
New loans issued during the year - MPCA		26,997
Payments received during the year		(23,823)
		185,879
Loans Receivable	\$	185,879

4. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 193,861	\$ -	\$ -	\$ 193,861
Right-of-way	1,019,021	-	-	1,019,021
Construction in progress	656,002	1,188,730	656,002	1,188,730
Works of art and historical treasures	620,000	-	-	620,000
	\$ 2,488,884	\$ 1,188,730	\$ 656,002	\$ 3,021,612
Total capital assets not depreciated	\$ 2,488,884	\$ 1,188,730	\$ 656,002	\$ 3,021,612

**ROCK COUNTY  
LIVERNE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

4. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ 10,639,373	\$ 213,505	\$ -	\$ 10,852,878
Land improvements	242,912	-	-	242,912
Machinery, furniture, and equipment	7,544,344	137,324	67,215	7,614,453
Infrastructure	66,216,764	427,812	-	66,644,576
<b>Total capital assets depreciated</b>	<b>\$ 84,643,393</b>	<b>\$ 778,641</b>	<b>\$ 67,215</b>	<b>\$ 85,354,819</b>
Less: accumulated depreciation for				
Buildings	\$ 2,938,822	\$ 204,574	\$ -	\$ 3,143,396
Land improvements	90,235	11,105	-	101,340
Machinery, furniture, and equipment	3,945,922	505,488	67,215	4,384,195
Infrastructure	17,892,258	1,332,889	-	19,225,147
<b>Total accumulated depreciation</b>	<b>\$ 24,867,237</b>	<b>\$ 2,054,056</b>	<b>\$ 67,215</b>	<b>\$ 26,854,078</b>
<b>Total capital assets depreciated, net</b>	<b>\$ 59,776,156</b>	<b>\$ (1,275,415)</b>	<b>\$ -</b>	<b>\$ 58,500,741</b>
<b>Capital Assets, Net</b>	<b>\$ 62,265,040</b>	<b>\$ (86,685)</b>	<b>\$ 656,002</b>	<b>\$ 61,522,353</b>

Construction in progress consists of amounts completed on open road projects.

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

Governmental Activities	
General government	\$ 239,890
Public safety	126,624
Highways and streets (including depreciation of infrastructure assets)	1,589,573
Sanitation	37,502
Culture and recreation	59,016
Conservation of natural resources	1,451
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 2,054,056</b>

**ROCK COUNTY  
LUVERNE, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
Public Works Special Revenue	General	\$ 317
Public Works Special Revenue	Ditch Special Revenue	55,599
Total		\$ 55,916

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2016, consisted of the following:

Transfer from General Fund to Debt Service Fund	\$	448,717	Transfer of wind production tax revenue
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C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2016, were as follows:

	Primary Government
Accounts	\$ 249,016
Salaries	71,585
Contracts	105,699
Due to other governments	54,899
Total Payables	\$ 481,199

**ROCK COUNTY  
LIVERNE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of special assessments, taxes, state and federal grants, and interest not collected soon enough after year-end to pay liabilities of the current period, and state and federal grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2016, are summarized below by fund:

	Special Assessments	Taxes	Grants	Interest	Total
Governmental funds					
General Fund	\$ -	\$ 8,785	\$ -	\$ 1,639	\$ 10,424
Special Revenue					
Public Works	-	2,471	697,467	1,008	700,946
Family Services	-	3,603	-	-	3,603
Land Management	9,072	83	97,127	6	106,288
Ditch	306,372	-	-	-	306,372
Debt Service Fund	-	932	-	-	932
Total	<u>\$ 315,444</u>	<u>\$ 15,874</u>	<u>\$ 794,594</u>	<u>\$ 2,653</u>	<u>\$ 1,128,565</u>
Liability					
Unearned revenue	\$ -	\$ -	\$ 97,127	\$ -	\$ 97,127
Deferred inflows of resources					
Advance from other governments	-	-	378,297	-	378,297
Unavailable revenue	315,444	15,874	319,170	2,653	653,141
Total	<u>\$ 315,444</u>	<u>\$ 15,874</u>	<u>\$ 794,594</u>	<u>\$ 2,653</u>	<u>\$ 1,128,565</u>

3. Construction Commitments

Rock County did not have any active construction projects except for highway projects that are state-funded and, therefore, not obligations of the County at December 31, 2016.

4. Capital Leases

Rock County has entered into lease agreements for financing the acquisition of squad cars for the Sheriff's Department. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

**ROCK COUNTY  
LUVERNE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Capital Leases (Continued)

Capital leases consist of the following at December 31, 2016:

Lease	Final Maturity	Installments	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2016
2014 Ford Interceptor Utility	2018	Monthly	\$ 591	\$ 26,222	\$ 8,105
2014 Ford Interceptor Sedan	2018	Monthly	517	24,367	8,247
2014 Ford Interceptor Utility	2021	Monthly	424	34,978	21,808
2015 Ford Interceptor Utility	2019	Monthly	558	25,903	14,261
2015 Ford Interceptor Utility	2019	Monthly	515	23,789	13,099
2016 Ford Interceptor Utility	2019	Monthly	543	26,061	19,003
Total Capital Leases					<u>\$ 84,523</u>

Capital lease payments for the squad cars are paid for from the General Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016, were as follows:

Year Ending December 31	Governmental Activities
2017	\$ 37,793
2018	27,738
2019	13,212
2020	5,093
2021	1,698
Total minimum lease payments	\$ 85,534
Less: amount representing interest	<u>(1,011)</u>
Present Value of Minimum Lease Payments	<u>\$ 84,523</u>

**ROCK COUNTY  
LIVERNE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Long-Term Debt

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
Special assessment bonds with government commitment					
2010 G.O. Ditch Bonds	2021	\$70,000 - \$85,000	1.25 - 3.50	\$ 750,000	\$ 395,000
Less: unamortized discount					(1,916)
Special Assessment Bonds with Government Commitment, Net					<u>\$ 393,084</u>
General obligation bonds					
2015 G.O. Bonds, Series 2015B	2036	\$40,000 - \$70,000	3.00 - 3.75	\$ 1,190,000	\$ 1,190,000
2014 G.O. Capital Improvement Plan Bonds, Series 2014A	2025	\$320,000 - \$405,000	2.00 - 2.50	3,970,000	3,320,000
2012 G.O. Bonds, Series 2012A	2026	\$110,000 - \$270,000	2.00 - 2.40	2,640,000	2,010,000
Total general obligation bonds				<u>\$ 7,800,000</u>	\$ 6,520,000
Add: unamortized premium					156,810
Total General Obligation Bonds, Net					<u>\$ 6,676,810</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. Loans are secured by special assessments placed on the individual parcels requesting funding of a project. Loan payments are reported in the Land Management Special Revenue Fund.

**ROCK COUNTY  
LIVERNE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Long-Term Debt

Loans Payable (Continued)

On August 14, 2012, the County Board was notified that Rock County would be the loan recipient of USDA RED-G proceeds of \$360,000 from the Lismore Telephone Cooperative. The Lismore Telephone Cooperative will 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, and used to purchase a motor grader for the Highway Department. The loan is to be repaid over ten years at an interest rate of 1.375 percent.

Type of Indebtedness	Final Maturity	Semi-Annual Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
Loans payable					
Rock River Clean Water Partnership	2023	\$18,007	2.000	\$ 162,471	\$ 109,244
Rock River Clean Water Partnership Phase II	-	-	-	125,217	125,217
Lismore Telephone Company	2023	\$36,000	1.375	360,000	248,890
Total Loans Payable				\$ 647,688	\$ 483,351

6. Debt Service Requirements

Payments on general obligation bonds are made by the Debt Service Fund and payments on special assessment bonds are made by the Ditch Special Revenue Fund. Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 625,000	\$ 150,800	\$ 75,000	\$ 11,844
2018	650,000	137,650	75,000	9,594
2019	655,000	124,150	80,000	7,075
2020	680,000	110,375	80,000	4,375
2021	690,000	96,175	85,000	1,488
2022 - 2026	2,575,000	264,665	-	-
2027 - 2031	310,000	86,138	-	-
2032 - 2036	335,000	31,062	-	-
Total	\$ 6,520,000	\$ 1,001,015	\$ 395,000	\$ 34,376

**ROCK COUNTY  
LIVERNE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

6. Debt Service Requirements (Continued)

Debt payments on the Rock River Clean Water Partnership loans payable are made from the Land Management Special Revenue Fund and debt payments on the Lismore Telephone Company Note are made from the Debt Service Fund. Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	Loans Payable	
	Principal	Interest
2017	\$ 48,685	\$ 5,322
2018	49,458	4,549
2019	50,244	3,763
2020	51,043	2,964
2021	51,855	2,152
2022 - 2023	106,849	1,676
Total	<u>\$ 358,134</u>	<u>\$ 20,426</u>

Loans of \$125,217 for Rock River Clean Water Partnership Phase II are not included in the debt service requirements because a fixed repayment schedule is not yet available.

