

ROCK COUNTY

Janesville, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2013

ROCK COUNTY

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INDEPENDENT AUDITORS' REPORT

To the County Board of Supervisors
Rock County
Janesville, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rock County, Wisconsin, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Rock 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.

Auditors' 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 auditors' 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 over financial reporting relevant to Rock 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 Rock 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.

To the County Board of Supervisors
Rock County

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 business-type activities, each major fund, and the aggregate remaining fund information of Rock County, Wisconsin, as of December 31, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note I, Rock County adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinions are not modified with respect to this matter.

Rock County changed its reporting of the Airport Fund in 2013 to a special revenue from an enterprise fund. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a 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 combining fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the County Board of Supervisors
Rock County

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of Rock County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rock County's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP
Madison, Wisconsin
July 22, 2014

ROCK COUNTY, WISCONSIN

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2013

Rock County's discussion and analysis is designed to assist the reader in focusing on significant financial issues; provide an overview of the county's financial activity; identify changes in the county's financial position; discuss changes in the 2013 budget; and discuss individual fund issues.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A requirement of Government Accounting Standards Board (GASB) Statement No. 34 is the presentation of government-wide financial statements (Statement of Net Position and Statement of Activities) on a full accrual basis of accounting (see pages 1 and 2). These statements report information about the overall governmental unit, distinguish between governmental activities and business-type activities, report all assets (including infrastructure assets-highways, bridges, etc.) and eliminate internal service fund and inter-fund activity and balances. The government-wide statements are designed to assess the government unit in its entirety, identify the true cost of providing services to its citizens, disclose the extent of capital asset investment and make better comparisons between governmental units.

FUND FINANCIAL STATEMENTS

Generally accepted accounting principles (GAAP) require the inclusion of separate sets of financial statements for governmental funds, proprietary (business-type) and fiduciary funds (see pages 3 through 12). The proprietary and fiduciary funds use the full accrual basis of accounting. The financial statements for governmental funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, the government-wide financial statements include a summary reconciliation explaining the differences between the data reported in the governmental funds and the data reported for the governmental activities in the government-wide and fund financial statements.

ROCK COUNTY, WISCONSIN

MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)
As of and for the Year Ended December 31, 2013

CONDENSED FINANCIAL INFORMATION

Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Totals		Difference
	2012	2013	2012	2013	2012	2013	
Current and other assets	\$ 123.6	\$ 130.4	\$ 21.6	\$ 20.2	\$ 145.2	\$ 150.6	5.4
Capital assets	86.5	111.2	65.5	45.5	152.0	156.7	4.7
Total Assets	<u>\$ 210.1</u>	<u>\$ 241.6</u>	<u>\$ 87.1</u>	<u>\$ 65.7</u>	<u>\$ 297.2</u>	<u>\$ 307.3</u>	<u>10.1</u>
Current liabilities	\$ 26.2	\$ 25.3	\$ 5.2	\$ 3.8	\$ 31.4	\$ 29.1	(2.3)
Long-term liabilities	18.2	23.1	32.3	32.0	50.5	55.1	4.6
Total Liabilities	<u>\$ 44.4</u>	<u>\$ 48.4</u>	<u>\$ 37.5</u>	<u>\$ 35.8</u>	<u>\$ 81.9</u>	<u>\$ 84.2</u>	<u>2.3</u>
Unearned revenue	\$ 53.5	\$ 55.7	\$ 8.2	\$ 7.3	\$ 61.7	\$ 63.0	1.3
Total Deferred Inflows of Resources	<u>\$ 53.5</u>	<u>\$ 55.7</u>	<u>\$ 8.2</u>	<u>\$ 7.3</u>	<u>\$ 61.7</u>	<u>\$ 63.0</u>	<u>1.3</u>
NET POSITION							
Net Investment in capital assets	\$ 76.5	\$ 97.4	\$ 36.8	\$ 15.2	\$ 111.1	\$ 111.7	0.6
Restricted	7.2	7.3	-	-	7.2	7.3	0.1
Unrestricted	<u>28.4</u>	<u>32.9</u>	<u>4.6</u>	<u>7.4</u>	<u>35.2</u>	<u>41.1</u>	<u>5.9</u>
Total Net Position	<u><u>\$ 112.1</u></u>	<u><u>\$ 137.6</u></u>	<u><u>\$ 41.4</u></u>	<u><u>\$ 22.6</u></u>	<u><u>\$ 153.5</u></u>	<u><u>\$ 160.2</u></u>	<u><u>6.6</u></u>

NOTE: Totals may not foot due to rounding. Deferred revenues were eliminated from current liabilities to conform with GASB No. 65 and are now recognized on a separate line labeled "Unearned Revenue" for 2013.

ROCK COUNTY, WISCONSIN

MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)
As of and for the Year Ended December 31, 2013

CONDENSED FINANCIAL INFORMATION

Changes In Net Position (in millions of dollars)

	Governmental Activities		Business-type Activities		Totals		Difference
	2012	2013	2012	2013	2012	2013	
Revenues							
Program Revenues							
Charges for services	\$ 18.8	\$ 17.5	\$ 15.5	\$ 14.8	\$ 34.3	\$ 32.3	\$ (2.0)
Operating grants and contributions	60.3	62.1	3.7	4.0	64.0	66.1	2.1
Capital grants and contributions	-	2.0	-	-	-	2.0	2.0
General Revenues							
Property taxes	50.6	51.8	9.5	9.3	60.1	61.1	1.0
Intergovernmental	7.2	5.9	-	-	7.2	5.9	(1.3)
Other	13.9	14.7	0.7	.4	14.6	15.1	.5
Total Revenues	<u>150.8</u>	<u>154.0</u>	<u>29.4</u>	<u>28.5</u>	<u>180.2</u>	<u>182.5</u>	<u>2.3</u>
Expenses							
General government	9.7	8.4	-	-	9.7	8.4	(1.3)
Public safety	36.6	37.7	-	-	36.6	37.7	1.1
Health and Social Services	93.6	93.4	-	-	93.6	93.4	(0.2)
Public works	0.8	2.8	-	-	0.8	2.8	2.0
Culture, recreation, and education	3.5	3.2	-	-	3.5	3.2	(0.3)
Conservation and Development	1.5	1.2	-	-	1.5	1.2	(0.3)
Interest and fiscal charges	0.5	0.5	-	-	0.5	0.5	-
Rock Haven (as restated)	-	-	16.4	17.8	16.4	17.8	1.4
Airport	-	-	1.9	-	1.9	-	(1.9)
Highway	-	-	10.5	10.2	10.5	10.2	(0.3)
Total Expenses	<u>146.2</u>	<u>147.2</u>	<u>28.8</u>	<u>28.0</u>	<u>175.0</u>	<u>175.2</u>	<u>(0.2)</u>
Excess (Deficiency) Before Transfers	4.6	6.8	0.6	0.5	5.2	7.3	2.1
Transfers	<u>0.2</u>	<u>18.6</u>	<u>(0.2)</u>	<u>(18.6)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	4.8	25.4	0.4	(18.1)	5.2	7.3	2.1
Net Position - Beginning of Year (as restated)	<u>107.3</u>	<u>112.1</u>	<u>41.0</u>	<u>40.7</u>	<u>148.3</u>	<u>152.8</u>	<u>4.5</u>
Net Position – End of Year	<u>\$ 112.1</u>	<u>\$ 137.6</u>	<u>\$ 41.4</u>	<u>\$ 22.6</u>	<u>\$ 153.5</u>	<u>\$ 160.2</u>	<u>6.6</u>

NOTE: Totals may not foot due to rounding.

ROCK COUNTY, WISCONSIN

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2013

NET POSITION AND FUND BALANCE ANALYSIS

NET POSITION

The county's net position increased \$7.3 million as a result of operations for 2013. The governmental activities net position increased by \$25.4 million and the business-type activities net position decreased by \$18.1 million. The large increase for the governmental activities and large decrease for business type activities was due to the County changing the financial reporting of the Airport Fund from a proprietary fund (business-type activity) to a special revenue fund (governmental activity) which resulted in transfers from the business-type activities to the governmental activities of \$21.8 million. The Highway Fund had an increase in net position of \$2.1 million. The county's internal service funds had a \$1.2 million increase in net position due mainly to health insurance costs being lower than predicted.

GOVERNMENTAL FUNDS

At December 31, 2013, the county's governmental funds had combined ending fund balances of \$40.9 million, an increase of \$4.4 million or 12.1% more than the prior year balances.

GENERAL FUND

The General Fund's unassigned Fund Balance had an increase of \$1.8 million or approximately 7.0% from the prior period to \$27.2 million. The General Fund balance, plus the fund balances in the Special Revenue Funds (\$3.2 million) and Enterprise Funds' Working Capital (\$5.9 million), is approximately 21.7% of the reported General, Special Revenue and Enterprise Fund expenditures/expenses (\$167.4 million). This is slightly above the 10% to 17% target range of the county's Fund Balance Policy.

The General Fund operations includes Administration, Corporation Counsel, Finance, Human Resources, Senior Citizen Program, Health Department, Veteran's Service, General Services, Land Conservation, Real Property, Surveyor, Planning and Economic Development, Child Support, UW-Extension Services, 4-H Fairgrounds Maintenance, Farm and Communications Center. This fund also includes the elected offices of the Sheriff, Clerk of Circuit Courts, Coroner, District Attorney, Treasurer, Register of Deeds and County Clerk.

SPECIAL REVENUE FUNDS

The Human Services Department and DD Board are included in the financial statements as Special Revenue Funds. Any unreserved budgetary appropriations remaining at the end of the fiscal year lapse to the General Fund. For 2013, \$1.9 million from the Human Services Department's results of operations and \$0.5 million from the DD Board's results of operations lapsed to the General Fund.

In 2013, the financial reporting for the Airport Fund changed from a proprietary fund to a special revenue fund. At December 31, 2013, the restricted fund balance of the Airport Fund is \$72,095.

PROPRIETARY FUNDS

Rock Haven Nursing Home

Due to increased tax levy requirements, the County Board elected in 1998, to begin downsizing its nursing home from 386 licensed beds to the current 128 bed total. The downsizing of the facility and reduction of staff has resulted in a more efficient operation. At December 31, 2013, Rock Haven's net position decreased by \$81,343 from the prior year.

ROCK COUNTY, WISCONSIN

MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)
As of and for the Year Ended December 31, 2013

NET POSITION AND FUND BALANCE ANALYSIS (cont.)

PROPRIETARY FUNDS (cont.)

Highway

The Highway Fund records the operations of the Rock County Highway Division. The Highway Division maintains county roads, bridges and other infrastructure utilizing state transportation aids and county tax levy. It also maintains State highways and local roads on a contract reimbursement basis. The Highway's net position increased by \$2.1 million to \$14,214,378.

GENERAL FUND BUDGET VARIATIONS

As detailed in the Budgetary Comparison schedule on Page 48, the results of operations for 2013 resulted in a net change in the general fund's fund balance of \$2,947,001.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2013, the county had \$156.8 million (net of depreciation) invested in a broad range of capital assets, including land, land improvements, buildings, roads, bridges and the Airport's water and sewer system as detailed in Footnote IV.C (pages 31 through 33) and summarized below:

Table 1
Capital Assets at Year-end
(Net of Depreciation, in Millions)

	Governmental Activities		Business-type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Land	\$ 2.5	\$ 6.6	\$ 3.5	\$ 2.6	\$ 6.0	\$ 9.2
Land improvements	1.1	18.7	17.6	0.2	18.7	18.9
Buildings	46.9	45.6	3.6	20.4	50.5	66.0
Machinery and equipment	3.3	4.5	9.7	21.5	13.0	26.0
Infrastructure	29.5	34.3	-	-	29.5	34.3
Construction in progress	3.1	1.6	31.1	0.8	34.2	2.4
Totals	<u>\$ 86.4</u>	<u>\$ 111.3</u>	<u>\$ 65.5</u>	<u>\$ 45.5</u>	<u>\$ 151.9</u>	<u>\$ 156.8</u>

NOTE: Totals may not foot due to rounding. Due to reporting changes, the Airport's capital assets moved from the Business-type Activities column to the Governmental Activities column.

