

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**ROCK NOBLES COMMUNITY CORRECTIONS**  
**WORTHINGTON, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

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

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

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

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

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

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

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

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This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

**For the Year Ended December 31, 2011**



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

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**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

ORGANIZATION SCHEDULE  
2011

Office	Name	Term Expires
<b>Executive Committee</b>		
Nobles County Commissioner	David Benson	January 2012
Nobles County Commissioner	Robert Jr. Demuth	January 2014
Rock County Commissioner	Jane Wildung Lanphere <sup>2</sup>	January 2012
Rock County Commissioner	Kenneth Hoime	January 2014
Rock County Sheriff	Evan Verbrugge	January 2013
Appointees	Don Basche <sup>1</sup>	January 2012
	Mike Harmon	January 2012
<b>Advisory Committee</b>		
Worthington Police Department	William Bolt	January 2014
Rock County Family Services Director	Randy Ehlers <sup>3</sup>	January 2012
Nobles County Judge	Jeffrey L. Flynn	January 2012
Appointees	Lee McAllister	January 2013
	Angie Boyenga	January 2013
	Stephanie Pierce	January 2013
	Sara Wahl	January 2014
	Terry S. Vajgt <sup>1</sup>	January 2012
	Tara Thompson <sup>2</sup>	January 2012
<b>Position</b>		
Director	Jon Ramlo	Indefinite
Fiscal Officer	Kyle Oldre	Indefinite

<sup>1</sup>Chair 2011

<sup>2</sup>Vice Chair 2011

<sup>3</sup>Term ended August 12, 2011

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Executive Committee  
Rock Nobles Community Corrections

We have audited the accompanying financial statements of the governmental activities and the major fund of Rock Nobles Community Corrections, a component unit of Nobles County, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the Community Corrections' basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Community Corrections' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Rock Nobles Community Corrections as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.D.8. to the financial statements, during the year ended December 31, 2011, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 22, 2012, on our consideration of Rock Nobles Community Corrections' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 22, 2012

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

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**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the Community Corrections' financial activities for the fiscal year ended December 31, 2011. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

**FINANCIAL REPORTING ENTITY**

Rock Nobles Community Corrections was created pursuant to the provisions of the Community Corrections Act, January 1, 1979. The Community Corrections provides probation and parole services to the far southwestern Minnesota counties of Nobles and Rock; it is responsible for juvenile and adult cases. The Community Corrections is staffed with corrections professionals.

Program planning is the responsibility of the Advisory Committee. This Committee's makeup consists of law enforcement professionals, judges, social service professionals, attorneys, school personnel, and community members. Policy, program, and budget management are accomplished through the Executive Committee consisting of County Commissioners, law enforcement professionals, and community members.

Funding comes from Community Corrections Act subsidies, grants, local contributions from the participating counties, charges for services, and miscellaneous revenues.

Rock County acts as fiscal agent for the Community Corrections and reports the Rock Nobles Community Corrections in an agency fund.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$245,961, of which \$34,683 is invested in capital assets.
- The Community Corrections' net assets decreased by \$55,432 for the year ended December 31, 2011, due primarily to a decrease in intergovernmental revenue.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of two statements that combine government-wide financial statements and fund financial statements, and notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

The first column of each of the first two statements presents governmental fund data. These columns focus on how money flows in and out and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. These columns provide a detailed short-term view of the operations and the basic services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs. We reconcile the relationship (or differences) between governmental funds and governmental activities (reported in the third column) of each statement.

The third column in each statement presents the governmental activities' Statement of Net Assets and the Statement of Activities, which provide information about the activities of Rock Nobles Community Corrections as a whole and present a longer-term view of its finances. These columns include all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Over time, increases or decreases in net assets are one indicator of whether the Community Corrections' financial health is improving or deteriorating.

### **GOVERNMENTAL FUND**

The General Fund's nonspendable fund balance increased \$3,724 (27.18 percent) due to an increase in prepaid items at December 13, 2011, and the unassigned fund balance decreased \$75,408 (23.15 percent), primarily due to decrease in intergovernmental revenues.

Revenues for Rock Nobles Community Corrections' General Fund decreased by \$66,060, and total expenditures increased by \$38,854, primarily due to an increase in payroll and professional services.