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 7,095,000	\$ -	\$ 575,000	\$ 6,520,000	\$ 625,000
Add: unamortized premiums	172,094	-	15,284	156,810	-
Less: unamortized discounts	(15,060)	-	(15,060)	-	-
General obligation bonds payable, net	<u>\$ 7,252,034</u>	<u>\$ -</u>	<u>\$ 575,224</u>	<u>\$ 6,676,810</u>	<u>\$ 625,000</u>
Special assessment bonds with government commitment	\$ 470,000	\$ -	\$ 75,000	\$ 395,000	\$ 75,000
Less: unamortized discounts	(2,553)	-	(637)	(1,916)	-
Special assessment bonds with government commitment, net	<u>\$ 467,447</u>	<u>\$ -</u>	<u>\$ 74,363</u>	<u>\$ 393,084</u>	<u>\$ 75,000</u>



**ROCK COUNTY  
LUVERNE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

7. Changes in Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable	\$ 7,719,481	\$ -	\$ 649,587	\$ 7,069,894	\$ 700,000
Capital leases	121,118	-	36,595	84,523	37,110
Loans payable	504,278	26,997	47,924	483,351	48,685
Compensated absences	353,431	218,280	215,134	356,577	44,736
Governmental Activities Long-Term Liabilities	<u>\$ 8,698,308</u>	<u>\$ 245,277</u>	<u>\$ 949,240</u>	<u>\$ 7,994,345</u>	<u>\$ 830,531</u>

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Rock County and the Rock County Rural Water District are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan and the Public Employees Police and Fire Plan, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No County or Rock County Rural Water District employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph 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 their public service.

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated Plan members. Members hired prior to July 1, 1989, receive 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 Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

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. General Employees Retirement Plan Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016.

In 2016, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Coordinated Plan members	7.50%
Public Employees Police and Fire Plan	16.20

The employee and employer contribution rates did not change from the previous year.

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2016, to the pension plans were:

General Employees Retirement Plan	\$	211,506
Public Employees Police and Fire Plan		137,330

The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of \$3,677,988 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.0465 percent. It was 0.0472 percent measured as of June 30, 2015. The County recognized pension expense of \$480,306 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$14,725 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

**ROCK COUNTY  
LUVERNE, MINNESOTA**

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

County's proportionate share of the net pension liability	\$ 3,677,988
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>49,385</u>
Total	<u><u>\$ 3,727,373</u></u>

The County reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 307,963
Changes in actuarial assumptions	739,398	-
Difference between projected and actual investment earnings	719,282	-
Changes in proportion	-	182,543
Contributions paid to PERA subsequent to the measurement date	<u>111,145</u>	<u>-</u>
Total	<u><u>\$ 1,569,825</u></u>	<u><u>\$ 490,506</u></u>

**ROCK COUNTY  
LUVERNE, MINNESOTA**

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The \$111,145 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2017	\$ 249,869
2018	249,869
2019	332,031
2020	136,405

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of \$3,411,198 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.085 percent. It was 0.085 percent measured as of June 30, 2015. The County recognized pension expense of \$602,765 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The County also recognized \$7,650 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Public Employees Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 391,329
Changes in actuarial assumptions	1,877,331	-
Difference between projected and actual investment earnings	520,573	-
Changes in proportion	50,402	-
Contributions paid to PERA subsequent to the measurement date	74,364	-
Total	\$ 2,522,670	\$ 391,329

The \$74,364 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

Year Ended December 31	Pension Expense Amount
2017	\$ 444,197
2018	444,197
2019	444,197
2020	402,128
2021	322,258

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was \$1,083,071.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for the Public Employees Police and Fire Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent.



**ROCK COUNTY  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption,

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

6. Discount Rate (Continued)

the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

8. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the			
	General Employees Retirement Plan		Public Employees Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 5,223,833	4.60%	\$ 4,775,224
Current	7.50	3,677,988	5.60	3,411,198
1% Increase	8.50	2,404,633	6.60	2,296,685

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Defined Contribution Plan

Eight 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. 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 Rock County during the year ended December 31, 2016, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,185	\$ 3,185
Percentage of covered payroll	5%	5%

**ROCK COUNTY  
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3. Pension Plans and Other Postemployment Benefits (Continued)

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 2016, there were approximately 67 participants of the County in the plan, including 2 retirees. The implicit rate subsidy amount was determined by an actuary study to be \$15,496 for 2016 (\$10,382 for the County and \$5,114 for the Rock County Rural Water District).

The annual OPEB cost (expense) is allocated based on the County's contributions to retiree premiums through the General Fund, the Public Works Special Revenue Fund, and the Land Management Special Revenue Fund. The Rock County Rural Water District is charged directly for its annual OPEB cost (expense).

Annual OPEB Cost and Net OPEB Obligation

The County's and the Rock County Rural Water District'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.

**ROCK COUNTY  
LIVERNE, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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	\$	47,684
Interest on net OPEB obligation		6,279
Adjustment to ARC		(13,546)
Annual OPEB cost (expense)	\$	40,417
Contributions made during the year		(10,779)
Increase in net OPEB obligation	\$	29,638
Net OPEB Obligation - Beginning of Year		156,977
Net OPEB Obligation - End of Year	\$	186,615

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, 2014, 2015, and 2016, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$ 43,519	\$ 24,174	55.55%	\$ 123,603
December 31, 2015	42,996	9,622	22.38	156,977
December 31, 2016	40,417	10,779	26.67	186,615

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, Rock County had no assets to fund the plan. The actuarial accrued liability for benefits was \$309,815, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$309,815. The covered payroll (annual payroll of active employees covered by the plan) was \$3,420,059, and the ratio of the UAAL to the covered payroll was 9.06 percent.

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3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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.

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 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, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Rock County's implicit rate of return on the General Fund.

The annual health care cost trend is 7.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 8 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2016, was 21 years.

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4. 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 for which the County carries commercial insurance. 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. For group employee health benefits, the County has entered into a joint powers agreement, the Southwest/West Central Service Cooperative. For all other risk, the County carries commercial insurance. 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 \$500,000 per claim in 2016 and 2017. 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.

The Southwest/West Central Service Cooperative (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.



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5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

Lincoln-Pipestone Rural Water System

At December 31, 2016, the Lincoln-Pipestone Rural Water System had \$48,946,000 of general obligation bonds and other loans 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 specifically 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 taxing powers are pledged. The participating counties (Jackson, 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 be required to 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 ten participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

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

B. 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 upon consideration of: (1) population based on the most recent national census; (2) tax capacity; and (3) the most recent three-year average Social Services Expenditure and Grant Reconciliation Report (SEAGR), each factor to be weighted equally.

Rock County's health and human services functions were assumed by SWHHS as of January 1, 2012. Redwood County's health and human services functions and Pipestone County's human services function joined SWHHS 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, and 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.
- 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.

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwest Health and Human Services (Continued)

Financing is provided by state and federal grants and appropriations from member counties. Rock County's contribution in 2016 for the human services function was \$1,191,077, and its contribution to the health services function was \$82,340.

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

Lincoln-Pipestone Rural Water System

Rock County, along with Jackson, 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.

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, 2016, were \$48,946,000.

Complete financial statements of the Lincoln-Pipestone Rural Water System can be obtained at East Highway 14, P. O. Box 188, Lake Benton, Minnesota 56149-0188.

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Rock Nobles Community Corrections

Rock County participates with Nobles County in a joint venture to provide community corrections services. Rock Nobles Community Corrections was established under the Community Corrections Act, January 1, 1979. 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, 2016, was \$89,742.

Rock County acts as fiscal agent for the Community Corrections and reports Rock Nobles Community Corrections as an agency fund in its financial statements. Nobles County reports Rock Nobles Community Corrections as a component unit in its financial statements.

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.

Advocate, Connect, Educate (A.C.E.) of Southwest Minnesota

Rock County, in conjunction with Cottonwood, Lincoln, Lyon, Murray, Nobles, and Redwood 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 entity known as Retired and Senior Volunteer Program of Southwest Minnesota (RSVP of Southwest Minnesota) changed its name to A.C.E. of Southwest Minnesota as of

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Advocate, Connect, Educate (A.C.E.) of Southwest Minnesota (Continued)

January 1, 2014. The Board comprises one voting member from each participating County and one voting member of the A.C.E. of Southwest Minnesota Advisory Council. In 2016, Rock County made contributions of \$15,015 to A.C.E. of Southwest Minnesota.

