

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 24, 2025

NEW ISSUE
BANK QUALIFIED

BOOK ENTRY ONLY
S&P GLOBAL RATINGS' RATING "AA+"

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "Tax Exemption" and "Other Federal and State Tax Considerations" herein for additional information.

ROCK COUNTY, MINNESOTA \$2,500,000* General Obligation Capital Improvement Plan Bonds, Series 2025A

Dated Date: Date of Delivery (Estimated to be December 30, 2025)

**Interest Due: Each February 1 and August 1
Commencing August 1, 2026**

<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
2/1/2027	\$215,000	_____%	_____%	_____	2/1/2032	\$250,000	_____%	_____%	_____
2/1/2028	230,000	_____	_____	_____	2/1/2033	260,000	_____	_____	_____
2/1/2029	235,000	_____	_____	_____	2/1/2034	265,000	_____	_____	_____
2/1/2030	240,000	_____	_____	_____	2/1/2035	275,000	_____	_____	_____
2/1/2031	245,000	_____	_____	_____	2/1/2036	285,000	_____	_____	_____

The General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds" or the "Issue") are being issued by Rock County, Minnesota (the "County" or the "Issuer") pursuant to Minnesota Statutes, Chapter 475 and Section 373.40, as amended. Proceeds of the Bonds will be used to finance improvements to the County Courthouse, Armory and Human Services buildings, and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the County and are payable from ad valorem taxes. The full faith and credit of the County is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the County has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the County, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2027. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing August 1, 2026. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota.

Proposals: Tuesday, December 2, 2025 10:00 A.M., Central Time

Award: Tuesday, December 2, 2025 5:00 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$2,470,000 (98.80%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. A Good Faith Deposit (the "Deposit") in the amount of \$50,000, in the form of a federal wire transfer payable to the order of the County, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.



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THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE DECEMBER 30, 2025.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERS MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTY OR THE UNDERWRITER(S). NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COUNTY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE COUNTY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER(S).

WITHIN THE MEANING OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, THE INFORMATION INCLUDED IN THE PRELIMINARY OFFICIAL STATEMENT IS DEEMED FINAL BY THE ISSUER AS OF ITS DATE AND IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS, EXCEPT FOR THE OMISSION OF THE OFFERING PRICE(S), INTEREST RATE(S), SELLING COMPENSATION, AGGREGATE PRINCIPAL AMOUNT, PRINCIPAL AMOUNT PER MATURITY, DELIVERY DATE, RATING(S), OTHER TERMS OF THE ISSUE DEPENDING ON SUCH MATTERS, AND THE IDENTITY OF THE UNDERWRITER(S).

SUMMARY OF OFFERING

Rock County, Minnesota \$2,500,000 * General Obligation Capital Improvement Plan Bonds, Series 2025A (Book-Entry Only)

AMOUNT -	\$2,500,000*							
ISSUER -	Rock County, Minnesota (the “County” or the “Issuer”)							
AWARD DATE -	December 2, 2025							
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920							
TYPE OF ISSUE -	General Obligation Capital Improvement Plan Bonds, Series 2025A (the “Bonds” or the “Issue”)							
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Capital Improvement Plan Bonds, Series 2025A (the “Bonds”) are being issued by Rock County, Minnesota (the “County”) pursuant to Minnesota Statutes, Chapter 475 and Section 373.40, as amended. Proceeds of the Bonds will be used to finance improvements to the County Courthouse, Armory and Human Services buildings, and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the County and are payable from ad valorem taxes. The full faith and credit of the County is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the County has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the County, without limitation of amount. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.							
DATE OF ISSUE -	Date of Delivery (Estimated to be December 30, 2025)							
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing August 1, 2026, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).							
MATURITIES* -								
	2/1/2027	\$215,000	2/1/2030	\$240,000	2/1/2033	\$260,000	2/1/2035	\$275,000
	2/1/2028	230,000	2/1/2031	245,000	2/1/2034	265,000	2/1/2036	285,000
	2/1/2029	235,000	2/1/2032	250,000				
REDEMPTION -	The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest. See <i>Description of the Bonds</i> herein for additional information.							
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.							
PAYING AGENT/REGISTRAR -	Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota							
TAX DESIGNATIONS -	<u>NOT Private Activity Bonds</u> - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). <u>Bank Qualified Tax-Exempt Obligations</u> - The County will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.							
LEGAL OPINION -	Taft Stettinius & Hollister LLP, Minneapolis, Minnesota (“Bond Counsel”)							
BOND RATING -	The County received an underlying rating of “AA+” from S&P Global Ratings (“S&P”). See <i>Bond Rating</i> herein for additional information.							
CLOSING -	Estimated to be December 30, 2025							
PRIMARY CONTACTS -	Kyle Oldre, County Administrator, Rock County, Minnesota 507-283-5065 George Eilertson, Managing Director, Northland Securities, Inc., 612-851-5906							

* Preliminary, subject to change.

ROCK COUNTY, MINNESOTA

PRINCIPAL COUNTY OFFICIALS

Elected Officials

		<u>County Board of Commissioners</u>	
<u>Name</u>	<u>District</u>	<u>Position</u>	<u>Term Expires</u>
Gary Overgaard	1	Commissioner	12/31/2028
Stan Williamson	2	Commissioner	12/31/2026
Greg Burger	3	Commissioner	12/31/2028
Sherri Thompson	4	Commissioner	12/31/2026
Jody Reisch	5	Commissioner	12/31/2028

County Administration

Ashley Kurtz	Auditor-Treasurer
Kyle Oldre	County Administrator

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

\$2,500,000*

GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2025A

ROCK COUNTY, MINNESOTA
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals (also referred to herein as “bids”) will be opened by the County’s Administrator, or designee, on Tuesday, December 2, 2025, at 10:00 A.M., CT, at the offices of Northland Securities, Inc. (the County’s “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the County Board at its meeting at the County Offices beginning Tuesday, December 2, 2025 at 5:00 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) emailed to PublicSale@northlandsecurities.com
- c) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-5915, or
- d) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:00 A.M., CT, on Tuesday, December 2, 2025. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:00 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the County nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the County to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds.

* The County reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the County through Northland Bond Services, Inc., a division of First National Bank of Omaha, Minneapolis, Minnesota (the “Paying Agent/Registrar”), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The County will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be December 30, 2025)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 373.40. Proceeds will be used to finance improvements to the County Courthouse, Armory, and Human Services buildings and to pay the costs of issuance of the Bonds. The Bonds are payable from ad valorem taxes. The full faith and credit of the County is pledged to their payment and the County has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing August 1, 2026, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$215,000	2031	\$245,000	2034	\$265,000
2028	230,000	2032	250,000	2035	275,000
2029	235,000	2033	260,000	2036	285,000
2030	240,000				

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

**ESTABLISHMENT OF ISSUE PRICE
(HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)**

The winning bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be

appropriate or necessary, in the reasonable judgment of the winning bidder, the County and Bond Counsel. All actions to be taken by the County under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the County by the County's Municipal Advisor and any notice or report to be provided to the County may be provided to the County's Municipal Advisor.

The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the County shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the County shall promptly so advise the winning bidder. The County may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the "Hold-the-Offering-Price Rule"). Bids will not be subject to cancellation in the event that the County determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the award date; or
- (2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the "10% Test"), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The County acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party

to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) "public" means any person other than an underwriter or a related party,*
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).*
- (3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership or another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and*
- (4) "sale date" means the date that the Bonds are awarded by the County to the winning bidder.*

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The County reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the County and shall be at the sole discretion of the County. The successful bidder may not withdraw or modify its Proposal once submitted to the County for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on February 1, 2034 through 2036 are subject to redemption and prepayment at the option of the County on February 1, 2033 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the County and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Taft Stettinius & Hollister LLP, Bond Counsel. The legal opinion will be paid by the County and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than \$2,470,000 (98.80%) and accrued interest on the principal sum of \$2,500,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Kyle Oldre, County Administrator
P.O. Box 509
Luverne, Minnesota 56156

A good faith deposit (the "Deposit") in the amount of \$50,000 in the form of a federal wire transfer (payable to the order of the County) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the County may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The County will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the County. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the County scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The County's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The County will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the County determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the County agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

LIMITED CONTINUING DISCLOSURE UNDERTAKING

The County will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the County, and notices of certain material events, as required by SEC Rule 15c2-12.

BANK QUALIFICATION

The County will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the County has requested and received a rating on the Bonds from a rating agency, the County will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The County reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: November 18, 2025

BY ORDER OF THE ROCK COUNTY BOARD

/s/ Kyle Oldre
County Administrator

Additional information may be obtained from:

Northland Securities, Inc.

150 South 5th Street, Suite 3300

Minneapolis, Minnesota 55402

Telephone No.: 612-851-5900

EXHIBIT A

[FORM OF ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED]

The undersigned, on behalf of _____ (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds") of the Rock County, Minnesota (the "Issuer").

1. Reasonably Expected Initial Offering Price.

As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in **Schedule A** (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

"Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: December 30, 2025.

[FORM OF ISSUE PRICE CERTIFICATE – HOLD-THE-OFFERING-PRICE RULE APPLIES]

The undersigned, on behalf of _____ (the "Underwriter"), on behalf of itself, hereby certifies as set forth below with respect to the sale and issuance of General Obligation Improvement Plan Bonds, series 2025A (the "Bonds") of the Rock County, Minnesota (the "Issuer").