As shown in the Statement of Revenues, Expenditures, and Changes in Fund Balance, the amount that was received through intergovernmental revenues was 88.6 percent of the total revenue received, or \$622,581.

Rock Nobles Community Corrections adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget.

## FINANCIAL ANALYSIS OF THE COMMUNITY CORRECTIONS AS A WHOLE

### Net Assets

The Community Corrections' net assets were \$245,961 on December 31, 2011.

	Governmental Activities	
	2011	2010
Assets		
Current and other assets	\$ 291,896	\$ 339,484
Capital assets	34,683	42,244
Total Assets	\$ 326,579	\$ 381,728
Liabilities		
Current liabilities	\$ 29,069	\$ 6,521
Long-term liabilities	51,549	73,814
Total Liabilities	\$ 80,618	\$ 80,335
Net Assets		
Invested in capital assets	\$ 34,683	\$ 42,244
Unrestricted	211,278	259,149
Total Net Assets	\$ 245,961	\$ 301,393

### Changes in Net Assets

The Community Corrections' government-wide total revenues were \$702,463 for the year ended December 31, 2011. Intergovernmental revenues accounted for 88.6 percent of total revenues for the year.

	Governmental Activities	
	2011	2010
Revenues		
Intergovernmental	\$ 622,581	\$ 695,134
Charges for services	77,802	73,389
Investment earnings	974	-
Miscellaneous	1,106	-
Total Revenues	\$ 702,463	\$ 768,523

	Governmental Activities	
	2011	2010
Expenses		
Personal services	\$ 684,608	\$ 662,771
Other services and charges	31,650	29,628
Supplies	5,714	7,826
Professional and technical services	28,362	19,493
Depreciation	7,561	7,762
Total Expenses	<u>\$ 757,895</u>	<u>\$ 727,480</u>
Change in Net Assets	\$ (55,432)	\$ 41,043
Net Assets - January 1	<u>301,393</u>	<u>260,350</u>
Net Assets - December 31	<u><u>\$ 245,961</u></u>	<u><u>\$ 301,393</u></u>

### General Fund Budgetary Highlights

Actual revenues were \$64,557 less than expected, in part, due to less than expected intergovernmental revenue from the Minnesota Department of Corrections.

Actual expenditures were \$7,127 more than budgeted, primarily due to an increase in personal services.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The Community Corrections has invested over \$80,000 in vehicles, office furniture, and equipment. Total depreciation for the year was \$7,561.

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Office furniture and equipment	\$ 46,357	\$ -	\$ -	\$ 46,357
Vehicles	35,109	-	-	35,109
Total capital assets depreciated	<u>\$ 81,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,466</u>
Less: accumulated depreciation for				
Office furniture and equipment	\$ 22,736	\$ 5,402	\$ -	\$ 28,138
Vehicles	16,486	2,159	-	18,645
Total accumulated depreciation	<u>\$ 39,222</u>	<u>\$ 7,561</u>	<u>\$ -</u>	<u>\$ 46,783</u>
Capital Assets, Net	<u><u>\$ 42,244</u></u>	<u><u>\$ (7,561)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,683</u></u>

## **Debt Administration**

At year-end, the Community Corrections had no outstanding bonded debt.

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

The Community Corrections is dependent on the State of Minnesota for a significant portion of its revenue. Should there be any reductions to grants or subsidies, it would have a significant impact on next year's budget.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Rock Nobles Community Corrections' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Rock Nobles Community Corrections, Jon P. Ramlo, P. O. Box 547, Worthington, Minnesota 56187.

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## **BASIC FINANCIAL STATEMENTS**

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**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