ROCK COUNTY, WISCONSIN

MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)
As of and for the Year Ended December 31, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)

DEBT ADMINISTRATION

The county issued \$6,040,000 in general obligation promissory notes for Highway road construction projects.

At year-end, the county had \$ 45,940,000 in general obligation promissory notes and bonds outstanding versus \$ 43,485,000 the prior year, an increase of \$ 2,455,000.

Table 2
Outstanding Debt at Year-end
(In Millions)

	Governmental Activities		Business-type Activities		Totals	
	2012	2013	2012	2013	2012	2013
General Obligation Notes	<u>\$ 12.7</u>	<u>\$ 15.9</u>	<u>\$ 30.8</u>	<u>\$ 30.0</u>	<u>\$ 43.5</u>	<u>\$ 45.9</u>

All of the county's general obligation debt is backed by the full faith and credit of the county and is rated Aa1 by Moody's Investors Services and AA by Standard and Poor's.

State statutes limit the amount of debt that counties can issue to 5% of the county's equalized value of taxable property within the county's jurisdiction. Rock County's equalized value for 2013 was \$9,351,401,300 resulting in a statutory debt limit of \$467,570,065. The county's debt as of December 31, 2013 of \$45.9 million is 9.8% of the county's legal debt capacity.

OTHER POST EMPLOYMENT BENEFITS

The county had an actuarial valuation report issued by Gabriel, Roeder Smith and Company as of January 1, 2013 as required by GASB Statement 45. As detailed in Footnote V. D. [page 46] the county had an unfunded actuarial accrued liability of \$23,579,600 and a net OPEB obligation of \$7,065,200 at December 31, 2013. The county currently does not pre-fund retiree healthcare benefits during an employee's working career.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Wisconsin imposed a statutory tax levy limit on counties limiting the tax levy to 0% plus net new construction. The county's 2013 tax levy for the 2014 budget was \$61,467,351 as adjusted for operations and subject to the tax levy limit, which is \$14,267 below the allowable limit.

State statutes allow counties to authorize a ½ of 1% local sales and use tax. The Rock County Board authorized the local sales and use tax effective April 1, 2007. The 2014 budget includes \$11.7 million from this revenue source. Of this amount, \$4.2 million is earmarked for capital projects and \$7.5 million is budgeted to offset the 2013 property taxes for the 2014 operating budget.

ROCK COUNTY, WISCONSIN

MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)
As of and for the Year Ended December 31, 2013

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Director, Rock County Courthouse, 51 South Main Street, Janesville, WI 53545.

ROCK COUNTY

STATEMENT OF NET POSITION As of December 31, 2013

	Governmental Activities	Business- type Activities	Totals
ASSETS			
Cash and investments	\$ 55,296,035	\$ 837,718	\$ 56,133,753
Restricted cash and investments	769,061	-	769,061
Taxes receivable	55,153,214	7,344,762	62,497,976
Delinquent taxes receivable	7,284,826	-	7,284,826
Accounts receivable	12,136,419	2,278,591	14,415,010
Due from other governments	-	1,737,108	1,737,108
Loans receivable (net)	4,571,113	-	4,571,113
Internal balances	(6,823,569)	6,823,569	-
Inventories	26,923	1,136,106	1,163,029
Prepaid items	266,238	676	266,914
Deposit with Wisconsin Municipal Mutual Insurance Company	1,741,000	-	1,741,000
Capital Assets			
Land and land improvements	9,002,207	2,598,830	11,601,037
Construction in progress	1,280,006	786,717	2,066,723
Easements	351,000	-	351,000
Other capital assets, net of depreciation	<u>100,607,904</u>	<u>42,153,033</u>	<u>142,760,937</u>
Total Assets	<u>241,662,377</u>	<u>65,697,110</u>	<u>307,359,487</u>
LIABILITIES			
Accounts payable	9,816,372	521,168	10,337,540
Accrued liabilities	4,971,301	969,894	5,941,195
Deposits	17,186	-	17,186
Due to other governments	4,349,381	-	4,349,381
Noncurrent Liabilities			
Due within one year	6,198,334	2,269,275	8,467,609
Due in more than one year	<u>23,072,532</u>	<u>31,988,828</u>	<u>55,061,360</u>
Total Liabilities	<u>48,425,106</u>	<u>35,749,165</u>	<u>84,174,271</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	<u>55,676,883</u>	<u>7,344,762</u>	<u>63,021,645</u>
Total Deferred Inflows of Resources	<u>55,676,883</u>	<u>7,344,762</u>	<u>63,021,645</u>
NET POSITION			
Net investment in capital assets	97,396,983	15,219,368	111,720,226
Restricted for grants and loan programs	5,149,791	-	5,149,791
Restricted for other grant activities	209,124	-	209,124
Restricted for land records	288,653	-	288,653
Restricted for library activities	14,687	-	14,687
Restricted for bridge aid projects	116,883	-	116,883
Restricted for other activities	423,366	-	423,366
Restricted for ATC projects	1,101,933	-	1,101,933
Unrestricted	<u>32,858,968</u>	<u>7,383,815</u>	<u>41,138,908</u>
TOTAL NET POSITION	<u>\$137,560,388</u>	<u>\$ 22,603,183</u>	<u>\$160,163,571</u>

See accompanying notes to financial statements.

ROCK COUNTY

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2013

Functions	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities							
General government	\$ 8,371,235	\$ 2,613,751	\$ 475,236	\$ -	\$ (5,282,248)	\$ -	\$ (5,282,248)
Public safety	37,722,863	3,418,631	1,748,439	-	(32,555,793)	-	(32,555,793)
Health and social services	93,363,870	10,612,338	58,634,719	84,863	(24,031,950)	-	(24,031,950)
Public works	2,761,882	363,591	74,750	1,847,601	(475,940)	-	(475,940)
Culture, recreation and education	3,234,083	224,747	480,436	62,997	(2,465,903)	-	(2,465,903)
Conservation and development	1,170,249	229,220	631,248	1,820	(307,961)	-	(307,961)
Interest and fiscal charges	525,168	-	72,721	-	(452,447)	-	(452,447)
Total Governmental Activities	<u>147,149,350</u>	<u>17,462,278</u>	<u>62,117,549</u>	<u>1,997,281</u>	<u>(65,572,242)</u>	<u>-</u>	<u>(65,572,242)</u>
Business-type Activities							
Rock Haven - skilled nursing facility	17,779,290	9,683,860	1,620,519	-	-	(6,474,911)	(6,474,911)
Highway	10,242,950	5,073,577	2,391,960	-	-	(2,777,413)	(2,777,413)
Total Business-type Activities	<u>28,022,240</u>	<u>14,757,437</u>	<u>4,012,479</u>	<u>-</u>	<u>-</u>	<u>(9,252,324)</u>	<u>(9,252,324)</u>
Totals	<u>\$ 175,171,590</u>	<u>\$ 32,219,715</u>	<u>\$ 66,130,028</u>	<u>\$ 1,997,281</u>	<u>(65,572,242)</u>	<u>(9,252,324)</u>	<u>(74,824,566)</u>
General Revenues							
Taxes							
Property taxes					51,822,158	9,292,051	61,114,209
Sales taxes					11,590,982	241,289	11,832,271
Other taxes					36,604	-	36,604
Interest on taxes					1,827,454	-	1,827,454
Intergovernmental revenues not restricted to specific programs					5,931,454	-	5,931,454
Investment income					126,879	-	126,879
Miscellaneous					1,093,122	161,643	1,254,765
Transfers					18,576,198	(18,576,198)	-
Total General Revenues and Transfers					<u>91,004,851</u>	<u>(8,881,215)</u>	<u>82,123,636</u>
Change in Net Position					25,432,609	(18,133,539)	7,299,070
NET POSITION - Beginning of Year (as restated)					<u>112,127,779</u>	<u>40,736,722</u>	<u>152,864,501</u>
NET POSITION - END OF YEAR					<u>\$ 137,560,388</u>	<u>\$ 22,603,183</u>	<u>\$ 160,163,571</u>

See accompanying notes to financial statements.

ROCK COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2013

	General Fund	Human Services	DD Board	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and investments	\$ 50,979,389	\$ 62,614	\$ -	\$ 4,222,387	\$ 55,264,390
Restricted cash and investments	-	-	-	769,061	769,061
Receivables					
Taxes	23,055,974	19,722,379	3,911,931	7,112,004	53,802,288
Delinquent taxes	7,284,826	-	-	-	7,284,826
Accounts	3,367,886	4,438,594	3,328,231	839,047	11,973,758
Loans (net)	-	-	-	4,571,113	4,571,113
Due from other funds	2,534,556	531,233	-	3,574,206	6,639,995
Inventories	26,923	-	-	-	26,923
Prepaid items	198,348	10,337	-	8,849	217,534
TOTAL ASSETS	<u>\$ 87,447,902</u>	<u>\$ 24,765,157</u>	<u>\$ 7,240,162</u>	<u>\$ 21,096,667</u>	<u>\$ 140,549,888</u>

See accompanying notes to financial statements.

	General Fund	Human Services	DD Board	Nonmajor Governmental Funds	Totals
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,252,312	\$ 2,748,923	\$ 2,098,190	\$ 1,108,643	\$ 7,208,068
Deposits	-	-	-	17,186	17,186
Accrued liabilities	4,798,743	23,960	-	-	4,822,703
Due to other governments	2,079,772	2,269,609	-	-	4,349,381
Due to other funds	19,872,985	-	1,154,988	2,353,665	23,381,638
Total Liabilities	<u>28,003,812</u>	<u>5,042,492</u>	<u>3,253,178</u>	<u>3,479,494</u>	<u>39,778,976</u>
Deferred Inflows of Resources					
Unearned revenue	23,084,361	19,722,665	3,986,984	7,520,540	54,314,550
Unavailable revenue	1,024,475	-	-	4,571,113	5,595,588
Total Deferred Inflows of Resources	<u>24,108,836</u>	<u>19,722,665</u>	<u>3,986,984</u>	<u>12,091,653</u>	<u>59,910,138</u>
Fund Balances					
Nonspendable	3,337,939	-	-	8,849	3,346,788
Restricted	-	-	-	3,650,806	3,650,806
Committed	-	-	-	371,761	371,761
Assigned	4,757,334	-	-	1,494,104	6,251,438
Unassigned	27,239,981	-	-	-	27,239,981
Total Fund Balances	<u>35,335,254</u>	<u>-</u>	<u>-</u>	<u>5,525,520</u>	<u>40,860,774</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 87,447,902	\$ 24,765,157	\$ 7,240,162	\$ 21,096,667	

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

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds (Note II.A.).	109,431,197
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements, but are recognized as revenue when earned in the government-wide statements (Note IV.B.).	5,595,588
Some liabilities, including long-term debt, are not due and payable in the current period, and therefore, are not reported in the funds (Note II.A.).	(28,609,452)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of the internal service funds which primarily serve governmental activities are included as governmental activities.	<u>10,282,281</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 137,560,388

ROCK COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended December 31, 2013