Initial Offering Price of the Bonds.

The Underwriter offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

As set forth in the Notice of Sale and bid award, the Underwriter has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

Defined Terms.

"Holding Period" means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____), or (ii) the date on which the Underwriter has sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

"Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: December 30, 2025

AUTHORITY AND PURPOSE

The General Obligation Capital Improvement Plan Bonds, Series 2025A (the “Bonds” or the “Issue”) are being issued by Rock County, Minnesota (the “County”) pursuant to Minnesota Statutes, Chapter 475 and Section 373.40, as amended. Proceeds from issuance of the Bonds will be used to finance improvements to the County Courthouse, Armory and Human Services buildings, and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the County and are payable from ad valorem taxes. The full faith and credit of the County is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the County has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the County, without limitation of amount.

Sources and Uses of Funds

Following are the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds

Par Amount of Bonds	\$ 2,500,000*
Total Sources of Funds:	<u>\$ 2,500,000</u>

Uses of Funds

Deposit to Project Fund	\$ 2,415,000
Costs of Issuance/Underwriter’s Discount	84,050
Rounding Amount	<u>950</u>
Total Uses of Funds:	<u>\$ 2,500,000</u>

BONDHOLDERS’ RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

Ratings Loss

S&P Global Ratings has assigned a rating of “AA+” to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised,

* Preliminary, subject to change.

suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Exemption, Bank Qualification and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

The Bonds are designated as “qualified tax-exempt obligations” under the exception provided in Section 265(b)(3) of the Code, and the Issuer has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. Actions, or inactions, by the Issuer in violation of its covenants could affect the designation, which could also affect the pricing and marketability of the Bonds.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

Pending Federal and State Tax Legislation

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Factors Beyond Issuer's Control

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be December 30, 2025), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2027. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 2026. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder

of the Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof (“Authorized Denominations”). Individual purchasers (“Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the County. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of

securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the County or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the Rock County takes no responsibility for the accuracy thereof.

LIMITED CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the County on or before Bond closing, the County has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, which information is customarily prepared by the County and is publicly available, to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

To the best of its knowledge, the County has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. A failure by the County to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Undertaking* herein for additional information.

The County has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by _____ (the "Underwriter") at a purchase price of \$_____, which is the par amount of the Bonds of \$_____ less the Underwriter's discount of \$_____, plus the original issue premium of \$_____.

MUNICIPAL ADVISOR

The County has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the County to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc. and First National Bank of Omaha.

FUTURE FINANCING

The County does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The County received an underlying rating of “AA+” from S&P Global Ratings (“S&P”). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of S&P and any explanation of the significance of this rating may be obtained only from S&P. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S&P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

As of the date of this Official Statement, the County is not aware of any threatened or pending litigation that questions the organization or boundaries of the County or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

CERTIFICATION

The County will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The County has always promptly met all payments of principal and interest on its indebtedness when due.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota (“Bond Counsel”) as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining “annual adjusted financial statement income” for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisors.

Original Issue Discount

Some of the Bonds (“OID Bonds”) may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holder’s tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder’s tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Qualified Tax-Exempt Obligations

The County will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

ROCK COUNTY, MINNESOTA

GENERAL INFORMATION

Location/Access/Transportation

Rock County is located in the southwestern corner of Minnesota, on the borders with South Dakota and Iowa. The County seat is Luverne, which is situated approximately 25 miles east of Sioux Falls, South Dakota and 205 miles southwest of the Twin Cities Metropolitan Area. The County is comprised of 19 municipalities; 8 cities located entirely or partially within the County and 12 townships, in addition to 4 school districts that are located entirely or partially within the County. Major access roads include Interstate Highway 90, U.S. Highway 75, and State Highways 23 and 270.

Area

307,716 Acres
(481 Square Miles)

Population

1990 Census	9,806	2020 Census	9,704
2000 Census	9,745	2025 Estimate ¹	9,525
2010 Census	9,687		

Labor Force Data

Comparative average labor force and unemployment rate figures for 2025 (through July) and year-end 2024. Figures are not seasonally adjusted and numbers of people are estimated by place of residence.

	<u>2025 (July)</u>		<u>2024</u>	
	<u>Civilian</u> <u>Labor Force</u>	<u>Unemployment</u> <u>Rate</u>	<u>Civilian</u> <u>Labor Force</u>	<u>Unemployment</u> <u>Rate</u>
Rock County	5,407	2.7%	5,407	2.0%
Minnesota	3,158,125	3.6	3,129,802	3.0

Income Data²

Comparative income levels are listed below for the County, the State of Minnesota and the United States.

	<u>Rock County</u>	<u>State of Minnesota</u>	<u>United States</u>
Median Family Income	\$95,000	\$111,492	\$96,922
Per Capita Income	38,201	46,957	43,289

County Government

Rock County, organized in 1870, is governed by the general laws of the State of Minnesota. The Board sets policies and makes program decisions for all departments and business. The Board meets the second Tuesday of each month and two weeks after the first Monday following the first meeting. The County has a governing body with a chairperson and four commissioners.

¹ Source: Rock County.

² Source: 2019-2023 American Community Survey, U.S. Census Bureau.

Enterprise Services

Established in 1978 to provide water to rural residents of Rock County, the Rock County Rural Water District is governed by a board composed of seven members appointed by the Rock County Board of Commissioners. The District is legally separate from the County and financial information is presented in separate financial statements. Due to its operational and financial significance, the District’s relationship is also reported as a component unit of the County.

Employee Pension Programs

The County employs 89 people, 68 full-time and 21 part-time or seasonal. The pension plan currently covers all eligible employees.

The County participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters, 353 and 356, which covers all full-time and certain part-time employees. PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. Benefits are established by State Statute, and vest after three years of credited service. State Statute requires the County to fund current service pension cost as it accrues. Defined retirement benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

County contributions to PERA and PEPFF for the past five years have been as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2024	\$476,433	2021	\$409,724
2023	453,159	2020	416,118
2022	427,757		

Other Postemployment Benefits (OPEB)

Plan Description

The County pays the health insurance for certain retired employees. It is a single-employer retiree benefit plan which provides medical benefits for retirees. For fiscal year 2024, there were 73 active employees and three retirees in the plan.

Changes in Total OPEB Liability

	Total OPEB <u>Liability</u>
Total OPEB Liability beginning of fiscal year 2023	<u>\$281,361</u>
Changes for the year:	
Service Cost	\$ 17,632
Interest	5,806
Assumption Changes	(27,209)
Differences between Expected and Actual Experience	40,302
Benefit Payments	<u>(17,492)</u>
Net Changes	<u>19,039</u>
Total OPEB liability end of fiscal year 2023	<u>\$ 300,400</u>

Additional information regarding the County’s OPEB obligations is provided in the County’s Annual Financial Report, excerpts of which are provided in Appendix C of this Official Statement, with particular reference to Note 4.

Estimated Cash and Investment Balances as of October 3, 2025 (unaudited)

Fund

General Fund	\$ 8,231,535
Special Revenue Funds	4,611,174
Agency Funds	<u>3,242,060</u>
Total Estimated Cash and Investment Balances	<u>\$ 16,084,769</u>

General Fund Budget Summary

	<u>2024 Budget</u>	<u>2025 Budget</u>
Revenues:		
Property Taxes	\$7,073,321	\$7,462,412
Other Taxes	867,935	880,635
Special Assessments	228,474	257,942
Licenses and Permits	47,795	50,370
Intergovernmental Revenue	3,747,759	3,893,892
Charges for Services	2,240,958	2,400,861
Fines and Forfeits	5,000	10,000
Interest on Investments	251,000	251,000
Miscellaneous	<u>197,650</u>	<u>221,063</u>
Total Revenues	\$14,659,892	\$15,428,175
Expenditures:		
General Government	\$2,772,806	\$2,897,641
Public Safety	2,768,893	2,880,654
Highway	3,729,000	3,913,000
Sanitation	847,577	941,350
Family Services	1,751,519	1,817,625
Health	35,552	47,331
Culture and Recreation	569,189	519,045
Conservation of Natural Resources	681,115	717,688
Economic Development	1,500	1,500
Capital Outlay	483,806	662,010
Debt Service	851,663	846,249
Intergovernmental	<u>218,282</u>	<u>230,986</u>
Total Expenditures	\$14,710,902	\$15,475,079
Revenues Over (Under) Expenditures	(51,010)	(46,904)
Beginning Fund Balance (January 1)	\$17,498,640	\$17,447,630
Ending Fund Balance (December 31)	<u><u>\$17,447,630</u></u>	<u><u>\$17,400,726</u></u>

Financial Institutions

The following financial institutions serve Rock County: Security Savings Bank, First Farmers & Merchants National Bank, Minnwest Bank and Peoples Bank.

Education

Rock County is served by ISD No. 671, Hills-Beaver Creek; ISD No. 2184, Luverne Area Schools; and portions of ISD No. 2689, Pipestone; ISD No. 581, Edgerton and ISD No. 514, Ellsworth.