**EXHIBIT 1**

**GENERAL FUND BALANCE SHEET AND  
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
DECEMBER 31, 2011**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b><u>Assets</u></b>			
Current assets			
Cash and pooled investments	\$ 235,320	\$ -	\$ 235,320
Petty cash and change funds	200	-	200
Accounts receivable	9,346	-	9,346
Accrued interest receivable	91	-	91
Due from other governments	29,515	-	29,515
Prepaid items	17,424	-	17,424
Capital assets			
Depreciable - net	-	34,683	34,683
<b>Total Assets</b>	<b>\$ 291,896</b>	<b>\$ 34,683</b>	<b>\$ 326,579</b>
 <b><u>Liabilities and Fund Balance/Net Assets</u></b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 2,431	\$ -	\$ 2,431
Salaries payable	21,665	-	21,665
Long-term liabilities			
Due within one year	-	4,973	4,973
Due in more than one year	-	51,549	51,549
<b>Total Liabilities</b>	<b>\$ 24,096</b>	<b>\$ 56,522</b>	<b>\$ 80,618</b>
 <b>Fund Balance</b>			
Nonspendable for prepaid items	\$ 17,424	\$ (17,424)	\$ -
Unassigned	250,376	(250,376)	-
<b>Total Fund Balance</b>	<b>\$ 267,800</b>	<b>\$ (267,800)</b>	<b>\$ -</b>
 <b>Net Assets</b>			
Invested in capital assets	\$ -	\$ 34,683	\$ 34,683
Unrestricted	-	211,278	211,278
<b>Total Net Assets</b>	<b>\$ -</b>	<b>\$ 245,961</b>	<b>\$ 245,961</b>
<b>Total Liabilities and Fund Balance/Net Assets</b>	<b>\$ 291,896</b>	<b>\$ 34,683</b>	<b>\$ 326,579</b>

**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**GENERAL FUND BALANCE SHEET AND  
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
DECEMBER 31, 2011**

<b>Reconciliation of the General Fund Balance to Net Assets</b>		
<b>Fund Balance - General Fund</b>	<b>\$</b>	<b>267,800</b>
Capital assets are reported on the Statement of Net Assets but not on the General Fund Balance Sheet.		34,683
Long-term liabilities are not due and payable in the current period and, therefore, are not reported on the General Fund Balance Sheet.		
Compensated absences	\$ (54,824)	
Net OPEB liability	<u>(1,698)</u>	<u>(56,522)</u>
<b>Net Assets - Governmental Activities</b>	<b>\$</b>	<b><u><u>245,961</u></u></b>

**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

**EXHIBIT 2**

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES  
WITH ADJUSTMENTS TO RECONCILE BETWEEN MODIFIED AND FULL ACCRUAL  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Intergovernmental	\$ 622,581	\$ -	\$ 622,581
Charges for services	77,802	-	77,802
Investment earnings	974	-	974
Miscellaneous	1,106	-	1,106
<b>Total Revenues</b>	<b>\$ 702,463</b>	<b>\$ -</b>	<b>\$ 702,463</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Public safety</b>			
Personal services	\$ 708,421	\$ (23,813)	\$ 684,608
Other services and charges	31,650	-	31,650
Supplies	5,714	-	5,714
Professional and technical services	28,362	-	28,362
Depreciation	-	7,561	7,561
<b>Total Expenditures/Expenses</b>	<b>\$ 774,147</b>	<b>\$ (16,252)</b>	<b>\$ 757,895</b>
<b>Net Change in Fund Balance/Net Assets</b>	<b>\$ (71,684)</b>	<b>\$ 16,252</b>	<b>\$ (55,432)</b>
<b>Fund Balance/Net Assets - January 1</b>	<b>339,484</b>	<b>(38,091)</b>	<b>301,393</b>
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 267,800</b>	<b>\$ (21,839)</b>	<b>\$ 245,961</b>

**Reconciliation of the Statement of General Fund Revenues, Expenditures, and  
Changes in Fund Balance to the Statement of Activities - Governmental  
Activities Net Change in Fund Balance**

**\$ (71,684)**

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

Current year depreciation expense (7,561)

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

(Increase) decrease in net OPEB liability (404)  
(Increase) decrease in compensated absences liability 24,217

**Change in Net Assets of Governmental Activities** **\$ (55,432)**

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**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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

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1. Summary of Significant Accounting Policies

Rock Nobles Community Corrections' financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Community Corrections are discussed below.

A. Financial Reporting Entity

The Community Corrections was created pursuant to the provisions of the Community Corrections Act, January 1, 1979. The Community Corrections provides probation and parole services to the far southwestern Minnesota counties of Nobles and Rock; it is responsible for juvenile and adult court clients. The Community Corrections is staffed with corrections professionals.

Program planning is the responsibility of the Advisory Committee. Policy, program, and budget management are accomplished through the Executive Committee consisting of County Commissioners, Advisory Committee members, and judges.