Plum Creek Library System

Rock County, along with 19 cities and 8 other counties, participates in the Plum Creek Library System. The Plum Creek Library System was created as a public library service on May 29, 1974, by the act of contracting with various public libraries in its region to provide expanded library service, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without such services. The Plum Creek Library System is governed by a board of trustees which consists of two representatives from each county. One is appointed by the County Commissioners, the second from the board of the participating libraries. During 2016, Rock County did not contribute to the Plum Creek Library System.

Complete financial statements of the Plum Creek Library System can be obtained at 290 South Lake Street, P. O. Box 697, Worthington, Minnesota 56187.

6. 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. Separate financial statements are not prepared.

**ROCK COUNTY  
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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Measurement Focus and 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. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities. Operating expenses are all expenses incurred to provide services. Expenses not meeting this definition are reported as nonoperating expenses.

Deposits and Investments

The Rural Water District's cash is pooled and invested by the Rock County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled investment earnings for 2016 were \$1,758.

Rock County is holding short-term investments of the Rural Water District. These certificates of deposit are for future costs on the distribution system and any other related costs. The total held by the County for the Rural Water District was \$1,175,000 at December 31, 2016.

**ROCK COUNTY  
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6. Component Unit Disclosures (Continued)

B. Prior Period Adjustment

Restatement of Construction in Progress and Net Position

The January 1, 2016, Rock County Rural Water District's balances of construction in progress and net position were increased by \$316,339 to correct a prior year understatement. The effects on construction in progress and net position are as follows:

	Balance at January 1, 2016, as previously reported	Adjustment	Balance at January 1, 2016, as restated
Construction in progress	\$ 4,307,093	\$ 316,399	\$ 4,623,492
Net position	8,799,968	316,399	9,116,367

C. Detailed Notes

1. Assets and Deferred Outflows of Resources

Deposits and Investments

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

Cash and cash equivalents	\$ 1,108,383
Cash equivalents	451,802
Cash equivalents - restricted	1,175,000
Total Cash and Cash Equivalents	\$ 2,735,185
Petty cash and change funds	\$ 75
Checking	1,093,305
Savings	15,003
Non-negotiable certificates of deposit	1,626,802
Total Deposits and Cash on Hand	\$ 2,735,185

**ROCK COUNTY  
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6. Component Unit Disclosures

C. Detailed Notes

1. Assets and Deferred Outflows of Resources (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Rural Water 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, 2016, \$74,852 of the Rural Water District's deposits were exposed to custodial credit risk.

Receivables

Receivables as of December 31, 2016, for the Rock County Rural Water District are as follows:

	<u>Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Accounts receivable	\$ 5,291	\$ -
Interest	2,325	-
Due from other governments	<u>272,719</u>	<u>-</u>
Total Receivables	<u>\$ 280,335</u>	<u>\$ -</u>
Receivables - restricted		
Special assessments	<u>\$ 709,181</u>	<u>\$ 642,913</u>



**ROCK COUNTY  
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6. Component Unit Disclosures

C. Detailed Notes

1. Assets and Deferred Outflows of Resources (Continued)

Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and right-of-way	\$ 110,370	\$ -	\$ -	\$ 110,370
Lewis and Clark project	655,332	-	-	655,332
Construction in progress	4,623,492	386,529	-	5,010,021
Expansion project	21,704	-	-	21,704
Total capital assets not depreciated	<u>\$ 5,410,898</u>	<u>\$ 386,529</u>	<u>\$ -</u>	<u>\$ 5,797,427</u>
Capital assets depreciated				
Buildings and pumps	\$ 3,098,370	\$ 13,141	\$ -	\$ 3,111,511
Land improvements	11,649	-	-	11,649
Machinery, furniture, and equipment	490,951	49,591	-	540,542
Infrastructure - distribution system	4,441,680	-	-	4,441,680
Total capital assets depreciated	<u>\$ 8,042,650</u>	<u>\$ 62,732</u>	<u>\$ -</u>	<u>\$ 8,105,382</u>
Less: accumulated depreciation for				
Buildings and pumps	\$ 1,844,195	\$ 81,090	\$ -	\$ 1,925,285
Land improvements	2,122	291	-	2,413
Machinery, furniture, and equipment	180,040	34,359	-	214,399
Infrastructure - distribution system	2,508,906	115,032	-	2,623,938
Total accumulated depreciation	<u>\$ 4,535,263</u>	<u>\$ 230,772</u>	<u>\$ -</u>	<u>\$ 4,766,035</u>
Total capital assets depreciated, net	<u>\$ 3,507,387</u>	<u>\$ (168,040)</u>	<u>\$ -</u>	<u>\$ 3,339,347</u>
Capital Assets, Net	<u>\$ 8,918,285</u>	<u>\$ 218,489</u>	<u>\$ -</u>	<u>\$ 9,136,774</u>

Construction in progress consists of amounts completed on a water distribution system improvement project.

Depreciation expense for 2016 was \$230,772.

**ROCK COUNTY  
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6. Component Unit Disclosures

C. Detailed Notes (Continued)

2. Liabilities and Deferred Inflows of Resources

Payables

Payables at December 31, 2016, were as follows:

Accounts	\$ 20,263
Contracts	297,524
Salaries	<u>4,173</u>
Total Payables	<u>\$ 321,960</u>

Construction Commitments

The Rural Water District did not have any active construction projects at December 31, 2016.

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. Additional financing was obtained 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.

On June 29, 2016, the Rock County Rural Water District received \$2,448,000 in General Obligation Water Revenue Bonds of 2016 loan proceeds from the U.S. Department of Agriculture (USDA) as part of the Water and Waste Disposal Systems for Rural Communities (CFDA No. 10.760) grant and loan program, and redeemed the \$2,445,000 General Obligation Temporary Water Revenue Bonds, Series 2015A. The \$2,448,000 USDA Rural Development loan is funded with the General Obligation Water Revenue Bonds of 2016. The term of the \$2,448,000 General Obligation Water Revenue Bonds is 40 years, with an interest rate of 2.25 percent, and principal payments ranging from \$40,000 to \$93,000 beginning on January 1, 2018. The Rural Water District makes payments on the USDA Rural Development loan to the USDA according to the General Obligation Water Revenue Bonds of 2016 repayment schedule.

**ROCK COUNTY  
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6. Component Unit Disclosures

C. Detailed Notes

2. Liabilities and Deferred Inflows of Resources

Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
USDA Rural Development Loan	2055	\$40,000 - \$93,000	2.25	\$ 2,448,000	\$ 2,448,000
General obligation notes					
2000 G.O. Revenue Note	2019	\$14,000 - \$89,000	1.79	\$ 1,460,000	\$ 262,000
2007 G.O. Revenue Note	2026	\$16,000 - \$31,000	1.02	533,000	299,000
Total General Obligation Notes				\$ 1,993,000	\$ 561,000

Debt Service Requirements

Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	General Obligation Revenue Notes		USDA Rural Development Loan	
	Principal	Interest	Principal	Interest
2017	\$ 115,000	\$ 7,740	\$ 40,000	\$ 55,080
2018	116,000	5,904	41,000	54,180
2019	118,000	4,051	42,000	53,258
2020	29,000	2,162	42,000	52,456
2021	152,000	6,263	44,000	51,368
2022 - 2026	31,000	316	234,000	241,715
2027 - 2031	-	-	260,000	214,208
2032 - 2036	-	-	291,000	183,688
2037 - 2041	-	-	325,000	149,343
2042 - 2046	-	-	363,000	111,121
2047 - 2051	-	-	406,000	68,352
2052 - 2055	-	-	360,000	20,497
Total	\$ 561,000	\$ 26,436	\$ 2,448,000	\$ 1,255,266

**ROCK COUNTY  
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6. Component Unit Disclosures

C. Detailed Notes

2. Liabilities and Deferred Inflows of Resources (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Temporary Water Revenue Bonds, Series 2015A	\$ 2,445,000	\$ -	\$ 2,445,000	\$ -	\$ -
Plus: unamortized premiums	6,064	-	6,064	-	-
<b>Total G.O. bonds payable</b>	<b>\$ 2,451,064</b>	<b>\$ -</b>	<b>\$ 2,451,064</b>	<b>\$ -</b>	<b>\$ -</b>
USDA Rural Development Loan	-	2,448,000	-	2,448,000	40,000
G.O. revenue note 2000	346,000	-	84,000	262,000	86,000
G.O. revenue note 2007	327,000	-	28,000	299,000	29,000
Compensated absences	14,059	11,753	7,792	18,020	3,768
<b>Total Long-Term Liabilities</b>	<b>\$ 3,138,123</b>	<b>\$ 2,459,753</b>	<b>\$ 2,570,856</b>	<b>\$ 3,027,020</b>	<b>\$ 158,768</b>

D. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of the Rock County Rural Water District are covered by defined benefit pension plans administered by PERA. See Note 3.A. for information on PERA.