Major Employers

Following are some of the major/leading employers within the City of Luverne:

<u>Name</u>	<u>Product/Service</u>	<u>Number of Employees¹</u>
Premium Iowa Pork	Pork Processing	445
Sanford Hospital - Luverne	Health Care Services	268
ISD No. 2184, Luverne	Public Education	219
MN Veterans Home	Veteran Retirement Home	195
City of Luverne	City Government	156
Rock County	County Government	86
Mary Jane Brown Good Samaritan Home	Retirement Home	84
Papik Motors	Automobile Sales	57
Continental Western Group	Insurance Services	45
Berkley Information Services	Information Technology	40

Largest Taxpayers²

Following are ten of the largest taxpayers within the County:

<u>Name</u>	<u>Classification</u>	<u>2024/2025 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$43,282,911)³</u>
Individual	Agricultural	\$ 656,978	1.52%
Lineage Logistics LLC	Industrial	621,942	1.44
Bosch Farms LLC	Agricultural	416,376	0.96
New Vision Coop	Industrial	383,314	0.88
Individual	Agricultural	337,871	0.78
Xcel Energy	Utility	331,590	0.77
Individual	Agricultural	262,125	0.60
Arends Farms Inc.	Agricultural	241,857	0.56
Short Farms Company	Agricultural	224,911	0.52
Bar S Inc	Agricultural	211,517	0.49
		<u>\$ 3,688,481</u>	<u>8.52%</u>

¹ Includes full-time, part-time, and seasonal employees.

² As reported by Rock County.

³ Before tax increment adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the “market value” of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called “estimated market value”. This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The “taxable market value” is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at \$95,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$38,000 at \$95,000 of market value. For a homestead valued between \$95,000 and \$517,200, the exclusion is \$38,000 minus nine percent of the valuation over \$95,000. For a homestead valued at \$517,200 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

Economic and Indicated Market Value

“Economic market value” and “indicated market value” reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the “full value” of property for taxation, after the deduction of legislative exclusions.

Net Tax Capacity

Property taxes are calculated on the basis of the “net tax capacity value”. Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per \$100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

Levy Limits

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies “to pay the costs of the principal and interest on bonded indebtedness” and “to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota” are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

Property Tax Classifications

<u>Class</u>	<u>Type of Property</u>	<u>Class Rate Schedule</u>		
		<u>2022/ 2023</u>	<u>2023/ 2024</u>	<u>2024/ 2025</u>
1a	<u>Residential Homestead</u> : First \$500,000	1.00%	1.00%	1.00%
	Over \$500,000	1.25	1.25	1.25
1c	<u>Commercial seasonal-residential recreational-</u> under 250 days and includes homestead			
	First \$600,000	.50	.50	.50
	\$600,001-2,300,000	1.00	1.00	1.00
	Over \$2,300,000 [†]	1.25	1.25	1.25
2a	<u>Agricultural Homestead – House, Garage, One Acre:</u>			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First \$1,890,000	0.50		
	Over \$1,890,000	1.00		
	First \$2,150,000		0.50	
	Over \$2,150,000		1.00	
	First \$3,500,000			.50
	Over \$3,500,000			1.00
2b	<u>Non-Homestead Rural Vacant Land</u> ¹	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u>			
	First \$150,000 [†]	1.50	1.50	1.50
	Over \$150,000 [†]	2.00	2.00	2.00
4a	<u>Apartment</u> (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	<u>Residential Non-Homestead</u> (Single Unit)			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(1)	<u>Seasonal Residential Recreational/Commercial</u> [†]			
	(Resort): First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(12)	<u>Seasonal Residential Recreational</u> [†]			
	Non-Commercial (Cabin): First \$500,000*	1.00	1.00	1.00
	Over \$500,000*	1.25	1.25	1.25
4d	<u>Qualifying Low-Income Rental Housing</u>			
	First \$100,000	.75	.75	.25
	Over \$100,000	.25	.25	.25

[†] Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

¹ Homestead remainder & non-homestead; includes minor ancillary structures.

ROCK COUNTY, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	<i>Estimated Market Value 2024/2025</i>	<i>Net Tax Capacity 2024/2025</i>
Real Property	\$ 4,808,951,000	\$ 42,682,874
Personal Property	31,552,300	600,037
Less Tax Increment Deduction	<u>---</u>	<u>(152,502)</u>
Total Adjusted Valuation	<u>\$ 4,840,503,300</u>	<u>\$ 43,130,409</u>

Valuation Trends (Real and Personal Property)

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Tax Increments</i>	<i>Tax Capacity After Tax Increments</i>
2024/2025	\$4,882,025,754	99.16%	\$4,840,503,300	\$4,757,340,021	\$43,282,911	\$43,130,409
2023/2024	4,787,765,797	91.87	4,398,408,200	4,396,764,300	40,504,045	40,375,839
2022/2023	4,360,482,907	80.37	3,504,555,800	3,500,243,400	31,995,675	31,911,782
2021/2022	3,435,567,807	88.03	3,024,207,000	3,021,573,700	27,348,329	27,267,923
2020/2021	3,104,898,848	101.10	3,139,042,300	3,138,915,100	28,014,083	27,934,328

Breakdown of Valuations

2024/2025 Tax Capacity, Real and Personal Property (before tax increment adjustments):

Residential Homestead	\$ 5,476,471	12.65%
Agricultural	32,988,153	76.21
Commercial & Industrial	2,934,731	6.78
Public Utility	171,913	0.40
Railroad	122,118	0.28
Residential Non-Homestead	980,605	2.27
Seasonal/Recreational	8,883	0.02
Personal Property	<u>600,037</u>	<u>1.39</u>
Totals:	<u>\$ 43,282,911</u>	<u>100.00%</u>

¹ Property valuations, tax rates, and tax levies and collections are provided by Rock County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

Tax Capacity Rates

Tax capacity rates for a County resident within the City of Luverne, for the past five-assessable/collection years have been as follows:

<i>Levy Year/ Collection Year</i>	<i>2020/21 Tax Capacity Rates</i>	<i>2021/22 Tax Capacity Rates</i>	<i>2022/23 Tax Capacity Rates</i>	<i>2023/24 Tax Capacity Rates</i>	<i>2024/25 Tax Capacity Rates</i>
Rock County	22.722%	23.966%	21.401%	17.519%	17.302%
City of Luverne	63.359	65.517	66.818	65.248	64.367
ISD No. 2184, Luverne	<u>17.654</u>	<u>16.249</u>	<u>16.679</u>	<u>12.520</u>	<u>11.470</u>
Totals:	<u>103.735%</u>	<u>105.732%</u>	<u>104.898%</u>	<u>95.287%</u>	<u>93.139%</u>
<i><u>Market Value Rates:</u></i>	<i><u>2020/2021</u></i>	<i><u>2021/2022</u></i>	<i><u>2022/2023</u></i>	<i><u>2023/2024</u></i>	<i><u>2024/2025</u></i>
ISD No. 2184 (Luverne)	0.21337%	0.20893%	0.21776%	0.20168%	0.19132%

Tax Levies and Collections¹

<u>Levy/Collect</u>	<u>Net Levy</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 12/31/24</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2024/2025	\$7,289,736		In Process of Collection		
2023/2024	6,895,244	\$6,873,847	99.69%	\$6,873,847	99.69%
2022/2023	6,631,140	6,616,569	99.78	6,626,537	99.93
2021/2022	6,350,268	6,324,480	99.59	6,347,705	99.96
2020/2021	6,166,003	6,146,765	99.69	6,164,542	99.98

¹ 2024/2025 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Rock County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit¹

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of November 2, 2025:

2024/2025 Estimated Market Value	\$ 4,840,503,300
Multiplied by 3%	<u>x .03</u>
Statutory Debt Limit	<u>\$ 145,215,099</u>

Less outstanding debt applicable to debt limit:

\$2,640,000 General Obligation Bonds, Series 2012A	\$ 115,000
\$3,595,000 General Obligation Bonds, Series 2022A	3,190,000
\$2,500,000 G.O. Capital Improvement Plan Bonds, Series 2025A (This Issue)	<u>2,500,000</u>
Total Debt applicable to debt limit:	\$ 5,805,000
Legal debt margin	<u>\$ 139,410,099</u>

¹ Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

ROCK COUNTY, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of November 2, 2025, Plus This Issue)

Purpose:	This Issue					
	G.O. Bonds, Series 2012A	G.O. Bonds, Series 2022A	G.O. Capital Improvement Plan Bonds, Series 2025A			
Dated:	05/01/12	03/01/22	12/30/25			
Original Amount:	\$2,640,000	\$3,595,000	\$2,500,000			
Maturity:	1-Feb	1-Feb	1-Feb			
Interest Rates:	2.00-2.40%	2.00-3.00%				
			TOTAL	TOTAL		
			PRINCIPAL:	PRIN & INT:		
2025	\$0	\$0	\$0	\$0	2025	
2026	115,000	160,000	0	275,000	387,850	2026
2027	0	165,000	215,000	380,000	512,350	2027
2028	0	165,000	230,000	395,000	517,006	2028
2029	0	170,000	235,000	405,000	516,401	2029
2030	0	170,000	240,000	410,000	510,541	2030
2031	0	180,000	245,000	425,000	515,128	2031
2032	0	185,000	250,000	435,000	514,979	2032
2033	0	190,000	260,000	450,000	519,149	2033
2034	0	190,000	265,000	455,000	512,669	2034
2035	0	195,000	275,000	470,000	515,513	2035
2036	0	200,000	285,000	485,000	517,600	2036
2037	0	195,000	0	195,000	219,019	2037
2038	0	195,000	0	195,000	215,119	2038
2039	0	200,000	0	200,000	216,044	2039
2040	0	205,000	0	205,000	216,741	2040
2041	0	210,000	0	210,000	217,200	2041
2042	0	215,000	0	215,000	217,419	2042
	\$115,000	\$3,190,000	\$2,500,000	\$5,805,000	\$6,840,726	
			(1)			

(1)

NOTE: 63% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the \$4,325,000 General Obligation Bonds, Series 2022A, dated March 1, 2022, consisting of \$3,595,000 payable from taxes and \$730,000 payable from tax abatement.