	General	Human Services	DD Board	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	\$ 33,707,994	\$ 19,381,610	\$ 3,868,095	\$ 7,101,660	\$ 64,059,359
Intergovernmental	9,927,129	30,364,451	19,997,913	6,347,203	66,636,696
Regulation and compliance	1,590,416	-	-	-	1,590,416
Public charges for services	3,572,594	875,037	3,218,571	1,243,731	8,909,933
Intergovernmental charges for services	1,390,487	2,850,940	3,190,298	475,834	7,907,559
Other	616,827	84,083	-	557,516	1,258,426
Total Revenues	<u>50,805,447</u>	<u>53,556,121</u>	<u>30,274,877</u>	<u>15,725,944</u>	<u>150,362,389</u>
EXPENDITURES					
Current					
General government	6,813,368	-	-	340,155	7,153,523
Public safety	33,734,262	-	-	818,632	34,552,894
Health and social services	6,460,963	51,717,363	29,752,574	5,412,526	93,343,426
Public works	-	-	-	781,858	781,858
Culture, recreation, and education	321,458	-	-	2,306,402	2,627,860
Conservation and development	1,197,211	-	-	617,590	1,814,801
Capital Outlay	-	-	-	2,056,610	2,056,610
Debt Service					
Principal retirement	-	-	-	2,785,550	2,785,550
Interest and fiscal charges	-	-	-	498,330	498,330
Total Expenditures	<u>48,527,262</u>	<u>51,717,363</u>	<u>29,752,574</u>	<u>15,617,653</u>	<u>145,614,852</u>
Excess of revenues over expenditures	<u>2,278,185</u>	<u>1,838,758</u>	<u>522,303</u>	<u>108,291</u>	<u>4,747,537</u>
OTHER FINANCING SOURCES (USES)					
General obligation debt issued	-	-	-	6,040,000	6,040,000
Premium on debt issued	-	-	-	95,736	95,736
Transfers in	2,663,959	55,062	-	3,495,438	6,214,459
Transfers out	(1,547,143)	(1,893,820)	(522,303)	(8,720,763)	(12,684,029)
Total Other Financing Sources (Uses)	<u>1,116,816</u>	<u>(1,838,758)</u>	<u>(522,303)</u>	<u>910,411</u>	<u>(333,834)</u>
Net Change in Fund Balances	3,395,001	-	-	1,018,702	4,413,703
FUND BALANCES - Beginning of Year	31,940,253	-	-	4,506,818	36,447,071
FUND BALANCES - END OF YEAR	<u>\$ 35,335,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,525,520</u>	<u>\$ 40,860,774</u>

See accompanying notes to financial statements.

ROCK COUNTY

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2013

Net change in fund balances - total governmental funds	\$ 4,413,703
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	2,056,610
Some items capitalized were reported as operating expenditures in the fund financial statements but are capitalized in the government-wide financial statements	1,692,641
Some items capitalized were contributed capital assets	1,847,601
Some items capitalized were paid for by business-type activities	3,294,692
Depreciation is reported in the government-wide statements	(6,407,392)
Net book value of capital assets disposed of during the year	(112,765)
Airport capital assets were transferred from the business-type activities to the governmental activities	22,210,467
Some receivables not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when collected and expenditures when disbursed in the government-wide financial statements.	
Loans	563,775
County levied delinquent taxes	(108,517)
Debt that was issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(6,040,000)
Principal repaid	2,785,550
Land loan	(454,391)
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(191,993)
Other post-employment benefits	(839,258)
Accrued interest on debt	(14,220)
The net revenues of certain activities of internal service funds are reported within governmental activities.	<u>736,106</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 25,432,609</u>

See accompanying notes to financial statements.

ROCK COUNTY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2013

	Rock Haven	Highway	Nonmajor Fund Airport	Totals	Internal Service Funds
ASSETS					
Current Assets					
Cash and investments	\$ 837,143	\$ 575	\$ -	\$ 837,718	\$ 31,645
Taxes receivable	4,208,100	3,136,662	-	7,344,762	1,350,926
Accounts receivable	2,124,215	153,592	-	2,277,807	163,445
Due from other funds	2,853,293	674,567	-	3,527,860	13,309,543
Due from other governments	-	1,737,108	-	1,737,108	-
Inventories	86,858	1,049,248	-	1,136,106	-
Prepaid items	-	676	-	676	48,704
Total Current Assets	<u>10,109,609</u>	<u>6,752,428</u>	<u>-</u>	<u>16,862,037</u>	<u>14,904,263</u>
Noncurrent Assets					
Restricted Assets					
Deposit with Wisconsin Mutual Insurance Company	-	-	-	-	1,741,000
Capital Assets					
Land	2,473,953	104,153	-	2,578,106	20,724
Construction work in progress	-	786,717	-	786,717	38,232
Other capital assets	30,392,568	25,147,008	-	55,539,576	20,399,428
Less: Accumulated depreciation	<u>(1,024,163)</u>	<u>(13,833,050)</u>	<u>-</u>	<u>(14,857,213)</u>	<u>(17,157,070)</u>
Total Assets	<u>41,951,967</u>	<u>18,957,256</u>	<u>-</u>	<u>60,909,223</u>	<u>19,946,577</u>
LIABILITIES					
Current Liabilities					
Accounts payable	117,795	377,112	-	494,907	2,634,565
Accrued liabilities	941,643	-	-	941,643	28,251
Accrued vacation and comp time	691,054	546,607	-	1,237,661	222,410
Due to other funds	-	-	-	-	95,760
Current portion of capital lease	-	-	-	-	104,239
Current portion of long-term debt	896,123	-	-	896,123	66,506
Total Current Liabilities	<u>2,646,615</u>	<u>923,719</u>	<u>-</u>	<u>3,570,334</u>	<u>3,151,731</u>
Noncurrent Liabilities					
General obligation debt	29,142,050	-	-	29,142,050	400,277
Unamortized premium on debt	819,063	-	-	819,063	-
Capital lease	-	-	-	-	176,800
Other Liabilities					
Other postemployment benefits	769,949	321,514	-	1,091,463	-
Accrued sick leave	360,449	360,983	-	721,432	190,091
Total Noncurrent Liabilities	<u>31,091,511</u>	<u>682,497</u>	<u>-</u>	<u>31,774,008</u>	<u>767,168</u>
Total Liabilities	<u>33,738,126</u>	<u>1,606,216</u>	<u>-</u>	<u>35,344,342</u>	<u>3,918,899</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues	4,208,100	3,136,662	-	7,344,762	1,362,333
Total Deferred Inflows of Resources	<u>4,208,100</u>	<u>3,136,662</u>	<u>-</u>	<u>7,344,762</u>	<u>1,362,333</u>
NET POSITION					
Net investment in capital assets	1,804,185	12,204,828	-	14,009,013	2,553,492
Unrestricted	<u>2,201,556</u>	<u>2,009,550</u>	<u>-</u>	<u>4,211,106</u>	<u>12,111,853</u>
TOTAL NET POSITION	<u>\$ 4,005,741</u>	<u>\$ 14,214,378</u>	<u>\$ -</u>	<u>18,220,119</u>	<u>\$ 14,665,345</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				4,383,064	
Net Position of Business-type Activities				<u>\$ 22,603,183</u>	

See accompanying notes to financial statements.

ROCK COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS For the Year Ended December 31, 2013

	<u>Rock Haven</u>	<u>Highway</u>	<u>Nonmajor Fund Airport</u>
OPERATING REVENUES			
Charges for services	\$ 8,813,840	\$ 5,073,577	\$ -
Total Operating Revenues	<u>8,813,840</u>	<u>5,073,577</u>	<u>-</u>
OPERATING EXPENSES			
Operation and maintenance	15,511,168	9,270,047	-
Depreciation	615,373	1,073,313	-
Total Operating Expenses	<u>16,126,541</u>	<u>10,343,360</u>	<u>-</u>
Operating Loss	<u>(7,312,701)</u>	<u>(5,269,783)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)			
General property taxes	5,988,341	2,815,826	-
Sales taxes	-	213,289	-
Intergovernmental grants	1,620,519	2,391,960	-
Gain (loss) on disposal of assets	-	-	-
Miscellaneous revenues	161,643	-	-
Interest expense	<u>(624,008)</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>7,146,495</u>	<u>5,421,075</u>	<u>-</u>
Income (Loss) Before Transfers	<u>(166,206)</u>	<u>151,292</u>	<u>-</u>
Transfers in	84,863	5,270,939	1,118,768
Transfers out	<u>-</u>	<u>(3,294,692)</u>	<u>(21,756,076)</u>
Change in Net Position	(81,343)	2,127,539	(20,637,308)
NET POSITION - Beginning of Year (as restated)	<u>4,087,084</u>	<u>12,086,839</u>	<u>20,637,308</u>
NET POSITION - END OF YEAR	<u>\$ 4,005,741</u>	<u>\$ 14,214,378</u>	<u>\$ -</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in Net Position of Business-type Activities

<u>Totals</u>	<u>Internal Service Funds</u>
<u>\$ 13,887,417</u>	<u>\$ 24,019,927</u>
<u>13,887,417</u>	<u>24,019,927</u>
 24,781,215	 23,866,327
<u>1,688,686</u>	<u>766,150</u>
<u>26,469,901</u>	<u>24,632,477</u>
 <u>(12,582,484)</u>	 <u>(612,550)</u>
 8,804,167	 1,689,140
213,289	153,100
4,012,479	-
-	(18,393)
161,643	-
<u>(624,008)</u>	<u>(12,618)</u>
<u>12,567,570</u>	<u>1,811,229</u>
 <u>(14,914)</u>	 <u>1,198,679</u>
 6,474,570	 -
<u>(25,050,768)</u>	<u>(5,000)</u>
 (18,591,112)	 1,193,679
	<u>13,471,666</u>
	<u>\$ 14,665,345</u>
 <u>457,573</u>	
<u>\$(18,133,539)</u>	

See accompanying notes to financial statements.

ROCK COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2013

	Rock Haven	Highway	Nonmajor Fund Airport	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 8,118,876	\$ 4,281,802	\$ -	\$ 12,400,678	\$ 23,440,766
Cash paid to suppliers for goods and services	(6,508,384)	(1,102,389)	-	(7,610,773)	(21,596,994)
Cash paid to employees for payroll	(9,307,024)	(8,697,362)	-	(18,004,386)	(2,779,578)
Net Cash Flows From Operating Activities	<u>(7,696,532)</u>	<u>(5,517,949)</u>	<u>-</u>	<u>(13,214,481)</u>	<u>(935,806)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
General property tax revenues	5,988,341	2,815,826	-	8,804,167	1,717,140
Other tax revenues	-	213,289	-	213,289	125,100
Transfers in (out)	84,863	1,976,247	(50)	2,061,060	(5,000)
Intergovernmental grants	<u>1,620,519</u>	<u>2,391,960</u>	<u>-</u>	<u>4,012,479</u>	<u>-</u>
Net Cash Flows From Noncapital Financing Activities	<u>7,693,723</u>	<u>7,397,322</u>	<u>(50)</u>	<u>15,090,995</u>	<u>1,837,240</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt principal paid	(736,598)	-	-	(736,598)	(62,852)
Capital lease paid	-	-	-	-	(104,239)
Interest paid	(858,030)	-	-	(858,030)	(12,618)
Sales of capital assets	8,790	-	-	8,790	(22,217)
Acquisition and construction of capital assets	<u>(2,889,183)</u>	<u>(1,879,373)</u>	<u>-</u>	<u>(4,768,556)</u>	<u>(734,580)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(4,475,021)</u>	<u>(1,879,373)</u>	<u>-</u>	<u>(6,354,394)</u>	<u>(936,506)</u>
Net Change in Cash and Cash Equivalents	(4,477,830)	-	(50)	(4,477,880)	(35,072)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>5,314,973</u>	<u>575</u>	<u>50</u>	<u>5,315,598</u>	<u>66,717</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 837,143	\$ 575	\$ -	\$ 837,718	\$ 31,645

See accompanying notes to financial statements.