2. Contributions

The Rural Water District's contributions for the General Employees Retirement Plan for the year ended December 31, 2016, were \$15,069. The contributions are equal to the contractually required contributions as set by state statute.

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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6. Component Unit Disclosures

D. Defined Benefit Pension Plans (Continued)

3. Pension Costs

At December 31, 2016, the Rural Water District reported a liability of \$268,091 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Rural Water District's proportion of the net pension liability was based on the Rural Water District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Rural Water District's proportion was 0.0021 percent. It was 0.0041 percent measured as of June 30, 2015. The Rural Water District recognized pension expense of \$20,578 for its proportionate share of the General Employees Retirement Plan's pension expense.

The Rural Water District also recognized \$662 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

Rural Water District's proportionate share of the net pension liability	\$ 268,091
State of Minnesota's proportionate share of the net pension liability associated with the Rural Water District	<u>2,221</u>
Total	<u>\$ 270,312</u>

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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6. Component Unit Disclosures

D. Defined Benefit Pension Plans

3. Pension Costs (Continued)

The Rural Water District reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 17,299
Changes in actuarial assumptions	33,248	-
Difference between projected and actual investment earnings	39,634	-
Changes in proportion	-	11,656
Contributions paid to PERA subsequent to the measurement date	9,658	-
Total	\$ 82,540	\$ 28,955

The \$9,658 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 10,216
2018	10,216
2019	17,361
2020	6,134

**ROCK COUNTY  
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6. Component Unit Disclosures

D. Defined Benefit Pension Plans (Continued)

4. Pension Liability Sensitivity

The following presents the Rural Water District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Rural Water District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the General Employees Retirement Plan Net Pension Liability	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 380,761
Current	7.50	268,091
1% Increase	8.50	175,275

E. Other Postemployment Benefits (OPEB)

The Rock County Rural Water District provides a single-employer defined health care plan to eligible retirees and their spouses as described in Note 3.C.

The Rural Water District'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 Rural Water District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Rural Water District's net OPEB obligation to the plan.

**ROCK COUNTY  
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6. Component Unit Disclosures

E. Other Postemployment Benefits (OPEB) (Continued)

ARC	\$	1,052
Interest on net OPEB obligation		(42)
Adjustment to ARC		4,703
Annual OPEB cost (expense)	\$	5,713
Contributions made during the year		(4,717)
Increase (decrease) in net OPEB obligation	\$	996
Net OPEB Obligation/(Asset) - Beginning of Year		(1,042)
Net OPEB Obligation/(Asset) - End of Year	\$	(46)

The Rural Water District's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation (asset) for the years ended December 31, 2014, 2015, and 2016, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
December 31, 2014	\$ 727	\$ 1,764	242.64%	\$ (437)
December 31, 2015	3,675	4,280	116.46	(1,042)
December 31, 2016	5,713	4,717	82.57	(46)

F. Risk Management

The Rock County Rural Water District 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 for which the Rural Water District carries commercial insurance for property and casualty insurance. The Rural Water District is covered under Rock County's policy for workers' compensation with MCIT. For group health benefits, the Rural Water District is covered under the County's joint powers agreement with the Southwest/West Central Service Cooperative. For all other risk, the Rural Water District carries commercial insurance. 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.



**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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,892,846	\$ 2,892,846	\$ 3,490,749	\$ 597,903
Licenses and permits	5,400	5,400	30,275	24,875
Intergovernmental	476,138	476,138	824,856	348,718
Charges for services	1,283,584	1,283,584	1,330,999	47,415
Fines and forfeits	1,200	1,200	59,896	58,696
Gifts and contributions	-	-	1,215	1,215
Investment earnings	55,000	55,000	43,555	(11,445)
Miscellaneous	201,500	201,500	224,741	23,241
<b>Total Revenues</b>	<b>\$ 4,915,668</b>	<b>\$ 4,915,668</b>	<b>\$ 6,006,286</b>	<b>\$ 1,090,618</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 203,929	\$ 203,929	\$ 261,040	\$ (57,111)
District Court	-	-	18,631	(18,631)
Law library	-	-	9,244	(9,244)
County administration	169,032	169,032	175,223	(6,191)
Auditor-Treasurer	360,727	360,727	345,249	15,478
Elections	45,000	45,000	43,868	1,132
Accounting and auditing	45,000	45,000	46,992	(1,992)
Data processing	203,713	203,713	191,075	12,638
Attorney	193,309	193,309	191,831	1,478
Land records	381,291	381,291	372,866	8,425
Recorder's technology	20,500	20,500	46,276	(25,776)
Buildings and plant	302,190	302,190	285,174	17,016
Veterans service officer	31,476	31,476	33,289	(1,813)
Transportation	314,637	314,637	276,498	38,139
Heartland building	-	-	1,692	(1,692)
Equipment	-	-	66,296	(66,296)
Other general government	19,050	19,050	88	18,962
<b>Total general government</b>	<b>\$ 2,289,854</b>	<b>\$ 2,289,854</b>	<b>\$ 2,365,332</b>	<b>\$ (75,478)</b>

**ROCK COUNTY  
LIVERNE, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,694,763	\$ 1,694,763	\$ 1,781,987	\$ (87,224)
Coroner	10,000	10,000	8,576	1,424
Forfeitures	-	-	600	(600)
Gun permits	-	-	6,683	(6,683)
E-911 system	-	-	92,402	(92,402)
Prisoner care	80,000	80,000	152,392	(72,392)
Emergency services	47,164	47,164	43,252	3,912
<b>Total public safety</b>	<b>\$ 1,831,927</b>	<b>\$ 1,831,927</b>	<b>\$ 2,085,892</b>	<b>\$ (253,965)</b>
<b>Health</b>				
Community health	<b>\$ 16,800</b>	<b>\$ 16,800</b>	<b>\$ 16,800</b>	<b>\$ -</b>
<b>Culture and recreation</b>				
Historical society	\$ 35,000	\$ 35,000	\$ 60,000	\$ (25,000)
Minnesota trails	-	-	21,393	(21,393)
Senior citizens	26,204	26,204	22,009	4,195
Library	290,182	290,182	295,672	(5,490)
Heritage museum	66,329	66,329	38,258	28,071
Library donations	-	-	40,007	(40,007)
Children's library books	-	-	1,044	(1,044)
Other	5,920	5,920	4,920	1,000
<b>Total culture and recreation</b>	<b>\$ 423,635</b>	<b>\$ 423,635</b>	<b>\$ 483,303</b>	<b>\$ (59,668)</b>
<b>Conservation of natural resources</b>				
Extension	\$ 128,529	\$ 128,529	\$ 121,888	\$ 6,641
Agricultural society	16,000	16,000	16,000	-
<b>Total conservation of natural resources</b>	<b>\$ 144,529</b>	<b>\$ 144,529</b>	<b>\$ 137,888</b>	<b>\$ 6,641</b>
<b>Economic development</b>				
Tourism	\$ 1,940	\$ 1,940	\$ 500	\$ 1,440
Broadband project	-	-	1,000,000	(1,000,000)
<b>Total economic development</b>	<b>\$ 1,940</b>	<b>\$ 1,940</b>	<b>\$ 1,000,500</b>	<b>\$ (998,560)</b>

**ROCK COUNTY  
LIVERNE, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Intergovernmental</b>				
Buffalo Ridge Regional Rail Authority	\$ -	\$ -	\$ 250,000	\$ (250,000)
Community Corrections	89,643	89,643	89,742	(99)
Health	82,340	82,340	82,340	-
<b>Total intergovernmental</b>	<b>\$ 171,983</b>	<b>\$ 171,983</b>	<b>\$ 422,082</b>	<b>\$ (250,099)</b>
<b>Capital outlay</b>				
General government	\$ -	\$ -	\$ 153,446	\$ (153,446)
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 36,595	\$ (36,595)
Interest	-	-	1,198	(1,198)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,793</b>	<b>\$ (37,793)</b>
<b>Total Expenditures</b>	<b>\$ 4,880,668</b>	<b>\$ 4,880,668</b>	<b>\$ 6,703,036</b>	<b>\$ (1,822,368)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 35,000</b>	<b>\$ 35,000</b>	<b>\$ (696,750)</b>	<b>\$ (731,750)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (448,717)	\$ (448,717)
Proceeds from sale of capital assets	-	-	3,050	3,050
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (445,667)</b>	<b>\$ (445,667)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 35,000</b>	<b>\$ 35,000</b>	<b>\$ (1,142,417)</b>	<b>\$ (1,177,417)</b>
<b>Fund Balance - January 1</b>	<b>6,006,318</b>	<b>6,006,318</b>	<b>6,006,318</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 6,041,318</b>	<b>\$ 6,041,318</b>	<b>\$ 4,863,901</b>	<b>\$ (1,177,417)</b>