ROCK COUNTY, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAX ABATEMENT
(As of November 2, 2025)

Purpose:	G.O. Bonds, Series 2022A			
Dated:	03/01/22			
Original Amount:	\$730,000			
Maturity:	1-Feb			
Interest Rates:	2.00-3.00%	TOTAL	TOTAL	
		PRINCIPAL:	PRIN & INT:	
2025	\$0	\$0	\$0	2025
2026	50,000	50,000	63,450	2026
2027	50,000	50,000	61,950	2027
2028	50,000	50,000	60,450	2028
2029	55,000	55,000	63,875	2029
2030	55,000	55,000	62,225	2030
2031	55,000	55,000	60,850	2031
2032	55,000	55,000	59,750	2032
2033	55,000	55,000	58,650	2033
2034	50,000	50,000	52,600	2034
2035	55,000	55,000	56,550	2035
2036	50,000	50,000	50,500	2036
	\$580,000	\$580,000	\$650,850	
	(1)			

NOTE: 82% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX ABATEMENT WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the \$4,325,000 General Obligation Bonds, Series 2022A, dated March 1, 2022, consisting of \$3,595,000 payable from taxes and \$730,000 payable from tax abatement.

ROCK COUNTY, MINNESOTA
DEBT ISSUED FOR ROCK COUNTY RURAL WATER DISTRICT, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of November 2, 2025)

Purpose:	Taxable G.O. Water Revenue Note (PFA Loan), of 2007	G.O. Water Revenue Bonds (USDA Loan) Series 2016			
Dated:	08/20/07	06/29/16			
Original Amount:	\$533,000	\$2,448,000			
Maturity:	20-Aug	1-Jan	TOTAL	TOTAL	
Interest Rates:	2.00-2.50%	2.25%	PRINCIPAL:	PRIN & INT:	
2025	\$0	\$0	\$0	\$0	2025
2026	31,000	48,000	79,000	126,611	2026
2027	0	49,000	49,000	95,215	2027
2028	0	50,000	50,000	95,113	2028
2029	0	51,000	51,000	95,108	2029
2030	0	52,000	52,000	94,840	2030
2031	0	53,000	53,000	94,670	2031
2032	0	54,000	54,000	94,478	2032
2033	0	56,000	56,000	95,370	2033
2034	0	57,000	57,000	95,003	2034
2035	0	58,000	58,000	94,720	2035
2036	0	59,000	59,000	94,415	2036
2037	0	61,000	61,000	95,181	2037
2038	0	62,000	62,000	94,715	2038
2039	0	64,000	64,000	95,320	2039
2040	0	65,000	65,000	94,880	2040
2041	0	66,000	66,000	94,495	2041
2042	0	68,000	68,000	94,933	2042
2043	0	69,000	69,000	94,403	2043
2044	0	71,000	71,000	94,850	2044
2045	0	73,000	73,000	95,313	2045
2046	0	74,000	74,000	94,610	2046
2047	0	76,000	76,000	94,945	2047
2048	0	78,000	78,000	95,235	2048
2049	0	79,000	79,000	94,522	2049
2050	0	81,000	81,000	94,703	2050
2051	0	83,000	83,000	94,880	2051
2052	0	85,000	85,000	95,013	2052
2053	0	87,000	87,000	95,122	2053
2054	0	89,000	89,000	95,143	2054
2055	0	91,000	91,000	95,140	2055
2056	0	93,000	93,000	95,093	2056
	\$31,000	\$2,102,000	\$2,133,000	\$2,974,036	
	(1) (2)	(3)			

NOTE: 23% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable primarily from net revenues of the Rock County Rural Water District and additionally secured by ad valorem taxes on all taxable property within the County and without limitation of amount.
- (2) These bonds were purchased through a private placement agreement through the Minnesota Public Facilities Authority.
- (3) These bonds were purchased through a private placement agreement with the United States Department of Agriculture-Rural Development.

Indirect Debt*

<i><u>Issuer</u></i>	<i><u>2024/2025 Tax Capacity Value⁽¹⁾</u></i>	<i><u>2024/2025 Tax Capacity Value in County⁽¹⁾</u></i>	<i><u>Percentage Applicable in County</u></i>	<i><u>Outstanding General Obligation Debt⁽²⁾</u></i>	<i><u>Taxpayers' Share of Debt</u></i>
City of Luverne	\$ 5,541,305	\$ 5,541,305	100.00%	\$10,175,000	\$ 10,175,000
City of Kenneth	83,096	83,096	100.00	147,866 ⁽³⁾	147,866
City of Beaver Creek	253,923	253,923	100.00	281,713 ⁽³⁾	281,713
ISD No. 671, Hills- Beaver Creek	10,733,536	10,733,536	100.00	38,315,000	38,315,000
ISD No. 2184, Luverne	24,869,729	23,567,148	94.76	22,460,000	<u>21,283,096</u>
				<i>Total Indirect Debt:</i>	<u><u>\$ 70,202,675</u></u>

(Remainder of page intentionally left blank)

* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness.

(1) Tax Capacity Value is after tax increment deduction adjustments.

(2) As of November 2, 2025, unless noted otherwise.

(3) As of December 31, 2024 according to Rock County.

General Obligation Debt

Bonds secured by taxes (includes this issue)	\$ 5,805,000
Bonds secured by tax abatement	580,000
Bonds secured by water revenues	<u>2,133,000</u>
Subtotal	\$ 8,518,000
Less bonds secured by water revenues	(<u>2,133,000</u>)
<i>Direct General Obligation Debt</i>	6,385,000
Add taxpayers' share of indirect debt	<u>70,202,675</u>
<i>Direct and Indirect Debt</i>	<u>\$ 76,587,675</u>

Facts for Ratio Computations

2024/2025 Economic Market Value (real and personal property)	\$4,882,025,754
Population (2025 estimate)	9,525

Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct Debt</i>	<i>Indirect Debt</i>	<i>Direct and Indirect Debt</i>
To Economic Market Value	.13%	1.44%	1.57%
Per Capita	\$670	\$7,370	\$8,040

APPENDIX A

Proposed Form of Legal Opinion

PROPOSED FORM OF LEGAL OPINION

\$2,500,000
GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2025A
ROCK COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the Rock County, Minnesota (the "Issuer"), of its \$2,500,000 General Obligation Capital Improvement Plan Bonds, Series 2025A, bearing a date of original issue of December 30, 2025 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of

Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX B

Proposed Form of Continuing Disclosure Undertaking

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the Rock County, Minnesota (the "Issuer"), in connection with the issuance of its \$2,500,000 General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on December 2, 2025 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 4 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2025, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2025, the Issuer shall, or shall cause the Dissemination Agent to provide, at least annually to the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, its Audited Financial Statements for the most recent Fiscal Year, which is the only financial information or operating data which is customarily prepared by the Issuer and publicly available, by not later than December 31, 2026, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the dates required in subsections A or B, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Reporting of Significant Events. This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive

- agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
 - (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

SECTION 5. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 6. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 8. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 9. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 10. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 11. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 7 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: December 30, 2025.

ROCK COUNTY, MINNESOTA

By _____
Its Board Chair

By _____
Its County Administrator

APPENDIX C

County's Financial Report

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2024. The complete financial report for the year 2024 and the prior two years are available for inspection at the County Offices and the office of Northland Securities, Inc. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.



INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Rock County
Luverne, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Rock County (the County), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 the County's basic financial statements. The combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures, and changes in fund balance – nonmajor governmental funds, budgetary comparison schedules, combining statement of fiduciary net position – custodial funds, combining statement of changes in fiduciary net position – custodial funds, schedule of intergovernmental revenue, and the Rock County Rural Water District statements 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 GAAS. In our opinion, the combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures, and changes in fund balance – nonmajor governmental funds, budgetary comparison schedules, combining statement of fiduciary net position – custodial funds, combining statement of changes in fiduciary net position – custodial funds, schedule of intergovernmental revenue, and the Rock County Rural Water District statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2025, on our consideration of the 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 solely 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 effectiveness of the County's 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 the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Alexandria, Minnesota
October 21, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ROCK COUNTY
LUVERNE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024
(Unaudited)**

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2024. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$85,440,580, of which \$73,914,510 represents net investment in capital assets, and \$3,673,337 is restricted to specific purposes. The \$7,852,733 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$4,679,363 for the year ended December 31, 2024.
- The net cost of governmental activities for the current fiscal year was \$5,451,968. General revenues and other items totaling \$10,131,331 funded the net cost.
- At the close of 2024, Rock County's combined ending governmental fund balances totaled \$16,823,569, a decrease of \$675,071 from 2023. Of the total fund balance, \$4,450,417 was unassigned by Rock County and thus available for spending at the government's discretion.
- For the year ended December 31, 2024, the assigned and unassigned balance of the General Fund was \$7,280,561, or 78.8 percent, of the total General Fund expenditures for that year. This represents a decrease from 2023, which had 102.0 percent of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Level Financial Statements

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

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

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

The County adopts an annual appropriated budget for its General Fund, Public Works Special Revenue Fund, Family Services Special Revenue Fund, Land Management Special Revenue Fund, Ditch Special Revenue Fund, and Debt Service Fund. Budgetary comparison schedules have been provided as either required or other supplementary information for each of these funds to demonstrate compliance with this budget.