	Rock Haven	Highway	Nonmajor Fund Airport	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating loss	\$ (7,312,701)	\$(5,269,783)	\$ -	\$ (12,582,484)	\$ (612,550)
Adjustments to reconcile operating loss to net cash flows from operating activities					
Nonoperating revenues	161,643	-	-	161,643	-
Noncash items included in operating loss					
Depreciation	615,373	1,073,313	-	1,688,686	766,150
Change in Assets and Liabilities					
Accounts receivable	(1,274,447)	(117,208)	-	(1,391,655)	771,297
Due from other funds	491,953	(674,567)	-	(182,614)	(901,284)
Inventories	8,975	(143,177)	-	(134,202)	-
Prepaid items	-	-	-	-	69,142
Accounts payable	(66,357)	28,058	-	(38,299)	(574,155)
Due to other funds	-	(545,689)	-	(545,689)	-
Other current liabilities	(429,142)	58,135	-	(371,007)	(456,882)
Other postemployment benefits	108,171	72,969	-	181,140	-
Unearned revenues	-	-	-	-	2,476
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,476</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (7,696,532)</u>	<u>\$(5,517,949)</u>	<u>\$ -</u>	<u>\$ (13,214,481)</u>	<u>\$ (935,806)</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES					
Capitalized interest	<u>\$ 349,061</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
Capital assets transferred to governmental activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,210,467</u>		<u>\$ -</u>
Premium on debt amortized	<u>\$ 74,113</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>

See accompanying notes to financial statements.

ROCK COUNTY

STATEMENT OF ASSETS AND LIABILITIES AGENCY FUND As of December 31, 2013

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 20,545,188
Taxes receivable	1,586,989
Accounts receivable	<u>108,323</u>
TOTAL ASSETS	<u>\$ 22,240,500</u>
LIABILITIES	
Liabilities	
Due to other governments	\$ 20,419,898
Other liabilities	<u>1,820,602</u>
TOTAL LIABILITIES	<u>\$ 22,240,500</u>

See accompanying notes to financial statements.

ROCK COUNTY

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ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Rock County, Wisconsin (the “county”) conform to generally accepted accounting principles as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of Rock County. The reporting entity for the county consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c), other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units. The County Board created a housing authority in 2004, but there was no financial activity in 2013.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In March 2012, the GASB issued statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented January 1, 2013.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Government-Wide Financial Statements (cont.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The county does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the county or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the county believes is particularly important to financial statement users may be reported as a major fund.

The county reports the following major governmental funds:

Major Governmental Funds

- General Fund – Accounts for the county's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- Human Services Special Revenue Fund – Account for and report resources legally restricted or committed for services provided to chemically dependent individuals and for operations associated with social services and welfare programs.
- DD Board Special Revenue Fund – Account for and report resources legally restricted or committed for services provided to developmentally disabled individuals.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The county reports the following major enterprise funds:

Major Enterprise Funds

Rock Haven – Accounts for the operations of the county’s skilled nursing and intermediate care facilities for aged and disabled residents.

Highway Fund – Accounts for the operations of the county’s department of public works.

The county reports the following nonmajor governmental funds:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Revolving Loans

Parks

Other Grants

Land Records

Veterans’ Relief

Arrowhead Library System

County Bridge Aid

Other Activities

Other Special Revenue Funds

Income Maintenance Consortium

Airport

Debt Service Fund – Used to account for and report financial resources that are restricted, committed, or assigned to expenditure, the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

General Capital Projects

Sheriff’s Vehicles

Airport Projects

The county reports the following nonmajor enterprise fund:

Airport

In 2013, the county changed its financial reporting of the Airport Fund to a special revenue fund.

In addition, the county reports the following fund types:

Internal service funds are used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the county, or to other governmental units, on a cost-reimbursement basis.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The county's internal service funds are:

- Motor Pool
- Information Technology
- Health Care Center Building Complex
- Self Insurance

Agency funds are used to account for and report assets held by the county in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The county's agency fund includes tax collections for municipalities, the health care center patient trust, clerk of courts, unclaimed trust and drainage districts.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the county considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for intergovernmental revenues of the human services fund and DD board fund for which the county considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

Property taxes are recorded in the year levied as receivables and unearned revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Sales taxes are recognized as revenues in the year in which the underlying sales relating to it takes place.

Intergovernmental aids and grants are recognized as revenues in the period the county is entitled to the resources and the amounts are available. Amounts owed to the county which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are reported as deferred inflows of resources/unearned revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Rock Haven and Highway funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the county considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Investment of county funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The county has adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments is allocated based on average balances of individual funds. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2013, the fair value of the county's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV.A. for further information.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables

The county's property taxes are levied on or before December 31 on the equalized valuation as of the prior January 1 for all general property located in the county. The taxes are due and payable in the following year. Property taxes are recorded in the year levied as taxes receivable and deferred inflows.

Local property taxes as levied are collected by local treasurers, typically through the last day of January in each year. Twenty municipalities have contracted with the county for tax collections. By February 20, the county treasurer and local treasurers settle for all collections and amounts paid timely through January 31 due the various taxing districts. On February 1 tax collection becomes the responsibility of the county, except for the City of Beloit, and delinquent taxes receivable represent unpaid taxes levied for all taxing entities within the county. On August 20 the county purchases uncollected property taxes from other taxing authorities at the unpaid amount to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues.

Following is the property tax calendar for municipalities within the county.

Property tax calendar – 2013 tax roll:

Levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Final installment due	July 31, 2014
Personal property taxes in full	January 31, 2014 (except improvements on leased land due January 31, 2014 and July 31, 2014)
Tax certificate date	September 1, 2014
Tax sale – 2013 delinquent real estate taxes	October 2016

Delinquent property taxes purchased from other taxing authorities are included as nonspendable fund balance at year end. Delinquent property taxes levied by the county are included as deferred inflows and are excluded from revenues and fund balance until collected.

On September 1, the tax lien date, all unpaid taxes are reflected as tax certificates. No allowance for losses on delinquent taxes has been provided because the county has demonstrated its ability to recover any losses through the sale of the property.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Rock County has a 0.5% sales tax which is collected by the State of Wisconsin and is remitted to the county monthly. Sales taxes are accrued as a receivable when the underlying sale relating to it takes place. At December 31, 2013, the county has accrued two months of the subsequent year's collections as receivable.

The county has received federal and state grant funds for housing rehabilitation loan programs. The county records a loan receivable when the loan has been made and funds have been disbursed.

It is the county's policy to record unavailable revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

Accounts and notes receivable have been adjusted for all known uncollectible accounts. An allowance for uncollectible notes receivable of \$614,132 has been recorded in the Revolving loan fund at year end.

3. Inventories and Prepaid Items

Governmental fund inventories are valued at cost using the first-in, first-out (FIFO) method and using the consumption method of accounting. Inventories of the proprietary funds, except for the public works department, are valued at cost using the FIFO method. The public works department uses the average cost method.

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

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$100,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost, if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. Interest capitalized during the current year for Rock Haven was \$349,061. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	15 to 75 Years
Land Improvements	15 to 30 Years
Machinery and Equipment	3 to 15 Years
Infrastructure	15 to 75 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2013 are determined on the basis of current salary rates and include salary related payments.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

7. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses, as applicable, is shown as a deferred outflow/inflow in the statement of net position.

The county does not engage in conduit debt transactions.

8. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

9. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Government-Wide Statements (cont.)

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by debt of the governmental activities column. The amount is a reduction of “net investment in capital assets,” and an increase in “unrestricted” net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Adjustment</u>	<u>Total</u>
Net investment in capital assets	\$ 97,396,983	\$ 15,219,368	\$ (896,125)	\$ 111,720,226
Unrestricted	32,858,968	7,383,815	896,125	41,138,908

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

Fund Statements

Governmental balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the county. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the county that originally created the commitment.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The Board may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The county considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the county would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The county has a formal fund balance policy. The policy is to maintain a minimum unassigned General fund balance, total Special Revenue fund balances, and working capital in the Enterprise funds equal to 10% to 17% of the total General, Special Revenue, and Enterprise Fund expenditures/expenses. This calculated balance at year end was \$36,364,242, or 21.7% of the expenditures/expenses of the funds listed above.

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION (cont.)

One element of that reconciliation states that “capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.”

Land	\$ 6,569,573
Construction in progress	949,719
Easements	351,000
Infrastructure construction in progress	330,287
Infrastructure and land improvements	2,432,634
Other capital assets, net of depreciation	100,607,904
Less: Internal service fund capital assets included above, net of depreciation	<u>(1,809,920)</u>
Adjustment for Capital Assets	<u>\$ 109,431,197</u>

One element of that reconciliation states that “some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.”

General obligation debt payable	\$ 15,435,044
Land loan due to state	454,391
Compensated absences	6,597,683
Other postemployment benefits	5,973,736
Accrued interest	<u>148,598</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 28,609,452</u>

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LIMITATIONS ON THE COUNTY'S TAX LEVY

Wisconsin law limits the county's future tax levies. Generally, the county is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the county's equalized value due to new construction, or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The county is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The county's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 30,275,754	\$ 33,173,544	Custodial credit risk
Money market mutual fund	79,169	79,169	N/A
U.S. agencies	19,881,672	19,881,672	Custodial credit risk, credit risk, concentration of credit risk, interest rate risk
U.S. Treasuries	757,035	757,035	Custodial credit risk, interest rate risk
Corporate bonds	3,037,417	3,037,417	Custodial credit risk, credit risk, concentration of credit risk, interest rate risk
LGIP	23,395,918	23,395,918	Credit risk
Petty cash	21,037	-	N/A
Total Cash and Investments	\$ 77,448,002	\$ 80,324,755	
Reconciliation to financial statements			
Per statement of net position			
Cash and investments	\$ 56,133,753		
Restricted cash and investments	769,061		
Per statement of assets and liabilities			
Agency fund	20,545,188		
Total Cash and Investments	\$ 77,448,002		

Restricted cash and investments includes unspent debt proceeds held for future capital projects in the General Capital Projects Fund.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposits.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing the amounts in Category 1 above.

The county maintains collateral agreements with its banks. At December 31, 2013, the banks had pledged various government securities in the amount of \$10,193,810 to secure the county's deposits.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the county's deposits may not be returned to the county.

As of December 31, 2013, \$17,844,528 of the county's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 17,844,528</u>
--------------------------------	----------------------

The county's investment policy as it relates to custodial credit risk specifies that safekeeping agreements shall be in effect with each financial institution.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The county does not have any investments exposed to custodial credit risk.

The county's investment policy as it relates to custodial credit risk states that ownership of all securities shall be perfected in the name of the county.

Credit Risk

As of December 31, 2013, the county's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Moody's</u>
U.S. Agencies – FHLMC	AA+	Aaa
U.S. Agencies – FNMA	AA+	Aaa
U.S. Agencies – FHLB	AA+	Aaa
U.S. Agencies – FFCB	AA+	Aaa
Corporate bonds – Apple	AA+	Aa1
Corporate bonds – Berkshire Hathaway	AA	Aa2
Corporate bonds – Chevron Corp.	AA	Aa1

The county also had investments in the following external pool which is not rated:

Local Government Investment Pool

The county's investment policy as it relates to credit risk states that the county may invest in treasury obligations, federal agencies, local government investment pool, commercial paper rated at least A-1 by Standard & Poor's or P-1 by Moody's, and other allowable investments. Complete details are available in the county's investment policy.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Concentration of Credit Risk

The county's investment policy states that no more than 5% of the county's total investment portfolio can be invested in any one issuer. Of the total county investment portfolio of \$47,072,042, \$6,313,673 is invested in FHLMC, \$2,158,454 is invested in FFCB, and \$10,416,942 is invested in FNMA investments.

Interest Rate Risk

As of December 31, 2013, the county's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
U.S. agencies	\$ 19,881,672	1,253
U.S. treasuries	757,035	974
Corporate bonds	3,037,417	844
Total Fair Value	\$ 23,676,124	

The county's investment policy states that the county may invest in U.S. treasuries and agencies not exceeding five years, corporate bonds not exceeding three years, and the LGIP in accordance with Federal Securities Regulation 2a-7.

B. RECEIVABLES

Receivables are not expected to be collected within one year as follows:

	General	Nonmajor Governmental Funds
Amounts not expected to be collected within one year	\$ 7,284,826	\$ 4,571,113

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES (cont.)