**ROCK COUNTY  
LIVERNE, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC WORKS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,016,495	\$ 1,016,495	\$ 798,748	\$ (217,747)
Intergovernmental	1,236,713	1,236,713	4,157,260	2,920,547
Charges for services	392,500	392,500	524,561	132,061
Investment earnings	7,000	7,000	4,851	(2,149)
Miscellaneous	10,000	10,000	49,044	39,044
<b>Total Revenues</b>	<b>\$ 2,662,708</b>	<b>\$ 2,662,708</b>	<b>\$ 5,534,464</b>	<b>\$ 2,871,756</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 216,871	\$ 216,871	\$ 210,863	\$ 6,008
Maintenance	1,178,650	1,178,650	1,107,035	71,615
Construction	251,727	251,727	1,569,392	(1,317,665)
Equipment and maintenance shops	547,624	547,624	687,347	(139,723)
Material and services for resale	23,547	23,547	22,070	1,477
Other	95,189	95,189	87,279	7,910
<b>Total highways and streets</b>	<b>\$ 2,313,608</b>	<b>\$ 2,313,608</b>	<b>\$ 3,683,986</b>	<b>\$ (1,370,378)</b>
<b>Sanitation</b>				
Solid waste	349,100	349,100	454,412	(105,312)
<b>Intergovernmental</b>				
Highways and streets	-	-	310,657	(310,657)
<b>Total Expenditures</b>	<b>\$ 2,662,708</b>	<b>\$ 2,662,708</b>	<b>\$ 4,449,055</b>	<b>\$ (1,786,347)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,085,409</b>	<b>\$ 1,085,409</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	10,463	10,463
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,095,872</b>	<b>\$ 1,095,872</b>
<b>Fund Balance - January 1</b>	<b>(538,009)</b>	<b>(538,009)</b>	<b>(538,009)</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>1,885</b>	<b>1,885</b>
<b>Fund Balance - December 31</b>	<b>\$ (538,009)</b>	<b>\$ (538,009)</b>	<b>\$ 559,748</b>	<b>\$ 1,097,757</b>

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

**ROCK COUNTY  
LIVERNE, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
FAMILY SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,154,337	\$ 1,154,337	\$ 1,118,191	\$ (36,146)
Intergovernmental	<u>36,740</u>	<u>36,740</u>	<u>75,720</u>	<u>38,980</u>
<b>Total Revenues</b>	<b><u>\$ 1,191,077</u></b>	<b><u>\$ 1,191,077</u></b>	<b><u>\$ 1,193,911</u></b>	<b><u>\$ 2,834</u></b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ -	\$ -	\$ 4,124	\$ (4,124)
<b>Intergovernmental</b>				
Human Services	<u>1,191,077</u>	<u>1,191,077</u>	<u>1,191,077</u>	<u>-</u>
<b>Total Expenditures</b>	<b><u>\$ 1,191,077</u></b>	<b><u>\$ 1,191,077</u></b>	<b><u>\$ 1,195,201</u></b>	<b><u>\$ (4,124)</u></b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,290)</b>	<b>\$ (1,290)</b>
<b>Fund Balance - January 1</b>	<b><u>95,856</u></b>	<b><u>95,856</u></b>	<b><u>95,856</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u>\$ 95,856</u></b>	<b><u>\$ 95,856</u></b>	<b><u>\$ 94,566</u></b>	<b><u>\$ (1,290)</u></b>

**ROCK COUNTY  
LIVERNE, MINNESOTA**

**EXHIBIT A-4**

**BUDGETARY COMPARISON SCHEDULE  
LAND MANAGEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 26,128	\$ 26,128	\$ 25,418	\$ (710)
Special assessments	207,771	207,771	216,789	9,018
Licenses and permits	43,700	43,700	26,941	(16,759)
Intergovernmental	382,162	382,162	373,125	(9,037)
Charges for services	3,200	3,200	2,813	(387)
Investment earnings	-	-	19	19
Miscellaneous	14,288	14,288	20,926	6,638
<b>Total Revenues</b>	<b>\$ 677,249</b>	<b>\$ 677,249</b>	<b>\$ 666,031</b>	<b>\$ (11,218)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Planning and zoning	\$ 52,489	\$ 52,489	\$ 51,840	\$ 649
<b>Sanitation</b>				
Recycling	\$ 133,814	\$ 133,814	\$ 126,541	\$ 7,273
Hazardous waste	27,052	27,052	25,300	1,752
Environmental office	160,056	160,056	161,330	(1,274)
<b>Total sanitation</b>	<b>\$ 320,922</b>	<b>\$ 320,922</b>	<b>\$ 313,171</b>	<b>\$ 7,751</b>
<b>Conservation of natural resources</b>				
Agricultural inspection	\$ 11,209	\$ 11,209	\$ 10,540	\$ 669
Water planning	255,879	255,879	313,356	(57,477)
<b>Total conservation of natural resources</b>	<b>\$ 267,088</b>	<b>\$ 267,088</b>	<b>\$ 323,896</b>	<b>\$ (56,808)</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 15,588	\$ (15,588)
Interest	-	-	2,419	(2,419)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,007</b>	<b>\$ (18,007)</b>
<b>Total Expenditures</b>	<b>\$ 640,499</b>	<b>\$ 640,499</b>	<b>\$ 706,914</b>	<b>\$ (66,415)</b>



**ROCK COUNTY  
LIVERNE, MINNESOTA**

**EXHIBIT A-4  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
LAND MANAGEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ 36,750	\$ 36,750	\$ (40,883)	\$ (77,633)
<b>Other Financing Sources (Uses)</b>				
Loans issued	-	-	26,997	26,997
<b>Net Change in Fund Balance</b>	\$ 36,750	\$ 36,750	\$ (13,886)	\$ (50,636)
<b>Fund Balance - January 1</b>	<u>786,506</u>	<u>786,506</u>	<u>786,506</u>	-
<b>Fund Balance - December 31</b>	<u>\$ 823,256</u>	<u>\$ 823,256</u>	<u>\$ 772,620</u>	<u>\$ (50,636)</u>

**ROCK COUNTY  
LUVERNE, MINNESOTA**

*EXHIBIT A-5*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 94,040	\$ 94,040	\$ 114,892	\$ 20,852
<b>Expenditures</b>				
<b>Current</b>				
Conservation of natural resources	\$ -	\$ -	\$ 55,599	\$ (55,599)
<b>Debt service</b>				
Principal	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Interest	19,040	19,040	13,906	5,134
Administrative (fiscal) charges	-	-	495	(495)
<b>Total Expenditures</b>	<b>\$ 94,040</b>	<b>\$ 94,040</b>	<b>\$ 145,000</b>	<b>\$ (50,960)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (30,108)</b>	<b>\$ (30,108)</b>
<b>Fund Balance - January 1</b>	<b>278,056</b>	<b>278,056</b>	<b>278,056</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 278,056</b>	<b>\$ 278,056</b>	<b>\$ 247,948</b>	<b>\$ (30,108)</b>

**ROCK COUNTY  
LIVERNE, MINNESOTA**

*EXHIBIT A-6*

**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2016**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
January 1, 2009	\$ -	\$ 513,365	\$ 513,365	0.00%	\$ 3,800,699	13.51%
January 1, 2012	-	399,473	399,473	0.00	3,636,645	10.98
January 1, 2015	-	309,815	309,815	0.00	3,420,059	9.06

**ROCK COUNTY  
LIVERNE, MINNESOTA**

*EXHIBIT A-7*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
ROCK COUNTY  
DECEMBER 31, 2016**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Rock County (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2016	0.0465%	\$ 3,677,988	\$ 49,385	\$ 3,727,373	\$ 2,888,049	127.35%	68.91%
2015	0.0472	2,445,941	N/A	2,445,941	2,821,447	86.69	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.  
The measurement date for each year is June 30.  
N/A - Not Applicable

**ROCK COUNTY  
LUVERNE, MINNESOTA**

*EXHIBIT A-8*

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
ROCK COUNTY  
DECEMBER 31, 2016**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2016	\$ 211,506	\$ 211,506	\$ -	\$ 2,820,068	7.50%
2015	215,092	215,092	-	2,867,883	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.  
The County's year-end is December 31.