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

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

All fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Exhibit 7, Statement of Changes in Fiduciary Net Position on Exhibit 8, and the Custodial Funds Combining Statements are shown on Exhibits C-1 and C-2.

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

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 91 of this report.

Other Information

Other information is provided as supplementary information regarding Rock County's intergovernmental revenue.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Rock County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$85,440,580 at the close of 2024. The largest portion of Rock County's net position (86.5 percent) reflects the County's net investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

Net Position

	Governmental Activities	
	2024	2023
Assets		
Current and other assets	\$ 20,051,892	\$ 20,606,296
Capital assets	78,648,251	74,834,852
Total Assets	\$ 98,700,143	\$ 95,441,148
Deferred Outflows of Resources		
Pension related	\$ 1,972,399	\$ 2,804,271
OPEB related	55,390	26,063
Total Deferred Outflows of Resources	\$ 2,027,789	\$ 2,830,334
Liabilities		
Long-term liabilities	\$ 10,926,717	\$ 12,794,406
Current liabilities	1,138,291	1,493,732
Total Liabilities	\$ 12,065,008	\$ 14,288,138
Deferred Inflows of Resources		
Lease related	\$ 92,855	\$ 183,412
OPEB related	46,832	34,587
Pension related	3,072,969	3,001,550
Taxes collected for subsequent period	9,688	2,578
Total Deferred Inflows of Resources	\$ 3,222,344	\$ 3,222,127
Net Position		
Net investment in capital assets	\$ 73,914,541	\$ 68,975,727
Restricted	3,673,337	3,833,767
Unrestricted	7,852,733	7,951,723
Total Net Position	\$ 85,440,580	\$ 80,761,217

Unrestricted net position--the part of net position that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--was 9.2 percent of the net position.

Governmental Activities

The County's governmental activities increased net position by 5.8 percent (\$85,440,580 for 2024 compared to \$80,761,217 for 2023). Key elements in this increase in net position are as follows for 2024, with comparative data for 2023:

Changes in Net Position

	Governmental Activities	
	2024	2023
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 2,881,361	\$ 3,441,613
Operating grants and contributions	4,356,877	3,757,006
Capital grants and contributions	5,136,091	4,246,913
General revenues		
Property and other taxes	8,102,017	7,695,356
Unrestricted state aid	1,027,733	752,644
Investment earnings	890,538	897,201
Other	111,043	124,315
Total Revenues	\$ 22,505,660	\$ 20,915,048
Expenses		
General government	\$ 3,823,469	\$ 4,553,015
Public safety	2,942,118	3,076,804
Highways and streets	6,676,462	5,345,193
Sanitation	1,083,957	1,067,484
Human services	1,885,910	1,689,626
Health	152,000	172,140
Culture and recreation	533,842	602,534
Conservation of natural resources	625,863	671,010
Economic development	8,534	23,596
Interest	94,142	130,749
Total Expenses	\$ 17,826,297	\$ 17,332,151
Change in Net Position	\$ 4,679,363	\$ 3,582,897
Net Position - January 1	80,761,217	77,178,320
Net Position - December 31	\$ 85,440,580	\$ 80,761,217

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$16,823,569, a decrease of \$675,071 in comparison with the prior year. Of the combined ending fund balances, \$11,031,310 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is classified as either nonspendable or restricted to indicate that it is not available for new

spending because it has already been restricted for various reasons either by state law, grant agreements, bond covenants, or is nonspendable.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted (committed, assigned, and unassigned) fund balance of \$7,280,561. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted (committed, assigned, and unassigned) fund balance to total expenditures. The General Fund's unrestricted (committed, assigned, and unassigned) fund balance represents 78.8 percent of total General Fund expenditures. During 2024, the ending fund balance decreased by \$424,166.

The Public Works Special Revenue Fund had an assigned fund balance of \$3,288,414 at fiscal year-end, representing 33.0 percent of its annual expenditures. The ending fund balance increased \$137,125 during 2024.

The Land Management Special Revenue Fund had an assigned fund balance of \$330,439 at fiscal year-end, representing 37.1 percent of its annual expenditures. The ending fund balance decreased \$190,908 during 2024.

The Debt Service Fund had a restricted fund balance of \$2,933,274 at fiscal year-end, representing 303.5 percent of its annual expenditures. The fund balance decreased \$67,761 due to current year activity. The Debt Service Fund consists of tax levy dollars used to pay the bond for the construction of the Law Enforcement Center, bonds for highway capital equipment and infrastructure, and capital improvements. The Debt Service fund also consists of a receivable for debt issued for Rock County Rural Water, the component unit to the County.

The Capital Projects Fund had an ending fund balance of \$594,665 at fiscal year-end, representing 1,482.6 percent of its annual expenditures.

Governmental Activities

The County's total revenues were \$22,505,660. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2024.

Table 1
Total County Revenues

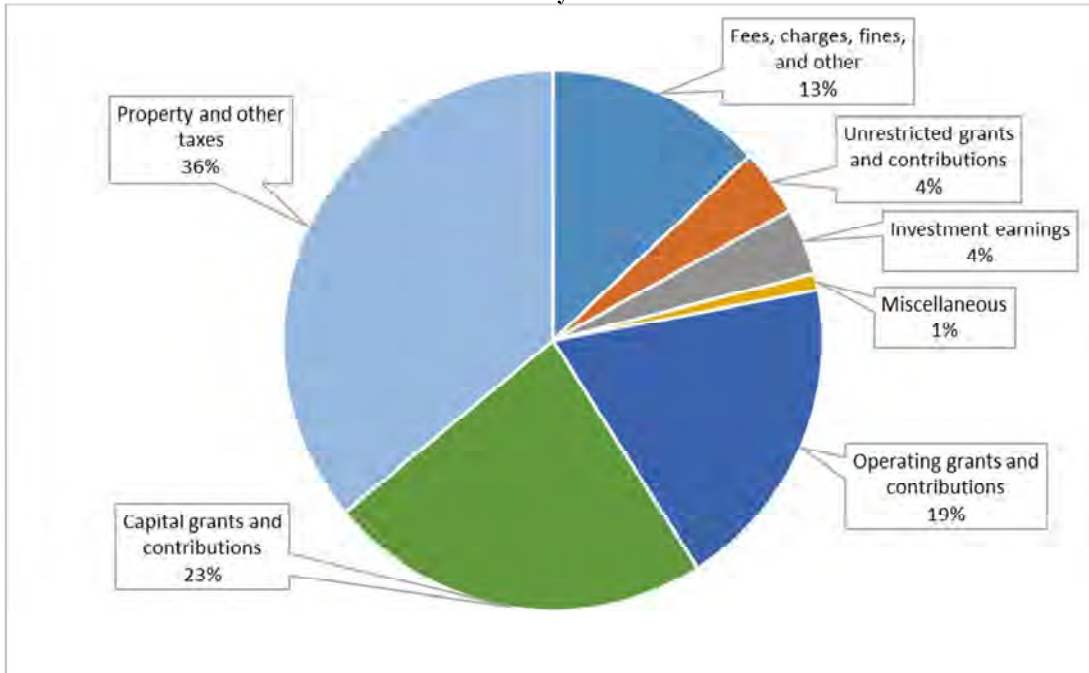
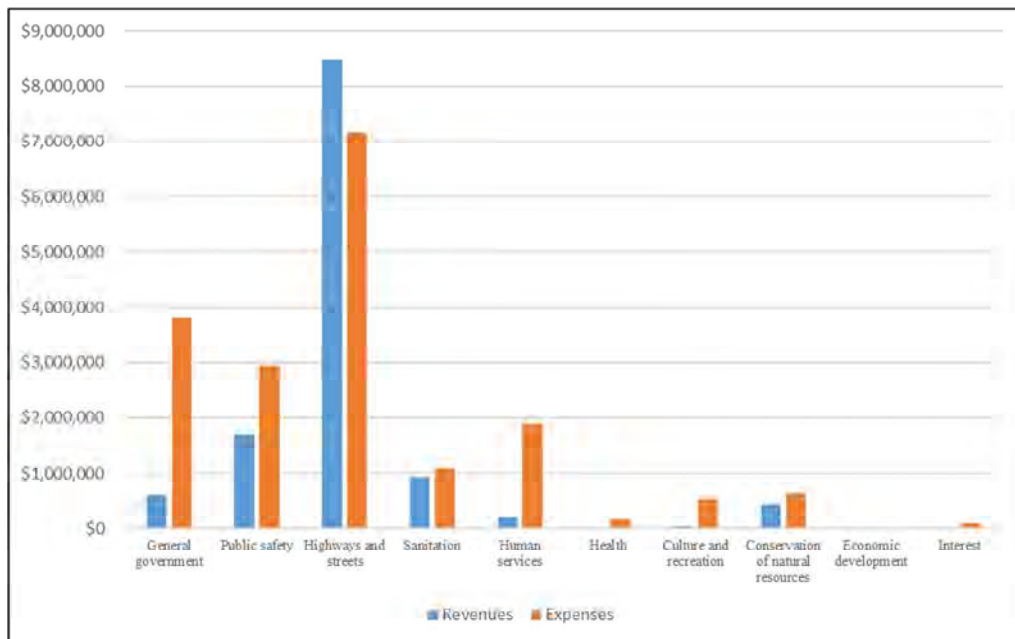


Table 2 presents the cost and revenue of each program of the County. Total program and general revenues for the County were \$22,505,660, while total expenses were \$17,826,297. This reflects a \$4,679,363 increase in net position for the year ended December 31, 2024.