At December 31, 2013, delinquent taxes receivable are as follows:

Tax Certificates –	
2012	\$ 3,152,606
2011	1,499,145
2010	517,822
2009	63,489
2008	13,750
2007 and prior	<u>9,443</u>
Totals	5,256,255
Special assessment tax certificates and deeds (payable to other governments)	1,911,745
Other miscellaneous taxes	<u>116,826</u>
Total Delinquent Taxes Receivable	<u><u>\$ 7,284,826</u></u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable	\$ -	\$ 53,798,535
Delinquent property taxes receivable	1,024,475	-
Loans receivable	4,571,113	-
Grant drawdowns prior to meeting all eligibility requirements	<u>-</u>	<u>516,015</u>
Total Unavailable/Unearned Revenue For Governmental Funds	<u><u>\$ 5,595,588</u></u>	54,314,550
Internal Service Fund		
Taxes receivable		1,350,926
Subsequent period prepayments		<u>11,407</u>
Governmental Activities Unearned Revenue		<u><u>\$ 55,676,883</u></u>

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Adjustments*	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 2,513,417	\$ 645,417	\$ 5,290	\$ 3,416,029	\$ 6,569,573
Construction in progress	464,757	895,711	783,821	373,072	949,719
Easements	-	351,000	-	-	351,000
Infrastructure construction in progress	2,646,617	330,287	2,646,617	-	330,287
Infrastructure and land improvements	2,432,634	-	-	-	2,432,634
Total Capital Assets Not Being Depreciated	8,057,425	2,222,415	3,435,728	3,789,101	10,633,213
Capital assets being depreciated					
Land improvements	1,792,861	1,273,697	-	30,876,259	33,942,817
Buildings and improvements	84,120,912	1,527,957	5,000	989,439	86,633,308
Machinery and equipment	15,730,749	1,881,269	623,075	1,596,830	18,585,773
Roads	32,804,012	5,611,022	2,492,977	-	35,922,057
Bridges	4,609,154	-	-	-	4,609,154
Stop lights	123,973	-	-	-	123,973
Airport water and sewer system	1,557,502	-	-	-	1,557,502
Snowmobile bridges	247,574	-	-	-	247,574
Total Capital Assets Being Depreciated	140,986,737	10,293,945	3,121,052	33,462,528	181,622,158
Less: Accumulated depreciation for					
Land improvements	(654,839)	(1,145,037)	-	(13,487,133)	(15,287,009)
Buildings and improvements	(37,209,834)	(3,211,434)	5,000	(617,773)	(41,034,041)
Machinery and equipment	(12,434,883)	(1,228,048)	515,600	(936,256)	(14,083,587)
Roads	(10,873,824)	(718,441)	2,492,977	-	(9,099,288)
Bridges	(959,480)	(76,235)	-	-	(1,035,715)
Stop lights	(24,790)	(2,479)	-	-	(27,269)
Airport water and sewer system	(353,039)	(20,767)	-	-	(373,806)
Snowmobile bridges	(68,588)	(4,951)	-	-	(73,539)
Total Accumulated Depreciation	(62,579,277)	(6,407,392)	3,013,577	(15,041,162)	(81,014,254)
Net Capital Assets Being Depreciated	78,407,460	3,886,553	107,475	18,421,366	100,607,904
Total Governmental Activities Capital Assets, Net of Depreciation	\$ 86,464,885	\$ 6,108,968	\$ 3,543,203	\$ 22,210,467	\$ 111,241,117

* The county is reporting the Airport fund as a special revenue fund beginning in 2013. The adjustments column reflects the transfer of capital assets from business-type activities to governmental activities.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 477,949
Public safety	2,465,215
Health and social services	331,951
Public works	1,978,436
Culture, recreation and education	566,518
Conservation and development	<u>7,802</u>
Sub-total	5,827,871
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	<u>579,521</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 6,407,392</u></u>

	Beginning Balance	Additions	Deletions	Adjustments*	Ending Balance
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 3,540,906	\$ 2,473,953	\$ -	(3,416,029)	\$ 2,598,830
Construction in progress	<u>31,051,975</u>	<u>786,717</u>	<u>30,678,903</u>	<u>(373,072)</u>	<u>786,717</u>
Total Capital Assets Not Being Depreciated	<u>34,592,881</u>	<u>3,260,670</u>	<u>30,678,903</u>	<u>(3,789,101)</u>	<u>3,385,547</u>
Capital assets being depreciated					
Land improvements	31,581,899	-	-	(30,876,259)	705,640
Buildings	15,279,569	17,647,337	-	(989,439)	31,937,467
Machinery and equipment	<u>25,860,164</u>	<u>13,972,284</u>	<u>1,695,596</u>	<u>(1,596,830)</u>	<u>36,540,022</u>
Total Capital Assets Being Depreciated	<u>72,721,632</u>	<u>31,619,621</u>	<u>1,695,596</u>	<u>(33,462,528)</u>	<u>69,183,129</u>
Less: Accumulated depreciation for					
Land improvements	(13,973,751)	(52,885)	-	13,487,133	(539,503)
Buildings	(11,679,618)	(425,863)	-	617,773	(11,487,708)
Machinery and equipment	<u>(16,156,278)</u>	<u>(1,396,567)</u>	<u>1,613,704</u>	<u>936,256</u>	<u>(15,002,885)</u>
Total Accumulated Depreciation	<u>(41,809,647)</u>	<u>(1,875,315)</u>	<u>1,613,704</u>	<u>15,041,162</u>	<u>(27,030,096)</u>
Net Capital Assets Being Depreciated	<u>30,911,985</u>	<u>29,744,306</u>	<u>81,892</u>	<u>(18,421,366)</u>	<u>42,153,033</u>
Total Business-type Capital Assets, Net of Depreciation	<u><u>\$ 65,504,866</u></u>	<u><u>\$ 33,004,976</u></u>	<u><u>\$ 30,760,795</u></u>	<u><u>\$ 22,210,467</u></u>	<u><u>\$ 45,538,580</u></u>

* The county is reporting the Airport fund as a special revenue fund beginning in 2013. The adjustments column reflects the transfer of capital assets from business-type activities to governmental activities.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Rock Haven	\$	615,373
Highway		1,073,313
Capital assets held by Health Care Center building complex charged to various functions based on usage		186,629
 Total Business-type Activities Depreciation Expense		 \$ 1,875,315

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
General Fund	Special revenue – Other grants	\$ 153,413
	Special revenue – DD board	1,154,988
	General capital projects	1,130,395
	Internal service – Motor pool	95,760
Special Revenue Funds		
Human services	General	531,233
Income maintenance consortium	General	461,663
Revolving loans	General	443,159
Parks	General	1,152
Airport	General	85,710
Land records	General	289,307
Veterans' relief	General	3,376
Arrowhead library system	General	337,853
County bridge aid	General	116,883
Other activities	General	423,366
Other special revenue funds	General	226,615
Debt Service Fund	General	85,035

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Interfund Receivables/Payables (cont.)

Receivable Fund	Payable Fund	Amount
Capital Projects Funds		
Sheriff vehicles	General	\$ 24,645
Airport projects	General	1,075,442
Enterprise Funds		
Rock Haven	General	1,820,093
Rock Haven	General capital projects	1,033,200
Highway	General	674,567
Internal Service Funds		
Information technology	General	2,222,109
Health Care Center building complex	General capital projects	36,657
Self insurance	General	8,911,131
Health Care Center building complex	General	2,139,646
Sub-Total – Fund Financial Statements		23,477,398
Less: Fund eliminations		(29,181,561)
Less: Interfund receivables, IT, self-insurance created with internal service and fund eliminations		(1,119,406)
Total Government-Wide Financial Statements		\$ (6,823,569)
Governmental Activities	Business-type Activities	\$ -
Business-type Activities	Governmental Activities	(6,823,569)
Total		\$ (6,823,569)

All amounts are considered to be due within one year and the principal purpose of these interfunds is for operating activities.

Balances owed by the general fund to other funds result from the cash and investment management for the county being accounted for in the general fund with the share owned by other funds being reported as interfund balances. Balances owed to the general fund resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General Fund	Special revenue – Human services	\$ 1,893,820	Close lapsing funds
	Special revenue – DD Board	522,303	Close lapsing funds
	Special revenue – Other grants	9,641	Close lapsing funds
	Special revenue – Other special revenue	83,195	Transfer flexible spending balance
	Special revenue – Other activities	150,000	Grant funding
	Internal service – Self insurance	5,000	Contributed capital repayment
Special Revenue Funds			
Parks	General	15,544	Project funding
Parks	Special revenue – Other special revenue	30,834	Transfers per budget and ATC drawdown
Other grants	General	1,505	Close lapsing funds
Other grants	Special revenue – Other special revenue	113,743	ATC drawdown
Other grants	Special revenue – Other activities	56,259	Grant funding
Other activities	General capital projects	232,138	Project funding
Other activities	Special revenue – Arrowhead library system	12,500	Project funding
Human services	General	55,062	Project funding
Airport	General	1,650	Transfer funding
Land records	Special revenue – Other special revenue	10,000	Project funding
Airport	Airport capital projects	1,171,577	Transfer capital asset funding
Income maintenance consortium	General	65,455	Close lapsing fund
Other special revenue	Special revenue – Parks	1,298	Transfer funding
Other special revenue	General	8,942	Project funding
Arrowhead library system	Special revenue – Other activities	14,683	Transfer funding
Other activities	Special revenue – Other grants	46,500	Transfer funding

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Transfers (cont.)

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Capital Projects Funds			
General capital projects	Special revenue – Other activities	\$ 237,827	Contributed capital repayment
General capital projects	General	56,323	Parking lot project funding
General capital projects	Special revenue – Other special revenue	75,998	Project funding from ATC funds
Airport capital projects	General	1,032,369	Fund capital projects
Sheriff's vehicles	General	310,293	Funding for vehicles
Enterprise Funds			
Rock Haven	General capital projects	84,863	Transfer capital asset funding
Airport	Special revenue - Airport	1,118,768	Fund closeout
Highway	General capital projects	<u>5,270,939</u>	Transfer debt proceeds for capital assets
Sub-Total – Fund Financial Statements		12,689,029	
Airport capital assets and debt to governmental activities		21,756,076	
Governmental activities infrastructure paid by highway enterprise fund		3,294,692	
Fund eliminations		<u>(19,163,599)</u>	
Total Government-Wide Financial Statements		<u>\$ 18,576,198</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the government wide statement of activities transfers which are between funds within the governmental activities or business-type activities are netted and eliminated. Remaining transfers between the governmental activities and business-type activities included:

Purpose	Governmental Activities	Business-type Activities
Highway infrastructure assets	\$ 3,294,692	\$ (3,294,692)
Move Airport to special revenue fund	20,637,308	(20,637,308)
Transfer debt proceeds to highway	(5,270,939)	5,270,939
Transfer funding for Rock Haven	<u>(84,863)</u>	<u>84,863</u>
Totals	<u>\$ 18,576,198</u>	<u>\$ (18,576,198)</u>

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Notes Payable:					
General Obligation Debt					
General	\$ 12,180,594	\$ 6,040,000	\$ 2,785,550	\$ 15,435,044	\$ 2,584,861
Internal service	529,635	-	62,852	466,783	65,261
Land loan – due to state	-	454,391	-	454,391	-
Total Notes Payable	12,710,229	6,494,391	2,848,402	16,356,218	2,650,122
Other Liabilities:					
Vested compensated absences					
General	6,405,690	3,476,204	3,284,211	6,597,683	3,357,054
Internal service	322,541	203,839	183,151	343,229	191,158
Other postemployment benefits	5,134,478	1,795,283	956,025	5,973,736	-
Total Other Liabilities	11,862,709	5,475,326	4,423,387	12,914,648	3,548,212
Total Governmental Activities Long-Term Liabilities	\$ 24,572,938	\$11,969,717	\$ 7,271,789	\$ 29,270,866	\$ 6,198,334
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Debt					
Enterprise	\$ 30,774,771	\$ -	\$ 736,598	\$ 30,038,173	\$ 896,123
Add deferred amounts for premiums:					
Premium on long-term debt	893,176	-	74,113	819,063	-
Total Notes Payable	31,667,947	-	810,711	30,857,236	896,123
Other Liabilities:					
Vested compensated absences					
Enterprise	1,917,617	1,160,016	1,118,540	1,959,093	1,237,661
Internal service	62,710	33,292	26,730	69,272	31,252
Other postemployment benefits	938,122	328,017	174,676	1,091,463	-
Capital lease – internal service	385,278	-	104,239	281,039	104,239
Total Other Liabilities	3,303,727	1,521,325	1,424,185	3,400,867	1,373,152
Total Business-type Activities Long-Term Liabilities	\$ 34,971,674	\$ 1,521,325	\$ 2,234,896	\$ 34,258,103	\$ 2,269,275

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation bonds and notes payable are backed by the full faith and credit of the county. Notes in the governmental funds will be retired by future property tax levies or other revenues accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the county may not exceed 5% of the equalized value of taxable property within the county's jurisdiction. The debt limit as of December 31, 2013 was \$467,570,065. Total general obligation debt outstanding at year end was \$45,940,000.