**ROCK COUNTY  
LIVERNE, MINNESOTA**

*EXHIBIT A-9*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
ROCK COUNTY RURAL WATER DISTRICT  
DECEMBER 31, 2016**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with the Rock County Rural Water District (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2016	0.0021%	\$ 268,091	\$ 2,221	\$ 270,312	\$ 129,864	206.44%	68.91%
2015	0.0041	212,691	N/A	212,691	192,861	110.28	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.  
The measurement date for each year is June 30.  
N/A - Not Applicable

**ROCK COUNTY  
LIVERNE, MINNESOTA**

*EXHIBIT A-10*

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
ROCK COUNTY RURAL WATER DISTRICT  
DECEMBER 31, 2016**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2016	\$ 15,069	\$ 15,069	\$ -	\$ 200,918	7.50%
2015	16,196	16,196	-	215,949	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.  
The Rural Water District's year-end is December 31.

**ROCK COUNTY  
LUVERNE, MINNESOTA**

**EXHIBIT A-11**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN  
DECEMBER 31, 2016**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2016	0.085%	\$ 3,411,198	\$ 815,040	418.53%	63.88%
2015	0.085	965,799	778,164	124.11	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**ROCK COUNTY  
LUVERNE, MINNESOTA**

**EXHIBIT A-12**

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN  
DECEMBER 31, 2016**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2016	\$ 137,330	\$ 137,330	\$ -	\$ 847,714	16.20%
2015	133,086	133,086	-	821,517	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.



**ROCK COUNTY  
LIVERNE, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

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1. General Budget Policies

The Rock 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, Ditch Special Revenue Fund, and the Debt Service Fund. The expenditure budget is approved at the fund level.

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 required supplementary information for the General Fund and special revenue funds.

2. Budget Basis of Accounting

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

3. Budget Amendments

The County did not amend the budgets for the General Fund or any of the special revenue funds.

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

Fund	Expenditures	Budget	Excess
General Fund	\$ 6,703,036	\$ 4,880,668	\$ 1,822,368
Special Revenue Funds			
Public Works	4,449,055	2,662,708	1,786,347
Family Services	1,195,201	1,191,077	4,124
Land Management	706,914	640,499	66,415
Ditch	145,000	94,040	50,960

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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5. Other Postemployment Benefits - Funded 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 actuarial accrued liability for postemployment benefits is zero. See Note 3.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

The County obtained an actuarial valuation as of January 1, 2012. Since the actuarial valuation as of January 1, 2009, the following actuarial assumptions have changed:

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.

2015

The County obtained an actuarial valuation as of January 1, 2015. Since the actuarial valuation as of January 1, 2012, the following actuarial assumptions and plan provisions have changed:

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases. At the time the valuation was completed, the actual 2015 medical cost increase was available. The actual 2015 increase of 14.9 percent has been taken into account in the valuation.

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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

2015

Actuarial Assumptions (Continued)

- The mortality table was updated from the projection of RP 2000 rates to 2012 (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Table with MP-2015 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).
- The discount rate was changed from 4.5 percent to 4.0 percent.

Plan Provisions

- The service requirement for access to group insurance was changed from three years to five years due to changes in the public pension provisions.

7. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**ROCK COUNTY  
LIVERNE, MINNESOTA**

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7. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**SUPPLEMENTARY INFORMATION**

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**GOVERNMENTAL FUNDS**

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**ROCK COUNTY  
LIVERNE, MINNESOTA**

*EXHIBIT B-1*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 797,696	\$ 797,696	\$ 317,950	\$ (479,746)
Intergovernmental	10,444	10,444	21,525	11,081
<b>Total Revenues</b>	<b>\$ 808,140</b>	<b>\$ 808,140</b>	<b>\$ 339,475</b>	<b>\$ (468,665)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 607,337	\$ 607,337	\$ 607,336	\$ 1
Interest	200,803	200,803	166,562	34,241
Administrative (fiscal) charges	-	-	2,132	(2,132)
<b>Total Expenditures</b>	<b>\$ 808,140</b>	<b>\$ 808,140</b>	<b>\$ 776,030</b>	<b>\$ 32,110</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (436,555)</b>	<b>\$ (436,555)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	448,717	448,717
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,162</b>	<b>\$ 12,162</b>
<b>Fund Balance - January 1</b>	<b>387,947</b>	<b>387,947</b>	<b>387,947</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 387,947</b>	<b>\$ 387,947</b>	<b>\$ 400,109</b>	<b>\$ 12,162</b>

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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.

Big Buddies - to account for the collection and disbursement of funds for the Big Buddies program.

Rock Youth Fellowship - to account for the collection and disbursement of funds for the Rock Youth Fellowship program.

Buffalo Ridge Regional Rail Authority - to account for the collection and disbursement of funds for the Buffalo Ridge Regional Rail Authority.

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, 2016**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>ROCK NOBLES COMMUNITY CORRECTIONS</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 252,273	\$ 751,308	\$ 738,122	\$ 265,459
<b><u>Liabilities</u></b>				
Salaries payable	\$ 10,850	\$ 14,687	\$ 10,850	\$ 14,687
Due to other governments	241,423	854,335	844,986	250,772
<b>Total Liabilities</b>	<b>\$ 252,273</b>	<b>\$ 869,022</b>	<b>\$ 855,836</b>	<b>\$ 265,459</b>
 <b><u>BIG BUDDIES</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 45	\$ 11,847	\$ 9,419	\$ 2,473
<b><u>Liabilities</u></b>				
Due to other governments	\$ 45	\$ 11,847	\$ 9,419	\$ 2,473
 <b><u>ROCK YOUTH FELLOWSHIP</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 381	\$ 1,830	\$ 1,705	\$ 506
<b><u>Liabilities</u></b>				
Due to other governments	\$ 381	\$ 1,830	\$ 1,705	\$ 506

**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, 2016**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>BUFFALO RIDGE REGIONAL RAIL AUTHORITY</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ -	\$ 315,193	\$ 145,052	\$ 170,141
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 315,193	\$ 145,052	\$ 170,141
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 166,129	\$ 15,271,006	\$ 15,340,656	\$ 96,479
<b><u>Liabilities</u></b>				
Due to other governments	\$ 166,129	\$ 15,271,006	\$ 15,340,656	\$ 96,479
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 418,828	\$ 16,351,184	\$ 16,234,954	\$ 535,058
<b><u>Liabilities</u></b>				
Salaries payable	\$ 10,850	\$ 14,687	\$ 10,850	\$ 14,687
Due to other governments	407,978	16,454,211	16,341,818	520,371
<b>Total Liabilities</b>	<b>\$ 418,828</b>	<b>\$ 16,468,898</b>	<b>\$ 16,352,668</b>	<b>\$ 535,058</b>

## **OTHER SCHEDULES**

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**ROCK COUNTY  
LUVERNE, MINNESOTA**

**EXHIBIT D-1**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit Rock County Rural Water District</u>
<b>Appropriations and Shared Revenue</b>		
<b>State</b>		
Highway users tax	\$ 3,549,106	\$ -
Market value credit	166,094	-
PERA rate reimbursement	14,477	1,273
Disparity reduction aid	7,926	-
County program aid	164,019	-
Police aid	90,957	-
Enhanced 911	80,798	-
Select Committee on Recycling and the Environment (SCORE)	68,710	-
<b>Total appropriations and shared revenue</b>	<b>\$ 4,142,087</b>	<b>\$ 1,273</b>
<b>Reimbursement for Services</b>		
<b>State</b>		
Minnesota Department of Natural Resources	\$ 6,423	\$ -
Transportation	59,874	-
<b>Local</b>		
Luverne School District	59,631	-
<b>Total reimbursement for services</b>	<b>\$ 125,928</b>	<b>\$ -</b>
<b>Payments</b>		
<b>Local</b>		
Payments in lieu of taxes	\$ 46,676	\$ -
Local contributions	184,732	-
<b>Total payments</b>	<b>\$ 231,408</b>	<b>\$ -</b>
<b>Grants</b>		
<b>State</b>		
Minnesota Department/Board of Natural Resources	\$ 21,393	\$ -
Transportation	463,041	-
Water and Soil Resources	116,864	-
Veterans Affairs	7,500	-
<b>Total state</b>	<b>\$ 608,798</b>	<b>\$ -</b>

**ROCK COUNTY  
LIVERNE, MINNESOTA**

**EXHIBIT D-1  
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Primary Government</b>	<b>Discretely Presented Component Unit Rock County Rural Water District</b>
<b>Grants (Continued)</b>		
<b>Federal</b>		
Department of		
Agriculture	\$ -	\$ 372,883
Interior	2,695	-
Transportation	323,167	-
Homeland Security	18,403	-
	<b>\$ 344,265</b>	<b>\$ 372,883</b>
<b>Total federal</b>	<b>\$ 344,265</b>	<b>\$ 372,883</b>
<b>Total state and federal grants</b>	<b>\$ 953,063</b>	<b>\$ 372,883</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 5,452,486</b>	<b>\$ 374,156</b>