Table 2
Total Program Revenues and Expenses



(Unaudited)

The cost of all governmental activities this year was \$17,826,297. However, as shown on the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$6,930,259 because some of the costs were paid by those who directly benefited from the programs (\$2,881,361) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9,492,968). The County paid for the remaining “public benefit” portion of governmental activities with \$10,131,331 in general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as grants and contributions not restricted to specific programs, and investment income.

Table 3 presents the cost of each of the County’s four largest program functions as well as each function’s net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden placed on the County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost (Revenue) of Services	
	2024	2023	2024	2023
Highways and streets	\$ 6,676,462	\$ 5,345,193	\$ (1,802,811)	\$ (1,783,785)
General government	3,823,469	4,553,015	3,229,892	3,419,860
Public safety	2,942,118	3,076,804	1,240,901	1,322,659
Human services	1,885,910	1,689,626	1,689,430	1,675,039
All others	2,498,338	2,667,513	1,094,556	1,252,846
Totals	<u>\$ 17,826,297</u>	<u>\$ 17,332,151</u>	<u>\$ 5,451,968</u>	<u>\$ 5,886,619</u>

General Fund Budgetary Highlights

Actual General Fund revenues exceeded final budgeted revenues by \$1,622,824 primarily due to greater than expected grants and other intergovernmental aid, and investment earnings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County’s capital assets for its governmental activities at December 31, 2024, totaled \$78,648,251 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, equipment, infrastructure, subscription assets, and right-to-use assets. The investment in capital assets increased \$3,813,399, or 5.1 percent, from the previous year. The major capital asset events were additions to:

Infrastructure	\$ 4,314,823
Machinery, furniture, and equipment	2,460,918

(Unaudited)

Page 14

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

	2024	2023
Land/Right of way	\$ 1,212,882	\$ 1,212,882
Works of art and historical treasures	620,000	620,000
Construction in progress	871,866	2,164,831
Infrastructure	62,555,179	60,137,810
Buildings	7,333,022	6,552,229
Land improvements	320,937	342,937
Machinery, equipment, and vehicles	5,280,293	3,402,631
Leased buildings	60,593	108,851
Leased equipment	365,665	245,089
Software	27,814	47,592
	<hr/>	<hr/>
Total	<u>\$ 78,648,251</u>	<u>\$ 74,834,852</u>

Additional information about the County's capital assets can be found in Note 3.A.5. to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$7,386,404, which was backed by the full faith and credit of the government.

Table 5
Outstanding Debt

	2024	2023
General obligation bonds	\$ 4,610,000	\$ 5,315,000
Leases	428,632	355,562
Subscription liability	26,190	45,369
Revenue notes	62,000	93,000
Loans payable	2,259,582	2,328,196
	<hr/>	<hr/>
Total	<u>\$ 7,386,404</u>	<u>\$ 8,137,127</u>

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2024, the County's outstanding debt was 0.17 percent of its total estimated market value of \$4,396,764,300.

Additional information on the County's long-term debt can be found in Note 3.C.4. through Note 3.C.8. to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

- The unemployment rate for Rock County at the end of 2024 was 1.6 percent. This compares favorably with the state unemployment rate of 2.6 percent. The 2024 population is estimated at 9,527.
- On December 17, 2024, the Rock County Board of Commissioners approved the 2025 budget and adopted a property tax levy of \$7,462,412, which represents a 5.50 percent increase over the 2024 property tax levy of \$7,073,321.

Rock County Tax Rate and Levy History

2025	17.302%	\$7,462,412
2024	17.519	7,073,321
2023	21.401	6,827,411
2022	23.966	6,533,570
2021	22.722	6,345,106
2020	22.534	6,190,169
2019	21.824	5,872,592
2018	21.528	5,633,174
2017	19.841	5,469,492
2016	19.841	5,153,362

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	Primary Government	Component Unit
	Governmental	Rock County Rural
	Activities	Water District
ASSETS		
Cash and Cash Equivalents	\$ 14,278,602	\$ 689,506
Cash and Cash Equivalents - Restricted	-	2,757,184
Accounts Receivable	2,966,919	131,231
Accounts Receivable - Restricted	-	575,796
Due from Component Unit	2,286,265	-
Lease Receivable	100,820	-
Prepaid Items	419,286	162,966
Capital Assets:		
Non-Depreciable	2,704,748	1,103,533
Depreciable - Net of Accumulated Depreciation	75,489,431	8,505,865
Amortizable - Net of Accumulated Amortization	454,072	1,798
Total Assets	98,700,143	13,927,879
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	1,972,399	21,963
OPEB Related	55,390	1,806
Total Deferred Outflows of Resources	2,027,789	23,769
LIABILITIES		
Accounts Payable and Other Current Liabilities	945,956	152,295
Due to Primary Government	-	85,972
Unearned Revenue	133,485	-
Customer Deposits	19,923	4,730
Interest Payable	38,927	48,544
Long-Term Liabilities:		
Due Within One Year	1,062,428	3,042
Due in More Than One Year	6,976,229	33,532
Due to Primary Government	-	2,200,293
Net Pension Liability	2,587,660	114,797
Other Postemployment Benefits Obligation	300,400	7,550
Total Liabilities	12,065,008	2,650,755
DEFERRED INFLOWS OF RESOURCES		
Lease Related	92,855	-
Pension Related	3,072,969	80,326
OPEB Related	46,832	1,881
Taxes Collected for Subsequent Period	9,688	-
Total Deferred Inflows of Resources	3,222,344	82,207
NET POSITION		
Net Investment in Capital Assets	73,914,510	7,399,351
Restricted For:		
General Government	528,161	-
Public Safety	519,739	-
Highways and Streets	1,580,057	-
Debt Service	612,070	-
Rural Water Distribution System	-	2,647,480
Short Lived Asset Replacement	-	776,900
Conservation	146,738	-
Opioid Epidemic	286,572	-
Unrestricted	7,852,733	394,955
Total Net Position	\$ 85,440,580	\$ 11,218,686

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

**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

FUNCTIONS/PROGRAMS	Program Revenues		
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES			
General government	\$ 3,823,469	\$ 527,711	\$ 65,866
Public safety	2,942,118	1,381,175	320,042
Highways and streets	6,676,462	113,961	3,229,221
Sanitation	1,083,957	835,865	86,753
Human services	1,885,910	-	196,480
Health	152,000	-	-
Culture and recreation	533,842	8,836	23,558
Conservation of natural resources	625,863	13,813	434,957
Economic development	8,534	-	-
Interest	94,142	-	-
Total Governmental Activities	<u>\$ 17,826,297</u>	<u>\$ 2,881,361</u>	<u>\$ 4,356,877</u>
COMPONENT UNIT			
Rock County Rural Water District	<u>\$ 1,403,154</u>	<u>\$ 1,259,818</u>	<u>\$ 24,817</u>
GENERAL REVENUES			
Property taxes			
Wind production tax			
Other taxes			
Payments in lieu of tax			
Grants and contributions not restricted for a particular purpose			
Investment earnings			
Miscellaneous			
Gain on sale of capital assets			
Total General Revenues			
CHANGE IN NET POSITION			
Net Position - Beginning of Year			
NET POSITION - END OF YEAR			

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

**ROCK COUNTY
LUVERNE, MINNESOTA**

***EXHIBIT 2
(Continued)***

	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	Component Unit
	Governmental Activities	Rock County Rural Water District
Capital Grants and Contributions		
\$ -	\$ (3,229,892)	
-	(1,240,901)	
5,136,091	1,802,811	
-	(161,339)	
-	(1,689,430)	
-	(152,000)	
-	(501,448)	
-	(177,093)	
-	(8,534)	
-	(94,142)	
<u>\$ 5,136,091</u>	<u>(5,451,968)</u>	
<u>150,844</u>		\$ 32,325
	\$ 6,930,259	-
	851,151	-
	250,125	-
	70,482	-
	1,027,733	-
	890,538	64,561
	111,043	-
	-	12,425
	<u>10,131,331</u>	<u>76,986</u>
	4,679,363	109,311
	<u>80,761,217</u>	<u>11,109,375</u>
	<u>\$ 85,440,580</u>	<u>\$ 11,218,686</u>