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-13
General Obligation Debt					
Promissory notes	2006	2014	3.75 - 4.00%	\$ 5,000,000	\$ 750,000
Promissory notes	2008	2015	3.50 - 3.75%	5,000,000	1,875,000
Promissory notes	2010	2019	1.35 - 4.30%	5,815,000	4,450,000
Promissory notes	2011	2020	2.00 - 2.50%	4,500,000	4,150,000
Promissory bonds	2011	2026	2.00 - 4.00%	22,000,000	21,655,000
Promissory bonds	2012	2021	1.25 - 4.00%	7,300,000	7,020,000
Promissory notes	2013	2023	2.00 - 3.05%	6,040,000	6,040,000
Total General Obligation Debt					\$ 45,940,000
					Balance 12-31-13
Governmental Activities					
General					\$ 15,435,044
Internal service					466,783
Sub-Total					15,901,827
Business-type Activities					
Enterprise					30,038,173
Total General Obligation Debt					\$ 45,940,000

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2014	\$ 2,648,877	\$ 457,612	\$ 896,123	\$ 928,295
2015	2,048,877	379,875	1,606,123	910,234
2016	1,701,733	315,574	1,723,267	868,360
2017	1,826,057	272,079	1,663,943	839,753
2018	1,921,613	222,494	1,638,387	809,013
2019 – 2023	5,754,670	415,556	13,210,330	3,243,966
2024 – 2026	-	-	9,300,000	744,000
Totals	<u>\$ 15,901,827</u>	<u>\$ 2,063,190</u>	<u>\$ 30,038,173</u>	<u>\$ 8,343,621</u>

Land Loan – Due to State

The county has acquired several parcels of land through the State of Wisconsin Department of Transportation (DOT) for airport projects. The land is included in the capital asset balance, and a loan is currently outstanding due to the DOT upon completion of the projects. The county anticipates that federal funds will be available to repay the balance of the loan at the time the project is completed.

F. CAPITAL LEASE

In 2011, the county acquired capital assets through lease/purchase agreements. The gross amount of these assets under capital lease are included in capital assets. The future principal and interest payments as of December 31, 2013 are as follows:

Years	Principal	Interest	Total
2014	\$ 106,747	\$ 5,529	\$ 112,276
2015	109,315	2,961	112,276
2016	64,977	516	65,493
Totals	<u>\$ 281,039</u>	<u>\$ 9,006</u>	<u>\$ 290,045</u>

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

G. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES

Governmental activities net position reported on the government wide statement of net position at December 31, 2013 includes the following:

Governmental Activities

Net investment in capital assets

Land	\$ 9,002,207
Construction in progress	1,280,006
Easements	351,000
Other capital assets, net of accumulated depreciation	100,607,904
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(13,844,134)</u>
Total Net Investment in Capital Assets	<u>\$ 97,396,983</u>

Governmental fund balances reported on the fund financial statements at December 31, 2013 include the following:

Nonspendable

Major Fund

General Fund

Delinquent taxes	\$ 3,112,668
Inventories	26,923
Prepaid items	<u>198,348</u>

Total \$ 3,337,939

Nonmajor Fund

Arrowhead library system – prepaid items	\$ 8,709
Income maintenance consortium – prepaid items	<u>140</u>

Total \$ 8,849

Restricted

Nonmajor Funds – Special Revenue Funds

Revolving loans	\$ 578,678
Other grants	209,124
Land records	288,653
Arrowhead library system	5,978
County bridge aid	116,883
Other activities	423,366
Other special revenue funds	1,101,933
General capital projects	769,061
Airport	<u>72,095</u>
Sub-total	3,565,771

Nonmajor Fund – Debt Service Fund

85,035

Total \$ 3,650,806

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

G. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES

Governmental Activities (cont.)

Committed

Nonmajor Funds – Special Revenue Funds

Veterans' relief	\$ 2,787
Other special revenue funds	<u>368,974</u>
Total	<u>\$ 371,761</u>

Assigned

Major Fund

General Fund

Sales taxes for future expenditures	\$ 2,377,090
Carryforward appropriations	380,244
Fund balance applied for the 2014 budget	<u>2,000,000</u>

Total General Fund \$ 4,757,334

Nonmajor Funds – Capital Projects Funds

General capital projects	\$ 406,750
Sheriff's vehicles	11,912
Airport projects	<u>1,075,442</u>

Total \$ 1,494,104

Unassigned

Major Fund

General Fund

\$ 27,239,981

H. BUSINESS-TYPE ACTIVITIES NET POSITION

Business-type activities net position reported on the government-wide statement of net position at December 31, 2013 includes the following:

Business-type Activities

Net investment in capital assets

Land	\$ 2,598,830
Construction in progress	786,717
Other capital assets, net of depreciation	42,153,033
Less: Related long-term debt outstanding	<u>(30,319,212)</u>
Total Net Investment in Capital Assets	<u>\$ 15,219,368</u>

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

I. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred. These costs were previously required to be capitalized. The details of this restatement are as follows:

Business-type Activities Net Position – December 31, 2012 (as reported)	\$ 41,377,719
Less: Unamortized debt issuance costs	<u>(640,997)</u>
Net Position – December 31, 2012 (as restated)	<u>\$ 40,736,722</u>
Rock Haven Net Position – December 31, 2012 (as reported)	\$ 4,728,081
Less: Unamortized debt issuance costs	<u>(640,997)</u>
Net Position – December 31, 2012 (as restated)	<u>\$ 4,087,084</u>

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Eligible county employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system (PERS). Employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year, and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year, and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2013 are:

	<u>Employee</u>	<u>Employer</u>
General	6.65%	6.65%
Executives and Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The payroll for county employees covered by WRS for the year ended December 31, 2013 was \$56,398,095; the employer's total payroll was \$59,063,983. The total required contribution for the year ended December 31, 2013 was \$8,378,216 or 15 percent of covered payroll. Of this amount, 100 percent was contributed for the current year. Total contributions for the years ended December 31, 2012 and 2011 were \$7,150,229 and \$7,014,205, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting an application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of December 31, 2013, there was no pension related debt for the county.

B. RISK MANAGEMENT

Self Insurance

The county is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The county participates in a public entity risk pool called WMMIC to provide coverage for losses from theft of, damage to, or destruction of assets. However, other risks, such as worker's compensation and health care of employees, are accounted for and financed through self insurance activities recorded in the self insurance internal service fund.

The county has self funded insurance programs for health care and workers compensation. Claims are processed by an administrator on behalf of the county. A separate fund has been established into which deposits are made and actual claims are paid out. As a part of the plan a reinsurance policy has been purchased which picks up health claims in excess of \$135,000 per individual and worker's compensation claims in excess of \$400,000 per individual. Settled claims have not exceeded the commercial coverage in any of the past three years.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Self Insurance (cont.)

All funds of the county participate in the risk management program. Amounts payable to the fund are based on actuarial estimates of the amounts necessary to pay prior and current year claims and to establish a reserve for catastrophic losses. The excess of deposits over claims as of December 31, 2013 was \$8,392,675 and is reflected in an internal service fund in these statements. Total contributions to the program during the year were \$20,199,057.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Accounts payable include an amount for claims that have been incurred but not reported. The county does not allocate overhead costs or other nonincremental costs to the claims liability.

Public Entity Risk Pool

In 2007, Rock County became a member of the Wisconsin Municipal Mutual Insurance Company (WMMIC). WMMIC is a mutual company operating solely within the property and liability insurance industry. WMMIC was organized to provide liability insurance and risk management services to participant municipalities. The aggregate annual maximum coverage per municipality is \$15,000,000. At December 31, 2013, WMMIC was owned by seventeen municipalities. Responsibility for the operation and management of WMMIC is vested in its board of directors which is comprised of various municipal officials.

WMMIC was formed pursuant to an Intergovernmental Charter-Contract dated November 1, 1987 by municipal members. WMMICs initial capitalization was obtained by a \$13,935,000 tax exempt revenue bond issuance. The bonds were repaid in full in 2007.

WMMIC is self-insured for all insurance risks up to a maximum of \$15,000,000 of losses involving two or more of its members. WMMIC retains the first \$1,000,000 of the loss and the remaining \$14,000,000 is through reinsurance. Losses paid by WMMIC plus administrative costs will be recovered through premiums of the participating pool of municipalities. The county's share of such losses is 4.5%. A list of other members and their share of participation is in the WMMIC report. Financial statements of WMMIC can be obtained directly from WMMIC's offices.

The county's investment in WMMIC is reported on the statement of net position as a restricted asset in the amount of \$1,741,000.

Claims Liability

	Prior Year	Current Year
Unpaid claims – Beginning of Year	\$ 3,166,400	\$ 3,007,353
Current year claims and administration	20,471,503	18,363,825
Claims and administration payments	(20,630,550)	(18,946,608)
Unpaid Claims – End of Year	\$ 3,007,353	\$ 2,424,570

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental fund types if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the county is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the county attorney that the likelihood is remote that any other claims or proceedings will have a material adverse effect on the county's financial position or results of operations.

The county has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

D. OTHER POSTEMPLOYMENT BENEFITS

The county administers a single-employer defined benefit healthcare plan ("the Retiree Healthcare Benefit Program"). The plan provides health insurance contributions for eligible retirees and their spouses through the county's group health insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and state that eligible retirees and their spouses receive postemployment healthcare insurance at established contribution rates. The Retiree Health Plan does not issue a publicly available financial report.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the county and the union. For Deputy Sheriffs and Deputy Sheriff's Supervisors, the county makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year until age 65. The county provides other employees access to the retiree healthcare benefits; however, these retirees must pay 100% of the premium. The premium for coverage prior to age 65 is the same as the active employee rate. There is a separate plan for members after age 65 that is fully insured through outside carriers that retirees may elect at that time. All post-65 retirees pay 100% of that premium for coverage. The county contributes 100% of the current year premiums for a family or single plan for eligible Deputy Sheriffs and Deputy Sheriff's Supervisors, retired plan members, and their spouses. All other eligible retirees pay 100% of the current year premiums for a family or single plan. For fiscal year 2013, the county contributed \$1,130,700 to the plan. Administrative costs of the plan are financed through investment earnings.

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The county's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the county's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the county's net OPEB obligation to the Retiree Healthcare Benefit Program:

Annual required contribution	\$ 2,091,300
Interest on net OPEB obligation	273,300
Adjustment to annual required contribution	<u>(241,300)</u>
Annual OPEB cost	2,123,300
Contributions made	<u>(1,130,700)</u>
Increase in Net OPEB Obligation	992,600
Net OPEB Obligation – Beginning of Year	<u>6,072,600</u>
Net OPEB Obligation – End of Year	<u><u>\$ 7,065,200</u></u>

The county's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 2,123,300	53%	\$ 7,065,200
2012	2,480,500	49%	6,072,600
2011	2,375,200	46%	4,795,100

The most recent actuarial valuation date of the plan was as of January 1, 2013. The funded status of the plan as of December 31, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 23,579,600
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 23,579,600</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 51,586,200
UAAL as a percentage of covered payroll	46%

ROCK COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Actuarial valuations of an ongoing plan involve estimates for 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 healthcare cost trend. Amounts determined regarding the funded status of the plan and 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, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of the 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 is understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

In the actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.5% investment rate of return and an annual healthcare cost trend of 4% initially, increasing in 2015 and then reducing by decrements of 0.5% to an ultimate rate of 4.5%. Both rates include a 3% inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2013 was 30 years.