**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, 2016**

**Assets**

**Current assets**

Cash and cash equivalents	\$ 1,108,383
Cash equivalents	451,802
Accounts receivable	5,291
Accrued interest receivable	2,325
Due from other governments	272,719
Inventories	127,573
Prepaid items	1,240

**Total current assets** **\$ 1,969,333**

**Restricted assets**

Cash equivalents	\$ 1,175,000
Special assessments - noncurrent	709,181

**Total restricted assets** **\$ 1,884,181**

**Noncurrent assets**

Net other postemployment benefits receivable	\$ 46
Capital assets	
Non-depreciable capital assets	5,797,427
Depreciable capital assets - net of accumulated depreciation	3,339,347

**Total noncurrent assets** **\$ 9,136,820**

**Total Assets** **\$ 12,990,334**

**Deferred Outflows of Resources**

Deferred pension outflows	<b><u>\$ 82,540</u></b>
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**ROCK COUNTY  
LUVERNE, MINNESOTA**

**EXHIBIT E-1  
(Continued)**

**ROCK COUNTY RURAL WATER DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

**Liabilities**

**Current liabilities**

Accounts payable	\$	20,263
Salaries payable		4,173
Contracts payable		297,524
Accrued interest payable		2,580
Compensated absences		3,768
Customer deposits		2,078
Notes payable		115,000
Loan payable		40,000
		40,000

**Total current liabilities** **\$ 485,386**

**Noncurrent liabilities**

Compensated absences	\$	14,252
Notes payable		446,000
Loan payable		2,408,000
Net pension liability		268,091
		268,091

**Total noncurrent liabilities** **\$ 3,136,343**

**Total Liabilities** **\$ 3,621,729**

**Deferred Inflows of Resources**

Deferred pension inflows	\$	28,955
		28,955

**Net Position**

Net investment in capital assets	\$	6,127,774
Restricted for		
Rural water distribution system		1,884,181
Short-lived assets		45,700
Unrestricted		1,364,535
		1,364,535

**Total Net Position** **\$ 9,422,190**

**ROCK COUNTY  
LUVERNE, MINNESOTA**

*EXHIBIT E-2*

**ROCK COUNTY RURAL WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Operating Revenues</b>	
Charges for services	\$ 871,395
Miscellaneous	98,989
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 970,384</b>
<b>Operating Expenses</b>	
Personal services	\$ 276,203
Office expense	19,035
Operations	185,336
Materials	196,599
Utilities	82,837
Depreciation	230,772
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 990,782</b>
<b>Operating Income (Loss)</b>	<b>\$ (20,398)</b>
<b>Nonoperating Revenues (Expenses)</b>	
State shared revenue - PERA rate reimbursement	\$ 1,273
Interest on non-restricted cash and cash equivalents	5,557
Interest on restricted cash and cash equivalents	8,837
Interest on long-term debt	(55,411)
Lewis and Clark expense	(49,581)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (89,325)</b>
<b>Income (Loss) Before Contributions</b>	<b>\$ (109,723)</b>
<b>Capital Contributions</b>	
Assessments	\$ 42,663
USDA capital grant	372,883
	<hr/>
<b>Total Capital Contributions</b>	<b>\$ 415,546</b>
<b>Change in net position</b>	<b>\$ 305,823</b>
<b>Net Position - January 1, as restated (Note 6.B.)</b>	<b>9,116,367</b>
	<hr/>
<b>Net Position - December 31</b>	<b>\$ 9,422,190</b>
	<hr/> <hr/>

**ROCK COUNTY  
LUVERNE, MINNESOTA**

**EXHIBIT E-3**

**ROCK COUNTY RURAL WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Cash Flows from Operating Activities</b>	
Cash received from services	\$ 968,363
Cash paid to employees for services	(277,949)
Cash paid to suppliers for goods or services	(330,730)
	<b>\$ 359,684</b>
<b>Cash Flows from Non-Capital Financing Activities</b>	
State shared revenue - PERA rate reimbursement	\$ 611
Lewis and Clark expense	(42,319)
	<b>\$ (41,708)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from USDA Rural Development loan payable	\$ 2,448,000
Payments of temporary revenue bonds	(2,445,000)
Principal paid on revenue notes	(112,000)
Interest paid on revenue notes	(62,072)
Capital contributions received - assessments	108,932
Capital contributions received - USDA capital grant	918,514
Payments for acquisition of capital assets	(959,398)
	<b>\$ (103,024)</b>
<b>Cash Flows from Investing Activities</b>	
Interest received on non-restricted cash and cash equivalents	\$ 5,155
Interest received on restricted cash and cash equivalents	8,837
Sale (purchase) of non-restricted cash and cash equivalents	6
	<b>\$ 13,998</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 228,950</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>879,433</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 1,108,383</b>



**ROCK COUNTY  
LIVERNE, MINNESOTA**

**EXHIBIT E-3  
(Continued)**

**ROCK COUNTY RURAL WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

<b>Operating income (loss)</b>	<b>\$ (20,398)</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 230,772
(Increase) decrease in inventories	125,599
(Increase) decrease in accounts receivable	1,597
(Increase) decrease in prepaid items	4,048
(Increase) decrease in deferred pension outflows	(52,756)
Increase (decrease) in net other postemployment benefits receivable	996
Increase (decrease) in accounts payable	6,751
Increase (decrease) in salaries payable	1,012
Increase (decrease) in compensated absences	193
Increase (decrease) in customer deposits	(1,052)
Increase (decrease) in net pension liability	55,400
Increase (decrease) in deferred pension inflows	7,522
<b>Total adjustments</b>	<b>\$ 380,082</b>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>\$ 359,684</b>

**Supplemental Disclosure of Cash Flow Information**

Acquisition of capital assets included in contracts payable	\$ 297,524
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**ROCK COUNTY**

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE 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  
Luverne, Minnesota

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 26, 2017. The results of our testing of the Rock County Rural Water District component unit's internal control over financial reporting and on compliance and other matters are reported on separately within this Management and Compliance Section.

### **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.

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

### **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 Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: 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 administers no tax increment financing districts.

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 Counties*, except as described in the Schedule of Findings and Recommendations as item 2016-001. 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.



## **Rock County's Response to Finding**

Rock County's response to the legal compliance finding identified in our audit is described in the Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 26, 2017

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**ROCK COUNTY  
LIVERNE, MINNESOTA**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**I. OTHER FINDINGS AND RECOMMENDATIONS**

MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding Number 2016-001

Insufficient Collateral

**Criteria:** Governmental entities are required by Minn. Stat. § 118A.03, subds. 1 and 3, to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by the Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

**Condition:** At December 31, 2016, Rock County had deposits at First Farmers and Merchants Bank that were not adequately covered by collateral.

**Context:** Deposits in excess of federal deposit insurance were \$74,582 on December 31, 2016.

**Effect:** When there is insufficient collateral with a bank, the County may not have been able to recover, in the event of bank default, the portion of funds for which there was no collateral.

**Cause:** The County moved funds by check from First Farmers and Merchants Bank to Exchange State Bank in December 2016. First Farmers and Merchants Bank removed the pledged collateral before the check cleared the bank in January 2017.

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

**View of Responsible Official:** Concur

**II. PREVIOUSLY REPORTED ITEMS RESOLVED**

2014-001 Audit Adjustments

2014-005 Publication of County Board Minutes

**REPRESENTATION OF ROCK COUNTY  
LIVERNE, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding Number: 2016-001**

**Finding Title: Insufficient Collateral**

Name of Contact Person Responsible for Corrective Action:

Ashley Kurtz - County Auditor/Treasurer

Corrective Action Planned:

Rock County does have procedures in place to monitor account balances to ensure adequate collateral coverage and will continue to follow those procedures. In this circumstance, the timing of an unexpected large deposit made it nearly impossible to obtain the collateral coverage by month end.

Anticipated Completion Date:

Immediate

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**REPRESENTATION OF ROCK COUNTY  
LIVERNE, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding Number: 2014-001**

**Finding Title: Audit Adjustments**

**Summary of Condition:** Material audit adjustments were identified that resulted in significant changes to the County's financial statements.

**Summary of Corrective Action Previously Reported:** The County will review its financial statement closing procedures and journal entries in detail to ensure adjustments are properly made to the financial statements.

**Status:** Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No   X  

**Finding Number: 2014-005**

**Finding Title: Publication of County Board Minutes**

**Summary of Condition:** Affidavits of publication related to publishing the County Board minutes indicated that the minutes were not published in the County's official newspaper within the 30-day requirement.

**Summary of Corrective Action Previously Reported:** Rock County will work with the local newspaper staff to bring the publication requirement into compliance with statute.