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

FUND FINANCIAL STATEMENTS

**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	General	Public Works	Land Management
ASSETS			
Cash and Cash Equivalents	\$ 8,693,316	\$ 3,430,124	\$ 455,262
Petty Cash and Change Funds	1,575	100	-
Taxes Receivable - Delinquent	18,707	4,460	180
Special Assessments Receivable	-	-	14,576
Accounts Receivable	475,527	76,862	26
Accrued Interest Receivable	390	-	9
Due From Component Unit	-	-	-
Loans Receivable	551,762	-	-
Lease Receivable	100,820	-	-
Due from Other Governments	47,301	1,647,400	120,983
Prepaid Items	177,783	238,855	2,648
Total Assets	<u>\$ 10,067,181</u>	<u>\$ 5,397,801</u>	<u>\$ 593,684</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 261,019	\$ 66,868	\$ 4,325
Salaries Payable	151,936	67,050	27,658
Contracts Payable	30,540	39,037	-
Due to Other Governments	3,015	64,539	-
Unearned Revenue	56,671	-	76,814
Customer Deposits	1,923	-	18,000
Total Liabilities	505,104	237,494	126,797
DEFERRED INFLOWS OF RESOURCES			
Lease Related	92,855	-	-
Taxes Collected for Subsequent Period	5,694	1,303	55
Unavailable Revenue	401,973	1,509,826	105,881
Total Deferred Inflows of Resources	500,522	1,511,129	105,936

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

**ROCK COUNTY
LIVERNE, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 647,471	\$ 594,665	\$ 456,089	\$ 14,276,927
-	-	-	1,675
1,616	-	7,120	32,083
-	-	-	14,576
-	-	-	552,415
-	-	-	399
2,286,265	-	-	2,286,265
-	-	-	551,762
-	-	-	100,820
-	-	-	1,815,684
-	-	-	419,286
<u>\$ 2,935,352</u>	<u>\$ 594,665</u>	<u>\$ 463,209</u>	<u>\$ 20,051,892</u>
\$ -	\$ -	\$ -	\$ 332,212
-	-	-	246,644
-	-	-	69,577
-	-	229,969	297,523
-	-	-	133,485
<u>-</u>	<u>-</u>	<u>-</u>	<u>19,923</u>
-	-	229,969	1,099,364
-	-	-	92,855
462	-	2,174	9,688
1,616	-	7,120	2,026,416
<u>2,078</u>	<u>-</u>	<u>9,294</u>	<u>2,128,959</u>

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

**ROCK COUNTY
LUVERNE, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	General	Public Works	Land Management
FUND BALANCES			
Nonspendable:			
Loans Receivable	\$ 551,762	\$ -	\$ -
Prepaid Items	177,783	238,855	2,648
Missing Heirs	3,549	-	-
Restricted:			
Law Library	68,591	-	-
Gun Permit Fees	96,268	-	-
Recorder's Technology	33,568	-	-
Recorder's Compliance	184,054	-	-
E-911	378,155	-	-
Septic System Loans	-	-	27,864
Sheriff's Reward	1,460	-	-
Sheriff's Contingency	4,013	-	-
Sheriff's Forfeited Property	21,765	-	-
Attorney Forfeited Property	22,346	-	-
Transportation	33,284	-	-
Election Grant	13,556	-	-
Housing	172,762	-	-
Public Safety	18,078	-	-
Capital Projects	-	-	-
Highway Allotments	-	121,909	-
Ditch Repairs and Maintenance	-	-	-
Debt Service	-	-	-
Assigned:			
Public Works	-	3,288,414	-
LRO Tapestry	17,420	-	-
EDA	13,822	-	-
Family Services	-	-	-
Land Management	-	-	330,439
Cannabis Aid	2,114	-	-
Capital Improvements	1,825,000	-	-
Capital Equipment	819,178	-	-
Elections	152,610	-	-
Unassigned	4,450,417	-	-
Total Fund Balances	9,061,555	3,649,178	360,951
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,067,181	\$ 5,397,801	\$ 593,684

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

**ROCK COUNTY
LUVERNE, MINNESOTA**

***EXHIBIT 3
(Continued)***

**BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ -	\$ -	\$ -	\$ 551,762
-	-	-	419,286
-	-	-	3,549
-	-	-	68,591
-	-	-	96,268
-	-	-	33,568
-	-	-	184,054
-	-	-	378,155
-	-	-	27,864
-	-	-	1,460
-	-	-	4,013
-	-	-	21,765
-	-	-	22,346
-	-	-	33,284
-	-	-	13,556
-	-	-	172,762
-	-	-	18,078
-	567,810	-	567,810
-	-	-	121,909
-	-	118,905	118,905
2,933,274	-	-	2,933,274
-	-	-	3,288,414
-	-	-	17,420
-	-	-	13,822
-	-	105,041	105,041
-	-	-	330,439
-	-	-	2,114
-	-	-	1,825,000
-	26,855	-	846,033
-	-	-	152,610
-	-	-	4,450,417
2,933,274	594,665	223,946	16,823,569
\$ 2,935,352	\$ 594,665	\$ 463,209	\$ 20,051,892

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

**ROCK COUNTY
LIVERNE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 16,823,569

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets, net of accumulated depreciation/amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental 78,648,251

Other long-term assets (deferred inflows of resources) are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds. 2,026,416

Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	\$ 1,972,399	
Deferred Outflows of Resources Related to Other Postemployment Benefits	55,390	
Deferred Inflows of Resources Related to Pensions	(3,072,969)	
Deferred Inflows of Resources Related to Other Postemployment Benefits	<u>(46,832)</u>	(1,092,012)

Long-term liabilities, including bonds payable and net pension liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General Obligation Bonds	(4,610,000)	
Loans Payable	(2,259,582)	
Unamortized Bond Premium	(167,152)	
Lease Liability	(428,632)	
Subscription Liability	(26,190)	
Revenue Notes	(62,000)	
Accrued Interest	(38,927)	
Compensated Absences	(485,101)	
Net Pension Liability	(2,587,660)	
Other Postemployment Benefits	<u>(300,400)</u>	<u>(10,965,644)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 85,440,580**

**ROCK COUNTY
LIVERNE, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	General	Public Works	Land Management
REVENUES			
Taxes	\$ 4,467,067	\$ 1,164,532	\$ 38,899
Special Assessments	-	-	219,788
Licenses and Permits	9,715	-	20,393
Intergovernmental	1,160,396	8,057,283	428,287
Charges for Services	1,716,891	707,162	2,421
Fines and Forfeits	2,215	-	-
Gifts and Contributions	625	-	-
Investment Earnings	886,762	4,223	100
Miscellaneous	313,126	29,536	30,875
Total Revenues	<u>8,556,797</u>	<u>9,962,736</u>	<u>740,763</u>
EXPENDITURES			
CURRENT			
General Government	2,743,833	-	27,713
Public Safety	3,001,601	-	-
Highways and Streets	-	4,461,114	-
Sanitation	-	693,482	354,018
Human Services	-	-	-
Health	158,251	-	-
Culture and Recreation	553,753	-	-
Conservation of Natural Resources	161,447	-	460,420
Economic Development	8,534	-	-
INTERGOVERNMENTAL	376,448	416,019	-
CAPITAL OUTLAY			
General Government	2,056,127	-	-
Highways and Streets	-	4,400,267	-
DEBT SERVICE			
Principal	171,536	-	47,062
Interest	8,280	-	1,127
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	<u>9,239,810</u>	<u>9,970,882</u>	<u>890,340</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	(683,013)	(8,146)	(149,577)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	118,671	-
Transfers Out	-	-	(41,331)
Proceeds from Sale of Capital Assets	-	26,600	-
Leases	258,847	-	-
Total Other Financing Sources (Uses)	<u>258,847</u>	<u>145,271</u>	<u>(41,331)</u>
NET CHANGE IN FUND BALANCES	(424,166)	137,125	(190,908)
Fund Balances - Beginning of Year	9,485,721	3,512,053	551,859
FUND BALANCES - END OF YEAR	<u>\$ 9,061,555</u>	<u>\$ 3,649,178</u>	<u>\$ 360,951</u>

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

**ROCK COUNTY
LIVERNE, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 805,347	\$ -	\$ 1,544,819	\$ 8,020,664
-	-	-	219,788
-	-	-	30,108
43,447	-	206,130	9,895,543
-	-	-	2,426,474
-	-	-	2,215
-	-	-	625
-	-	-	891,085
50,314	-	-	423,851
899,108	-	1,750,949	21,910,353
-	-	-	2,771,546
-	-	-	3,001,601
-	-	-	4,461,114
-	-	-	1,047,500
-	-	10,000	10,000
-	-	-	158,251
-	-	-	553,753
-	-	-	621,867
-	-	-	8,534
-	-	1,753,211	2,545,678
-	40,136	-	2,096,263
-	-	-	4,400,267
790,972	-	-	1,009,570
174,200	-	-	183,607
1,320	-	-	1,320
966,492	40,136	1,763,211	22,870,871
(67,384)	(40,136)	(12,262)	(960,518)
44	421	-	119,136
(421)	(77,384)	-	(119,136)
-	-	-	26,600
-	-	-	258,847
(377)	(76,963)	-	285,447
(67,761)	(117,099)	(12,262)	(675,071)
3,001,035	711,764	236,208	17,498,640
\$ 2,933,274	\$ 594,665	\$ 223,946	\$ 16,823,569