E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- > Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- > Statement No. 69, *Government Combinations and Disposals of Government Operations*
- > Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ROCK COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 32,363,467	\$32,363,467	\$33,707,994	\$ 1,344,527
Intergovernmental	10,111,971	10,113,471	9,927,129	(186,342)
Regulation and compliance	1,614,317	1,614,317	1,590,416	(23,901)
Public charges for services	3,325,270	3,401,216	3,572,594	171,378
Intergovernmental charges for services	1,184,586	1,357,531	1,390,487	32,956
Other	505,405	603,263	616,827	13,564
Total Revenues	<u>49,105,016</u>	<u>49,453,265</u>	<u>50,805,447</u>	<u>1,352,182</u>
EXPENDITURES				
Current				
General government	7,380,897	6,979,014	6,813,368	165,646
Public safety	33,498,024	34,247,447	33,734,262	513,185
Health and social services	6,685,438	6,694,665	6,460,963	233,702
Culture, recreation, and education	363,810	371,311	321,458	49,853
Conservation and development	1,331,847	1,414,374	1,197,211	217,163
Total Expenditures	<u>49,260,016</u>	<u>49,706,811</u>	<u>48,527,262</u>	<u>1,179,549</u>
Excess (deficiency) of revenues over expenditures	<u>(155,000)</u>	<u>(253,546)</u>	<u>2,278,185</u>	<u>2,531,731</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	155,000	1,276,408	2,663,959	1,387,551
Transfers out	-	(574,862)	(1,547,143)	(972,281)
Total Other Financing Sources (Uses)	<u>155,000</u>	<u>701,546</u>	<u>1,116,816</u>	<u>415,270</u>
Net change in fund balance	-	448,000	3,395,001	2,947,001
FUND BALANCE - Beginning of Year	<u>31,940,253</u>	<u>31,940,253</u>	<u>31,940,253</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 31,940,253</u>	<u>\$32,388,253</u>	<u>\$35,335,254</u>	<u>\$ 2,947,001</u>

See independent auditors' report and accompanying notes to required supplementary information.

ROCK COUNTY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE HUMAN SERVICES FUND For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
REVENUES				
Taxes	\$ 19,381,610	\$ 19,381,610	\$ 19,381,610	\$ -
Intergovernmental	30,796,755	32,096,800	30,364,451	(1,732,349)
Public charges for services	952,609	974,267	875,037	(99,230)
Intergovernmental charges for services	2,749,781	2,749,781	2,850,940	101,159
Other	8,000	25,803	84,083	58,280
Total Revenues	<u>53,888,755</u>	<u>55,228,261</u>	<u>53,556,121</u>	<u>(1,672,140)</u>
EXPENDITURES				
Current				
Health and social services	<u>53,888,755</u>	<u>56,070,698</u>	<u>51,717,363</u>	<u>4,353,335</u>
Total Expenditures	<u>53,888,755</u>	<u>56,070,698</u>	<u>51,717,363</u>	<u>4,353,335</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(842,437)</u>	<u>1,838,758</u>	<u>2,681,195</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	842,437	55,062	(787,375)
Transfers out	<u>-</u>	<u>-</u>	<u>(1,893,820)</u>	<u>(1,893,820)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>842,437</u>	<u>(1,838,758)</u>	<u>(2,681,195)</u>
Net change in fund balance	-	-	-	-
FUND BALANCE - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to required supplementary information.

ROCK COUNTY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE DD BOARD FUND For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
REVENUES				
Taxes	\$ 3,868,095	\$ 3,868,095	\$ 3,868,095	\$ -
Intergovernmental	19,413,555	19,574,484	19,997,913	423,429
Public charges for services	3,166,695	3,166,695	3,218,571	51,876
Intergovernmental charges for services	3,125,500	3,125,500	3,190,298	64,798
Total Revenues	29,573,845	29,734,774	30,274,877	540,103
EXPENDITURES				
Current				
Health and social services	29,573,845	29,734,774	29,752,574	(17,800)
Total Expenditures	29,573,845	29,734,774	29,752,574	(17,800)
Excess (deficiency) of revenues over expenditures	-	-	522,303	522,303
OTHER FINANCING USES				
Transfers out	-	-	(522,303)	(522,303)
Total Other Financing Uses	-	-	(522,303)	(522,303)
Net change in fund balance	-	-	-	-
FUND BALANCE - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

See independent auditors' report and accompanying notes to required supplementary information.

ROCK COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
December 31, 2013

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age Normal Cost</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 2013	\$ -	\$ 23,579,600	\$ 23,579,600	0%	\$ 51,586,200	46%
January 1, 2011	-	26,124,900	26,124,900	0%	51,071,600	51%
January 1, 2009	-	21,779,500	21,779,500	0%	51,631,500	42%

The most recent actuarial valuation date of the plan was as of January 1, 2013.

ROCK COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2013

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.C.

The budgeted amounts presented include any amendments made. The finance committee may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action. Budgets are adopted at the program level of expenditure.

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$380,244 in the general fund.

SUPPLEMENTAL INFORMATION

ROCK COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2013

	Special Revenue Funds					
	Revolving Loans	Parks	Other Grants	Land Records	Veterans' Relief	Arrowhead Library System
ASSETS						
Cash and investments	\$ 135,519	\$ -	\$ 102,050	\$ -	\$ -	\$ 150
Restricted cash and investments	-	-	-	-	-	-
Taxes receivable	-	510,291	241,739	-	3,754	1,020,625
Accounts receivable	-	-	801,068	2,000	-	-
Loans receivable (net)	4,571,113	-	-	-	-	-
Due from other funds	443,159	1,152	-	289,307	3,376	337,853
Prepaid items	-	-	-	-	-	8,709
TOTAL ASSETS	\$ 5,149,791	\$ 511,443	\$1,144,857	\$ 291,307	\$ 7,130	\$1,367,337
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 1,152	\$ 494,183	\$ 2,654	\$ 589	\$ 3,071
Deposits	-	-	-	-	-	-
Due to other funds	-	-	153,413	-	-	-
Total Liabilities	-	1,152	647,596	2,654	589	3,071
Deferred Inflows of Resources						
Unearned revenues	-	510,291	288,137	-	3,754	1,349,579
Unavailable revenues	4,571,113	-	-	-	-	-
Total Deferred Inflows of Resources	4,571,113	510,291	288,137	-	3,754	1,349,579
Fund Balances						
Nonspendable	-	-	-	-	-	8,709
Restricted	578,678	-	209,124	288,653	-	5,978
Committed	-	-	-	-	2,787	-
Assigned	-	-	-	-	-	-
Total Fund Balances	578,678	-	209,124	288,653	2,787	14,687
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,149,791	\$ 511,443	\$1,144,857	\$ 291,307	\$ 7,130	\$1,367,337

Special Revenue Funds					Debt Service Fund	Capital Project Funds				Totals
County Bridge Aid	Other Activities	Other Special Revenue Funds	Income Maintenance Consortium	Airport	Debt Service	General Capital Projects	Sheriff's Vehicles	Airport Projects		
\$ -	\$ -	\$ 1,310,983	\$ -	\$ 50	\$ -	\$ 2,673,635	\$ -	\$ -	\$ 4,222,387	
-	-	-	-	-	-	769,061	-	-	769,061	
10,000	-	64,421	12,500	466,933	4,781,741	-	-	-	7,112,004	
-	-	6,385	-	22,438	-	7,156	-	-	839,047	
-	-	-	-	-	-	-	-	-	4,571,113	
116,883	423,366	226,615	461,663	85,710	85,035	-	24,645	1,075,442	3,574,206	
-	-	-	140	-	-	-	-	-	8,849	
<u>\$ 126,883</u>	<u>\$ 423,366</u>	<u>\$ 1,608,404</u>	<u>\$ 474,303</u>	<u>\$ 575,131</u>	<u>\$ 4,866,776</u>	<u>\$ 3,449,852</u>	<u>\$ 24,645</u>	<u>\$ 1,075,442</u>	<u>\$ 21,096,667</u>	
\$ -	\$ -	\$ 45,284	\$ 461,663	\$ 13,525	\$ -	\$ 73,789	\$ 12,733	\$ -	\$ 1,108,643	
-	-	-	-	17,186	-	-	-	-	17,186	
-	-	-	-	-	-	2,200,252	-	-	2,353,665	
-	-	45,284	461,663	30,711	-	2,274,041	12,733	-	3,479,494	
10,000	-	92,213	12,500	472,325	4,781,741	-	-	-	7,520,540	
-	-	-	-	-	-	-	-	-	4,571,113	
10,000	-	92,213	12,500	472,325	4,781,741	-	-	-	12,091,653	
-	-	-	140	-	-	-	-	-	8,849	
116,883	423,366	1,101,933	-	72,095	85,035	769,061	-	-	3,650,806	
-	-	368,974	-	-	-	-	-	-	371,761	
-	-	-	-	-	-	406,750	11,912	1,075,442	1,494,104	
116,883	423,366	1,470,907	140	72,095	85,035	1,175,811	11,912	1,075,442	5,525,520	
<u>\$ 126,883</u>	<u>\$ 423,366</u>	<u>\$ 1,608,404</u>	<u>\$ 474,303</u>	<u>\$ 575,131</u>	<u>\$ 4,866,776</u>	<u>\$ 3,449,852</u>	<u>\$ 24,645</u>	<u>\$ 1,075,442</u>	<u>\$ 21,096,667</u>	

ROCK COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	Special Revenue Funds					
	Revolving Loans	Parks	Other Grants	Land Records	Veterans' Relief	Arrowhead Library System
REVENUES						
Taxes	\$ -	\$ 503,505	\$ 241,739	\$ -	\$ 4,154	\$ 1,038,501
Intergovernmental	-	31,300	2,896,308	-	-	454,466
Public charges for services	122,379	33,002	179,546	323,143	-	8,976
Intergovernmental charges for services	-	-	67,065	-	-	177,057
Other	4,127	2,298	139,457	1,639	-	4,449
Total Revenues	<u>126,506</u>	<u>570,105</u>	<u>3,524,115</u>	<u>324,782</u>	<u>4,154</u>	<u>1,683,449</u>
EXPENDITURES						
Current						
General government	-	-	-	324,899	-	-
Public safety	-	-	771,675	-	-	-
Health and social services	-	-	2,572,420	-	3,535	-
Public works	-	-	-	-	-	-
Culture, recreation, and education	-	634,628	-	-	-	1,671,774
Conservation and development	25,568	-	262,677	41,193	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>25,568</u>	<u>634,628</u>	<u>3,606,772</u>	<u>366,092</u>	<u>3,535</u>	<u>1,671,774</u>
Excess (deficiency) of revenues over expenditures	<u>100,938</u>	<u>(64,523)</u>	<u>(82,657)</u>	<u>(41,310)</u>	<u>619</u>	<u>11,675</u>
OTHER FINANCING SOURCES (USES)						
General obligation debt issued	-	-	-	-	-	-
Premium on debt issued	-	-	-	-	-	-
Transfers in	-	46,378	171,507	10,000	-	14,683
Transfers out	-	(1,298)	(56,141)	-	-	(12,500)
Total Other Financing Sources (Uses)	<u>-</u>	<u>45,080</u>	<u>115,366</u>	<u>10,000</u>	<u>-</u>	<u>2,183</u>
Net changes in fund balance	100,938	(19,443)	32,709	(31,310)	619	13,858
FUND BALANCES (DEFICIT) - Beginning of Year	<u>477,740</u>	<u>19,443</u>	<u>176,415</u>	<u>319,963</u>	<u>2,168</u>	<u>829</u>
FUND BALANCES - END OF YEAR	<u>\$ 578,678</u>	<u>\$ -</u>	<u>\$ 209,124</u>	<u>\$ 288,653</u>	<u>\$ 2,787</u>	<u>\$ 14,687</u>