**Status:** Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No   X

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**ROCK COUNTY RURAL WATER DISTRICT**

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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 Directors  
Rock County Rural Water District  
Luverne, Minnesota

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 Rock County, Minnesota, which include, as supplementary information, the financial statements of the Rock County Rural Water District, a discretely presented component unit, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 26, 2017.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and an item that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Rural Water District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 2015-001 and 2016-001 to be material weaknesses and item 2016-002 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Rock County Rural Water District'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 Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the Rural Water District's financial statements: 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 the Rock County Rural Water District administers no tax increment financing districts. The provisions for deposits and investments, conflicts of interest, contracting and bidding, and claims and disbursements were tested in connection with our audit of Rock County, Minnesota.

In connection with our audit, nothing came to our attention that caused us to believe that the Rock County Rural Water District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. 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 Rural Water District's noncompliance with the above referenced provisions.

## **Rock County Rural Water District's Response to Findings**

The Rock County Rural Water District's responses to the internal control findings identified in our audit are described in the Corrective Action Plan. The Rural Water District's responses were not subjected 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 Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the Rural Water District'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 District's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 26, 2017

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**ROCK COUNTY RURAL WATER DISTRICT  
LIVERNE, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2015-001

Audit Adjustment

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

**Condition:** A material audit adjustment was identified that resulted in significant change to the Rock County Rural Water District's financial statements.

**Context:** The inability to make all necessary accrual adjustments or to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustment was found in the audit; however, independent external auditors cannot be considered part of the Rock County Rural Water District's internal control.

**Effect:** The following audit adjustment was reviewed and approved by management and is reflected in the financial statements: decreased construction in progress and increased related construction outlays by \$429,279 for contracts and accounts payable included in construction in progress in the prior year.

**Cause:** The Rural Water District did not consider all of the proper components in the calculation for construction in progress.

**Recommendation:** We recommend the District review its financial statement preparation policies and procedures to ensure that transactions are properly recorded so that the Rural Water District's financial statements are fairly presented in accordance with generally accepted accounting principles.

**View of Responsible Official:** Acknowledged

ITEMS ARISING THIS YEAR

Finding Number 2016-001

Prior Period Adjustment

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards identify one indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of a material misstatement due to error.

**Condition:** A prior period adjustment was identified that resulted in significant changes to the Rock County Rural Water District's financial statements. Construction in progress was increased by \$316,399 to include costs related to the expansion project infrastructure asset that were not previously capitalized. The prior period adjustment to restate the Rural Water District's financial statements was reviewed and approved by management and is reflected in the financial statements.

**Context:** The need for prior period adjustments can raise doubts as to the reliability of the Rural Water District's financial information being presented.

**Effect:** The January 1, 2016, net position was restated (increased) by \$316,399 to correct an understatement of capital assets through December 31, 2015.

**Cause:** Oversight in recording all amounts related to the expansion project as part of construction in progress in the year the costs were incurred.

**Recommendation:** We recommend Rural Water District staff review their financial statement closing procedures to ensure they have accurate and complete information necessary to fairly present the Rural Water District's financial statements in accordance with generally accepted accounting principles.

**View of Responsible Official:** Acknowledged



Inventory Deficiencies

**Criteria:** Recorded inventory amounts should reflect the actual amount of inventory on hand. Inventory records should be reconciled to an annual physical account to ensure accuracy for financial statement presentation. During the fiscal period, the inventory records should be regularly updated for additions and withdrawals to maintain accuracy. In addition, procedures for the additions and withdrawals of items from inventory, pricing and tracking of inventory, as well as the frequency of inventory counts and reconciliation to the inventory system, should be formally documented in the Rural Water District's accounting policies and procedures manual.

**Condition:** During our audit, we reviewed the accuracy of the Rural Water District's perpetual inventory records. We performed test counts and compared our results to the Rural Water District's records and verified the Rural Water District's average cost per unit calculation. We noted errors and inconsistencies in all except 1 of the 25 items selected for testing. Although a year-end inventory count was performed by Rural Water District staff on some items, the inventory count was not reconciled to the inventory system at December 31, 2016.

**Context:** The inventory accountant posts items received from vendor invoices to the inventory system as additions. Withdrawals are based on inventory usage reports provided by staff. Inventory records used to support prior balances and to calculate average cost per unit are deleted from the system annually.

**Effect:** The inventory system did not reflect an accurate account of the inventory on hand at the time of our test counts.

**Cause:** Based on our testing, the following issues were identified which resulted in differences in the inventory system:

- numerous items on the year-end inventory listing had a negative quantity on hand, because not all additions or withdrawals were entered into the system;
- the Rural Water District does not have a consistent method to apply shipping costs to item values;
- over half of the items on the year-end inventory listing were not counted by Rural Water District staff, resulting in a significant balance of reported inventory not counted or reconciled to the inventory system as of December 31, 2016; and
- the Rural Water District indicated that some of the items on the year-end inventory listing are not identifiable or are no longer usable.

**Recommendation:** We recommend the Rural Water District improve internal controls over the inventory system and procedures. Based on reviews of inventory balances, the Rural Water District should identify inventory items not being accurately accounted for in the system and develop procedures to ensure that all additions and withdrawals and average cost per unit are accurately recorded in the inventory system. Additionally, the Rural Water District's inventory policy should include procedures developed, including the review and approval of year-end inventory counts and reconciliations/adjustments to the inventory system by the System Manager and/or additional procedures performed to more frequently review specific inventory accounts.

**View of Responsible Official:** Acknowledged

## **II. PREVIOUSLY REPORTED ITEMS RESOLVED**

2010-001 Segregation of Duties

2015-002 Identification of Federal Awards (CFDA No. 10.760)

**REPRESENTATION OF ROCK COUNTY RURAL WATER DISTRICT  
LIVERNE, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding Number: 2015-001**

**Finding Title: Audit Adjustment**

Name of Contact Persons Responsible for Corrective Action:

Brent Hoffmann, System Manager; Vanessa Luettel, Staff Assistant II

Corrective Action Planned:

Work with Ashley Kurtz, County Auditor-Treasurer, and Norma Van Wyhe, Deputy Auditor-Treasurer, at the Rock County Auditor-Treasurer Office to ensure accuracy of accrual and asset balances in the future.

Anticipated Completion Date:

December 2017

**Finding Number: 2016-001**

**Finding Title: Prior Period Adjustment**

Name of Contact Persons Responsible for Corrective Action:

Brent Hoffmann, System Manager; Vanessa Luettel, Staff Assistant II

Corrective Action Planned:

Work with the Rock County Auditor-Treasurer Office staff to make sure everything is as accurate as possible.

Anticipated Completion Date:

December 2017

**Finding Number: 2016-002**

**Finding Title: Inventory Deficiencies**

Name of Contact Person Responsible for Corrective Action:

Brent Hoffmann, System Manager

Corrective Action Planned:

Clean-up the existing inventory list and get rid of old, obsolete, or broken inventory via sale, scrap, or trash. Run the items past the Board of Directors to get a motion to sale, scrap or trash items. Once inventory is cleaned up, transfer it from the current Sage System to a new system that is similar to the system the Highway Department currently utilizes.

Anticipated Completion Date:

2017 or 2018

**REPRESENTATION OF ROCK COUNTY RURAL WATER DISTRICT  
LIVERNE, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding Number: 2010-001**

**Finding Title: Segregation of Duties**

**Summary of Condition:** The Rock County Rural Water District has one employee who is responsible for updating customer billings, collecting payments, recording transactions, and remitting funds to the Rock County Auditor-Treasurer's Office.

**Summary of Corrective Action Previously Reported:** The System Manager will work to implement additional review procedures in the receipting process prior to the collections being brought to the County Auditor-Treasurer's Office.

**Status:** Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No   X  

**Finding Number: 2015-001**

**Finding Title: Audit Adjustment**

**Summary of Condition:** A material adjustment was identified that resulted in significant change to the Rock County Rural Water District's financial statements.

**Summary of Corrective Action Previously Reported:** The Rock County Rural Water District will follow the County's guidelines as closely as possible to try to prevent this from being a future deficiency. We will work with the County Auditor-Treasurer to determine appropriate financial statement amounts that will include all necessary accruals.

**Status:** Not Corrected. Please see Corrective Action Plan for explanation.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No   X

**Finding Number: 2015-002**

**Finding Title: Identification of Federal Awards**

**Program: Water and Waste Disposal Systems for Rural Communities (CFDA No. 10.760)**

**Summary of Condition:** The Rock County Rural Water District did not properly identify amounts expended for the federal grant and loan awarded under the Water and Waste Disposal Systems for Rural Communities program on its Schedule of Expenditures of Federal Awards.

**Summary of Corrective Action Previously Reported:** The Rural Water District will work more closely with the County to identify what federal financial assistance and expenditures will be and develop written procedures to help assist and direct for future projects.

**Status:** Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No  X