Funding comes from Community Corrections Act subsidies, local contributions from the participating counties, charges for services, and miscellaneous revenues.

Rock County acts as fiscal agent for the Community Corrections and reports Rock Nobles Community Corrections as an agency fund in its annual financial statements. The Community Corrections is reported as a component unit of Nobles County because Nobles County can significantly influence the operations of the Community Corrections. Rock Nobles Community Corrections does not have any component units.

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

Basic financial statements include information on the Community Corrections' activities as a whole and information on the individual fund of the Community Corrections. These separate presentations are reported in different columns on the financial statements. Each of the statements starts with a column of information based on activities of the General Fund and reconciles it to a column that reports the "governmental activities" of the Community Corrections as a whole.

The governmental activities columns are reported on the full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Community Corrections' net assets are reported in two parts: invested in capital assets and unrestricted net assets. The Statement of Activities demonstrates the degree to which the expenses of the Community Corrections are offset by revenues.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund are presented on the modified accrual basis and report current financial resources.

C. Measurement Focus and Basis of Accounting

The governmental activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the provider have been met.

General Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Community Corrections considers all revenues to be available if they are collected within 60 days after the end of the current period. Charges for services and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

absences, and claims and judgments, which are recognized as expenditures to the extent that they are matured. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources or uses.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Pooled Investments

The cash and pooled investments balances represent funds in the checking account of Rock Nobles Community Corrections held by the Rock County Auditor-Treasurer at December 31, 2011.

2. Receivables and Payables

The financial statements for the Community Corrections contain no allowance for uncollectible accounts. Uncollectible receivables are recognized as bad debts at the time information becomes available that indicates the particular receivable is uncollectible. These amounts are not considered to be material in relation to the financial position or operations of the fund.

3. Prepaid Items

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

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

4. Capital Assets

Capital assets, which include office furniture and equipment and vehicles, are reported in the governmental activities column on the Statement of Net Assets. Capital assets are defined by the Community Corrections as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Office furniture and equipment and vehicles are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office furniture and equipment	3 - 20
Vehicles	3 - 20

5. Compensated Absences

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

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

6. Long-Term Liabilities

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

7. Classification of Net Assets

Net assets in the government-wide financial statements are classified in the following categories:

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

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

Unrestricted net assets - the amount of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

8. Classification of Fund Balances

In 2011, the Community Corrections implemented the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement requires retroactive restatement of fund balance for the reclassifications made to conform with this statement. Total fund balance did not change. Fund balance is divided into five classifications based primarily on the extent to which the Community Corrections is bound to observe constraints imposed upon the use of the resources in the governmental fund. The classifications are as follows.

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

8. Classification of Fund Balances (Continued)

Nonspendable - the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

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

Assigned - the assigned fund balance classification includes amounts the Community Corrections intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Community Corrections Board.

Unassigned - unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications.

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

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Use of Estimates

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

10. Reclassifications

Fund balance account balances were reclassified as of and for the year ended December 31, 2010, as previously reported, due to implementation of GASB 54. Total fund balance did not change. These reclassifications were required for comparability to the financial statements as of and for the year ended December 31, 2011. Although comparative statements for 2010 are not presented here, these reclassifications must be considered when comparing the financial statements of this report with those of prior reports.

E. Potential Impact of New Accounting Standards on Current Period Financial Statements

The GASB has approved Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Application of GASB Statement 63 may restate portions of these financial statements.

2. Stewardship, Compliance, and Accountability

Expenditures in Excess of Budget

For the year ended December 31, 2011, the General Fund expenditures of \$774,147 exceeded the final budget of \$767,020 by \$7,127.

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Pooled Investments

Reconciliation of the Community Corrections' total cash and pooled investments to the basic financial statements follows:

Governmental Activities	
Cash and pooled investments	\$ 235,320
Petty cash and change funds	<u>200</u>
Total Cash and Investments	<u>\$ 235,520</u>
Petty cash and change funds	\$ 200
Checking	<u>235,320</u>
Total Deposits and Investments	<u>\$ 235,520</u>

a. Deposits

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

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

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Community Corrections' deposits may not be returned to it. Rock County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2011, Rock County had \$361,222 of uninsured deposits; a portion thereof belongs to the Community Corrections and is exposed to custodial credit risk.