Special Revenue Funds					Debt Service Fund	Capital Project Funds			
County Bridge Aid	Other Activities	Other Special Revenue Funds	Income Maintenance Consortium	Airport	Debt Service	General Capital Projects	Sheriff's Vehicles	Airport Projects	Totals
\$ 50,000	\$ -	\$ 81,236	\$ 5,000	\$ 458,860	\$ 3,067,465	\$ 1,651,200	\$ -	\$ -	\$ 7,101,660
-	-	6,289	2,766,256	-	72,721	119,863	-	-	6,347,203
-	-	5,368	-	339,179	-	232,138	-	-	1,243,731
-	-	231,712	-	-	-	-	-	-	475,834
-	35,862	365,396	-	1,455	-	2,833	-	-	557,516
<u>50,000</u>	<u>35,862</u>	<u>690,001</u>	<u>2,771,256</u>	<u>799,494</u>	<u>3,140,186</u>	<u>2,006,034</u>	<u>-</u>	<u>-</u>	<u>15,725,944</u>
-	5,649	9,607	-	-	-	-	-	-	340,155
-	-	46,957	-	-	-	-	-	-	818,632
-	-	-	2,836,571	-	-	-	-	-	5,412,526
-	-	-	-	781,858	-	-	-	-	781,858
-	-	-	-	-	-	-	-	-	2,306,402
-	-	288,152	-	-	-	-	-	-	617,590
-	-	-	-	-	-	1,389,209	367,235	300,166	2,056,610
-	-	-	-	-	2,785,550	-	-	-	2,785,550
-	-	-	-	-	403,140	95,190	-	-	498,330
-	5,649	344,716	2,836,571	781,858	3,188,690	1,484,399	367,235	300,166	15,617,653
<u>50,000</u>	<u>30,213</u>	<u>345,285</u>	<u>(65,315)</u>	<u>17,636</u>	<u>(48,504)</u>	<u>521,635</u>	<u>(367,235)</u>	<u>(300,166)</u>	<u>108,291</u>
-	-	-	-	-	-	6,040,000	-	-	6,040,000
-	-	-	-	-	-	95,736	-	-	95,736
-	291,138	10,240	65,455	1,173,227	-	370,148	310,293	1,032,369	3,495,438
-	(458,769)	(313,770)	-	(1,118,768)	-	(5,587,940)	-	(1,171,577)	(8,720,763)
-	(167,631)	(303,530)	65,455	54,459	-	917,944	310,293	(139,208)	910,411
50,000	(137,418)	41,755	140	72,095	(48,504)	1,439,579	(56,942)	(439,374)	1,018,702
<u>66,883</u>	<u>560,784</u>	<u>1,429,152</u>	<u>-</u>	<u>-</u>	<u>133,539</u>	<u>(263,768)</u>	<u>68,854</u>	<u>1,514,816</u>	<u>4,506,818</u>
<u>\$ 116,883</u>	<u>\$ 423,366</u>	<u>\$ 1,470,907</u>	<u>\$ 140</u>	<u>\$ 72,095</u>	<u>\$ 85,035</u>	<u>\$ 1,175,811</u>	<u>\$ 11,912</u>	<u>\$ 1,075,442</u>	<u>\$ 5,525,520</u>

ROCK COUNTY

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS As of December 31, 2013

	Motor Pool	Information Technology
ASSETS		
Current Assets		
Cash and investments	\$ -	\$ -
Taxes receivable	-	1,350,926
Accounts receivable	16,076	10,640
Due from other funds	-	2,222,109
Prepaid items	-	48,704
Total Current Assets	16,076	3,632,379
Noncurrent Assets		
Restricted Asset		
Deposit with Wisconsin Mutual Insurance Company	-	-
Capital Assets		
Land	-	-
Construction work in progress	38,232	-
Other capital assets	691,656	6,064,219
Less: Accumulated depreciation	(379,849)	(4,604,338)
Net Capital Assets	350,039	1,459,881
Total Assets	366,115	5,092,260
LIABILITIES		
Current Liabilities		
Accounts payable	19,156	164,578
Accrued liabilities	-	-
Accrued vacation and comp time	-	191,158
Due to other funds	95,760	-
Current portion of capital lease	-	-
Current portion of debt	-	66,506
Total Current Liabilities	114,916	422,242
Noncurrent Liabilities		
General obligation debt	-	400,277
Capital lease	-	-
Accrued sick leave	-	152,071
Total Noncurrent Liabilities	-	552,348
Total Liabilities	114,916	974,590
DEFERRED INFLOWS OF RESOURCES		
Unearned revenues	-	1,359,857
Total Deferred Inflows of Resources	-	1,359,857
NET POSITION		
Net investment in capital assets	350,039	993,098
Unrestricted (deficit)	(98,840)	1,764,715
TOTAL NET POSITION	\$ 251,199	\$ 2,757,813

Health Care Center Building Complex	Self Insurance	Totals
\$ -	\$ 31,645	\$ 31,645
-	-	1,350,926
784	135,945	163,445
2,176,303	8,911,131	13,309,543
-	-	48,704
<u>2,177,087</u>	<u>9,078,721</u>	<u>14,904,263</u>
-	1,741,000	1,741,000
20,724	-	20,724
-	-	38,232
13,643,553	-	20,399,428
<u>(12,172,883)</u>	<u>-</u>	<u>(17,157,070)</u>
<u>1,491,394</u>	<u>-</u>	<u>3,301,314</u>
<u>3,668,481</u>	<u>10,819,721</u>	<u>19,946,577</u>
26,261	2,424,570	2,634,565
28,251	-	28,251
31,252	-	222,410
-	-	95,760
104,239	-	104,239
-	-	66,506
<u>190,003</u>	<u>2,424,570</u>	<u>3,151,731</u>
-	-	400,277
176,800	-	176,800
38,020	-	190,091
<u>214,820</u>	<u>-</u>	<u>767,168</u>
<u>404,823</u>	<u>2,424,570</u>	<u>3,918,899</u>
-	2,476	1,362,333
-	2,476	1,362,333
1,210,355	-	2,553,492
<u>2,053,303</u>	<u>8,392,675</u>	<u>12,111,853</u>
<u>\$ 3,263,658</u>	<u>\$ 8,392,675</u>	<u>\$ 14,665,345</u>

ROCK COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS For the Year Ended December 31, 2013

	<u>Motor Pool</u>	<u>Information Technology</u>
OPERATING REVENUES		
Charges for services	\$ 203,785	\$ 2,747,065
Total Operating Revenues	<u>203,785</u>	<u>2,747,065</u>
OPERATING EXPENSES		
Operation and maintenance	103,453	3,750,868
Depreciation	<u>86,365</u>	<u>493,156</u>
Total Operating Expenses	<u>189,818</u>	<u>4,244,024</u>
Operating Income (Loss)	<u>13,967</u>	<u>(1,496,959)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	-	1,201,256
Sales taxes	-	125,100
Interest expense	-	(12,618)
Loss on disposal of assets	<u>(18,393)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(18,393)</u>	<u>1,313,738</u>
Increase (Decrease) Before Transfers	<u>(4,426)</u>	<u>(183,221)</u>
Transfers out	<u>-</u>	<u>-</u>
Total Transfers Out	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	(4,426)	(183,221)
NET POSITION - Beginning of Year	<u>255,625</u>	<u>2,941,034</u>
NET POSITION - END OF YEAR	<u>\$ 251,199</u>	<u>\$ 2,757,813</u>

Health Care Center Building Complex	Self Insurance	Totals
\$ 870,020	\$ 20,199,057	\$ 24,019,927
<u>870,020</u>	<u>20,199,057</u>	<u>24,019,927</u>
1,065,398	18,946,608	23,866,327
186,629	-	766,150
<u>1,252,027</u>	<u>18,946,608</u>	<u>24,632,477</u>
<u>(382,007)</u>	<u>1,252,449</u>	<u>(612,550)</u>
487,884	-	1,689,140
28,000	-	153,100
-	-	(12,618)
-	-	(18,393)
<u>515,884</u>	<u>-</u>	<u>1,811,229</u>
<u>133,877</u>	<u>1,252,449</u>	<u>1,198,679</u>
-	(5,000)	(5,000)
-	(5,000)	(5,000)
133,877	1,247,449	1,193,679
<u>3,129,781</u>	<u>7,145,226</u>	<u>13,471,666</u>
<u>\$ 3,263,658</u>	<u>\$ 8,392,675</u>	<u>\$ 14,665,345</u>

ROCK COUNTY

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended December 31, 2013

	Motor Pool	Information Technology
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 187,709	\$ 3,207,992
Cash paid to suppliers for goods and services	(101,453)	(1,482,244)
Cash paid to employees for payroll	(2,000)	(2,288,011)
Net Cash Flows From Operating Activities	84,256	(562,263)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
General property taxes	-	1,201,256
Other taxes	-	125,100
Transfers in (out)	-	-
Net Cash Flows From Noncapital Financing Activities	-	1,326,356
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt principal paid	-	(62,852)
Capital lease principal paid	-	-
Interest paid	-	(12,618)
Sales of capital assets	-	(40,610)
Acquisition and construction of capital assets	(84,256)	(648,013)
Net Cash Flows From Capital and Related Financing Activities	(84,256)	(764,093)
Net Change in Cash and Cash Equivalents	-	-
CASH AND CASH EQUIVALENTS - Beginning of Year	-	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ -

Health Care Center Building Complex	Self Insurance	Totals
\$ 627,358	\$ 19,417,707	\$ 23,440,766
(565,518)	(19,447,779)	(21,596,994)
<u>(489,567)</u>	<u>-</u>	<u>(2,779,578)</u>
<u>(427,727)</u>	<u>(30,072)</u>	<u>(935,806)</u>
515,884	-	1,717,140
-	-	125,100
<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
<u>515,884</u>	<u>(5,000)</u>	<u>1,837,240</u>
-	-	(62,852)
(104,239)	-	(104,239)
-	-	(12,618)
-	-	(40,610)
<u>16,082</u>	<u>-</u>	<u>(716,187)</u>
<u>(88,157)</u>	<u>-</u>	<u>(936,506)</u>
-	(35,072)	(35,072)
<u>-</u>	<u>66,717</u>	<u>66,717</u>
<u>\$ -</u>	<u>\$ 31,645</u>	<u>\$ 31,645</u>

ROCK COUNTY

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended December 31, 2013

	<u>Motor Pool</u>	<u>Information Technology</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ 13,967	\$ (1,496,959)
Adjustments to reconcile operating loss to net cash flows from operating activities		
Noncash items included in operating loss		
Depreciation	86,365	493,156
Change in Assets and Liabilities		
Accounts receivable	(16,076)	12,995
Due from other funds	-	447,932
Prepaid items	-	(48,704)
Accounts payable	-	8,628
Other current liabilities	-	20,689
Unearned revenues	-	-
	<hr/>	<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 84,256</u>	<u>\$ (562,263)</u>

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

None

Health Care Center Building Complex	Self Insurance	Totals
\$ (382,007)	\$ 1,252,449	\$ (612,550)
186,629	-	766,150
487,784	286,594	771,297
(242,562)	(1,106,654)	(901,284)
-	117,846	69,142
-	(582,783)	(574,155)
(477,571)	-	(456,882)
<u>-</u>	<u>2,476</u>	<u>2,476</u>
<u>\$ (427,727)</u>	<u>\$ (30,072)</u>	<u>\$ (935,806)</u>