b. Investments

Minnesota statutes §§ 118A.04 and 118A.05 generally authorize the following types of investments available to the Community Corrections:

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

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

2. Receivables

The Community Corrections did not have any receivables scheduled to be collected beyond one year as of December 31, 2011. Receivables as of December 31, 2011, for the Community Corrections' governmental activities, net of the applicable allowances for uncollectible accounts, are as follows:

	<u>Receivables</u>
Governmental Activities	
Accounts	\$ 9,346
Interest	91
Due from other governments	<u>29,515</u>
Total Governmental Activities	<u>\$ 38,952</u>

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Office furniture and equipment	\$ 46,357	\$ -	\$ -	\$ 46,357
Vehicles	35,109	-	-	35,109
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets depreciated	\$ 81,466	\$ -	\$ -	\$ 81,466
	<hr/>	<hr/>	<hr/>	<hr/>
Less: accumulated depreciation for				
Office furniture and equipment	\$ 22,736	\$ 5,402	\$ -	\$ 28,138
Vehicles	16,486	2,159	-	18,645
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	\$ 39,222	\$ 7,561	\$ -	\$ 46,783
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Assets, Net	\$ 42,244	\$ (7,561)	\$ -	\$ 34,683

Depreciation expense for the year ended December 31, 2011, was \$7,561.

B. Liabilities

1. Payables

Payables at December 31, 2011, were as follows:

	<u>Payables</u>
Governmental Activities	
Accounts	\$ 2,431
Salaries	21,665
	<hr/>
Total Governmental Activities	\$ 24,096

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

3. Detailed Notes on All Funds

B. Liabilities (Continued)

2. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 79,041	\$ -	\$ 24,217	\$ 54,824	\$ 4,973
Net OPEB obligation	1,294	404	-	1,698	-
Governmental Activities Long-Term Liabilities	<u>\$ 80,335</u>	<u>\$ 404</u>	<u>\$ 24,217</u>	<u>\$ 56,522</u>	<u>\$ 4,973</u>

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description

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

General Employees Retirement Fund members of the Community Corrections belong to the Coordinated Plan and are covered by Social Security.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service (five years for those first eligible for membership after June 30, 2010). Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

Two methods are used to compute benefits for the General Employees Retirement Fund Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 1.7 percent for each year of service.

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The Community Corrections makes annual contributions to the pension plan equal to the amount required by state statutes. General Employees Retirement Fund Coordinated Plan members are required to contribute 6.25 percent of their annual covered salary.

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Funding Policy (Continued)

The Community Corrections is required to contribute 7.25 percent of annual covered payroll for Coordinated Plan members.

The Community Corrections' contributions to the General Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009, were \$37,353, \$36,478, and \$34,260, respectively. These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

B. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

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

The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as Community Corrections' employees. This results in the retirees receiving an implicit rate subsidy. For 2011, there were approximately ten participants and one retiree.

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

B. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

Rock Nobles Community Corrections' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Community Corrections' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Community Corrections' net OPEB obligation to the plan.

ARC	\$	426
Interest on net OPEB obligation		52
Adjustment to ARC		(74)
		-
Annual OPEB cost (expense)	\$	404
Contributions made		-
		-
Increase in net OPEB obligation	\$	404
Net OPEB Obligation - Beginning of Year		1,294
		1,294
Net OPEB Obligation - End of Year	\$	1,698

Rock Nobles Community Corrections' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2009, 2010, and 2011, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed (%)	Net OPEB Obligation
December 31, 2009	\$ 434	\$ -	-	\$ 860
December 31, 2010	434	-	-	1,294
December 31, 2011	404	-	-	1,698

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

B. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,626, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,626. The covered payroll (annual payroll of active employees covered by the plan) was \$608,732, and the ratio of the UAAL to the covered payroll was 0.6 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is the Community Corrections' implicit rate of return on the General Fund.

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

B. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 4.0 percent over 20 years. Both rates included a 4.0 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2011, was 26 years.

5. Risk Management

The Community Corrections is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Community Corrections has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The Community Corrections is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The Community Corrections participates in the Southwest/West Central Service Cooperative to provide group employee health benefits; for other risk, the Community Corrections carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2011 and \$460,000 per claim in 2012. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Community Corrections in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the Community Corrections pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the Community Corrections in a method and amount to be determined by MCIT.

**ROCK-NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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5. Risk Management (Continued)

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

6. Summary of Significant Contingencies and Other Items

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the State of Minnesota.

Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the Community Corrections expects such amounts, if any, to be immaterial.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

*EXHIBIT A-1*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 652,020	\$ 652,020	\$ 622,581	\$ (29,439)
Charges for services	115,000	115,000	77,802	(37,198)
Interest on investments	-	-	974	974
Miscellaneous	-	-	1,106	1,106
<b>Total Revenues</b>	<b>\$ 767,020</b>	<b>\$ 767,020</b>	<b>\$ 702,463</b>	<b>\$ (64,557)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Personal services	\$ 674,320	\$ 674,320	\$ 708,421	\$ (34,101)
Other services and charges	47,500	47,500	31,650	15,850
Supplies	13,000	13,000	5,714	7,286
Professional and technical services	27,200	27,200	28,362	(1,162)
<b>Total public safety</b>	<b>\$ 762,020</b>	<b>\$ 762,020</b>	<b>\$ 774,147</b>	<b>\$ (12,127)</b>
<b>Capital outlay</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>	<b>5,000</b>
<b>Total Expenditures</b>	<b>\$ 767,020</b>	<b>\$ 767,020</b>	<b>\$ 774,147</b>	<b>\$ (7,127)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (71,684)</b>	<b>\$ (71,684)</b>
<b>Fund Balance - January 1</b>	<b>339,484</b>	<b>339,484</b>	<b>339,484</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 339,484</b>	<b>\$ 339,484</b>	<b>\$ 267,800</b>	<b>\$ (71,684)</b>

**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

***EXHIBIT A-2***

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$ 3,626	\$ 3,626	0.0%	\$ 608,732	0.6%

**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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

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1. General Budget Policies

The appropriated budget is prepared by function and department. The legal level of budgetary control (the level at which expenditures cannot legally exceed the appropriate amount) is the fund level.

The budgets may be amended or modified at any time by the Community Corrections Executive Committee. Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information.

2. Budget Basis of Accounting

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

3. Budget Amendments

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

4. Excess of Expenditures Over Budget

Total expenditures of \$774,147 exceeded final budget of \$767,020 by \$7,127.

5. Other Postemployment Benefits

Complete multi-year trend information is not available at this time, as Governmental Accounting Standards Board Statement 45 was implemented in 2008. Future reports will provide additional trend analysis to meet the three actuarial valuation data requirement as the information becomes available. See Note 4.B. to the financial statements for more information.

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**SUPPLEMENTARY INFORMATION**

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**OTHER SCHEDULE**

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**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

*EXHIBIT B-1*

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

<b>Shared Revenue</b>	
Payments from participating counties	\$ 186,809
<b>Grants</b>	
<b>State</b>	
Minnesota Department of Corrections	<u>435,772</u>
<b>Total Intergovernmental Revenue</b>	<u><u>\$ 622,581</u></u>

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**ROCK NOBLES COMMUNITY CORRECTIONS  
WORTHINGTON, MINNESOTA**

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS RESOLVED

**Audit Adjustments (06-1)**

As part of the audit, adjustments were proposed to record receivables and adjust other accounts. The audit also included the calculation and proposed adjustment for other postemployment benefits at December 31, 2010.

**Resolution**

The Community Corrections implemented procedures over financial reporting to detect misstatements in the financial statements. No material audit adjustments were proposed for the 2011 audit.

**Financial Reporting Process (08-1)**

As part of the audit, management requested the auditor to prepare a draft of the financial statements, including the related notes to the financial statements.

**Resolution**

The financial statements, including the related notes to the financial statements, were prepared in accordance with generally accepted accounting principles by the fiscal agent, Rock County.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Executive Committee  
Rock Nobles Community Corrections

We have audited the financial statements of the governmental activities and the major fund of Rock Nobles Community Corrections as of and for the year ended December 31, 2011, which collectively comprise the Community Corrections' basic financial statements, and have issued our report thereon dated August 22, 2012. 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.

### Internal Control Over Financial Reporting

Management of Rock Nobles Community Corrections is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Rock Nobles Community Corrections' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Community Corrections' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Community Corrections' internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, Rock Nobles Community Corrections complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Executive Committee, management, and others within Rock Nobles Community Corrections and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 22, 2012