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

**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (675,071)**

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 activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Expenditures for General Capital Assets, Infrastructure, and Other Related	\$ 6,754,084	
Net Book Value of Capital Asset Disposals	(16,114)	
Current Year Depreciation/Amortization	<u>(2,924,571)</u>	3,813,399

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	554,517
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Governmental funds report pension and other postemployment contributions as expenditures when made. However, in the statement of activities, expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources, and the investment experience.	299,698
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The issuance of long-term debt (e.g., bonds payable, loans payable) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuances are:

Lease Liability Proceeds	(258,847)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Repayments	
General Obligation Bonds	705,000
Revenue Notes	31,000
Lease Liability	185,777
Subscription Liability	19,179
Loan Payments	<u>68,614</u>
	1,009,570

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

Change in Accrued Interest Payable	5,038	
Amortization of Premiums	35,431	
Change in Compensated Absences	<u>(104,372)</u>	<u>(63,903)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,679,363</u>
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FIDUCIARY FUNDS

**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2024**

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 1,634,351
Due From Other Governments	1,426
Taxes For Other Governments	118,290
Accounts Receivable	19,796
Prepaid Items	<u>20,242</u>
Total Assets	1,794,105
LIABILITIES	
Accounts Payable	\$ 155,416
Contracts Payable	108,778
Due to Other Governments	219,354
Unavailable Revenue	<u>6,291</u>
Total Liabilities	489,839
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Collected for Subsequent Period	<u>10,082</u>
NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	<u><u>\$ 1,294,184</u></u>

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

**ROCK COUNTY
LUVERNE, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR YEAR ENDED DECEMBER 31, 2024**

	<u>Custodial Funds</u>
ADDITIONS	
Contributions - Individuals	\$ 939,631
Investment Earnings:	
Interest, Dividends and Other	37,450
Intergovernmental	2,121,014
Property Tax Collections for Other Governments	14,106,578
License and Fees Collected for State	4,813,820
Miscellaneous	<u>31,663</u>
Total Additions	22,050,156
DEDUCTIONS	
Payments of Property Tax to Other Governments	14,079,688
Payments to State	4,813,820
Payments to Other Entities	2,177,525
Miscellaneous	<u>907,087</u>
Total Deductions	<u>21,978,120</u>
CHANGE IN FIDUCIARY NET POSITION	72,036
Fiduciary Net Position - Beginning of Year	<u>1,222,148</u>
FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 1,294,184</u>

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

**ROCK COUNTY
LIVERNE, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2024. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Rock County was established May 23, 1884, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. § 373.01. As required by accounting principles generally accepted in the United States of America, these financial statements present Rock County (primary government) and its component unit for which the County is financially accountable. The County is financially accountable if it appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body, or if the organization could potentially provide specific financial benefits or impose specific financial burdens on the County.

The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the County Board, serves as the clerk of the Board but does not vote in its decisions.

Discretely Presented Component Unit

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The Rock County Rural Water District is included in the County's reporting entity because of the significance of its operational and financial relationship with the County. The Rock County Board of Commissioners appoints the members of the Rural Water District Board, and the District has the potential to be a financial burden or benefit to the County. The Rock County Rural

**ROCK COUNTY
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Unit (Continued)

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

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 6.B.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which are normally supported by taxes and intergovernmental revenue, are reported separately.

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the

**ROCK COUNTY
LUVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The Public Works Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways and accounts for the County's garbage transfer station.
- The Land Management Special Revenue Fund— accounts for restricted special assessment revenues, restricted revenues from the state government, and assigned property tax revenues for the maintenance of the County's sanitation, planning and zoning, and water planning functions.

**ROCK COUNTY
LUVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- The Debt Service Fund is used to account for the financial resources restricted for payment of long-term principal, interest, and related costs.
- The Capital Projects Fund is used to account for the general obligation bond proceeds and related capital expenditures.

Additionally, the County reports the following fund types:

- Custodial funds account for monies held in a fiduciary capacity for property taxes collected for other governments and special districts that use the County as a depository.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Rock County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, shared revenues, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuances of long-term debt and financing through leases are reported as other financing sources.

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

**ROCK COUNTY
LUVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

1. Cash and Cash Equivalents

Rock County and its component unit have defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's or the component unit's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2024, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2024 were \$891,085 for the County.

3. Receivables and Payables

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as taxes receivable - delinquent.

Special assessments receivable consists of prior special assessments payable in the years 2018 through 2024 and noncurrent special assessments payable in 2024 and after. Unpaid special assessments at December 31 are classified in the financial statements as special assessments receivable. No allowance for uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

**ROCK COUNTY
LUVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Prepaid Items

Prepaid items consist of prepaid supplies held for consumption. 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. The cost of prepaid items is recorded as expenditures/expenses during the periods benefited.

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

6. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures made on behalf of another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers. All interfund transactions are eliminated.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The Rock County Rural Water District defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (entry price) at the date of donation.

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

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

**ROCK COUNTY
LUVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Capital Assets (Continued)

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

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

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

8. Compensated Absences

The liability for compensated absences reported in the financial statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the General Fund if they normally would be liquidated with expendable available financial resources. The statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation. The noncurrent portion consists of the remaining amount of vacation and vested sick leave.

**ROCK COUNTY
LUVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Long-Term Obligations

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

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

10. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The pension liability is liquidated through the General Fund, the Public Works Special Revenue Fund, and the Land Management Special Revenue Fund. The Rock County Rural Water District's net pension liability is liquidated within the fund.

**ROCK COUNTY
LUVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has two items, deferred pension and deferred other postemployment benefits outflow that qualify for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension and OPEB plan contributions paid subsequent to the measurement date, pension plan changes in proportionate share, differences between expected and actual economic experience, changes in actuarial assumptions and the difference between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has various types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, special assessments receivable, settlements receivable, interest receivable, and grant monies receivable, for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under a modified accrual basis of accounting and accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is unavailable and recognized as an inflow of resources in the period that the amounts become available. The county also reports deferred inflows related to leases. The lease related deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus any payments received at or before the start of the lease term that relates to future periods, less any lease incentives paid to, or on behalf of the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease. The County and the Rock County Rural Water District also have deferred pension and OPEB inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual plan economic experience, changes in assumptions and also plan changes proportionate share and, accordingly, are reported only in the statement of net position. The County reports a deferred inflow for taxes collected for the subsequent tax year levy in the fund level statements, the government wide statements and the fiduciary fund statements.

**ROCK COUNTY
LUVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Unearned Revenue

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

13. Classification of Net Position

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

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

14. Classification of Fund Balances

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

- Nonspendable - amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- Restricted - amounts in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**ROCK COUNTY
LUVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

14. Classification of Fund Balances (Continued)

- Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.
- Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board, the County Administrator, or the County Auditor/Treasurer, who have been delegated that authority by Board resolution.
- Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

15. Minimum Fund Balance

Rock County has adopted a minimum fund balance policy for the General Fund and special revenue funds. The General Fund and special revenue funds are heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than 35 to 50 percent of fund operating revenues, or no less than five months of operating expenditures.

**ROCK COUNTY
LUVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

16. Use of Estimates

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

17. Adoption of New Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

Rock County adopted the requirements of the guidance effective January 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption.

2. Stewardship, Compliance and Accountability

A. Excess of Expenditures over Budget

Expenditures exceeded budget in the following funds. Fund balance was available to cover overages that were not covered by federal and state grants.

<u>Fund</u>	<u>Expenditures</u>	<u>Budgets</u>	<u>Excess</u>
General Fund	\$ 9,239,810	\$ 6,996,428	\$ 2,243,382
Public Works Fund	9,970,882	4,207,046	5,763,836
Family Services Fund	1,763,211	1,751,519	11,692
Debt Service Fund	966,492	837,108	129,384

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Reconciliation of the County's total cash and cash equivalents to the basic financial statements follows:

Government-wide statement of net position	
Governmental activities	
Cash and cash equivalents	\$ 14,278,602
Statement of fiduciary net position	
Cash and cash equivalents	<u>1,634,351</u>
 Total Cash and Cash Equivalents	 <u>\$ 15,912,953</u>
 Petty cash and change funds	 \$ 1,768
Checking	10,636,237
Savings	5,269,948
Certificates of deposit	<u>5,000</u>
 Total Deposits and Cash on Hand	 <u>\$ 15,912,953</u>

a. Deposits

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

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

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2024, the County's deposits were fully insured and collateralized as required by Minnesota Statutes § 118A.03.

b. Investments

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

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

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County and component unit policy minimizes their exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the policy of the County and the Rock County Rural Water District to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

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

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

Rock County and the Rock County Rural Water District had no investments at December 31, 2024.

2. Receivables

Receivables as of December 31, 2024, for the County's governmental activities are as follows:

	<u>Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes	\$ 32,083	\$ -
Special assessments	14,576	1,751
Accounts receivable	552,415	267,293
Interest	399	-
Loans receivable	551,762	95,173
Due from other governments	<u>1,815,684</u>	<u>-</u>
Total Governmental Activities	<u>\$ 2,966,919</u>	<u>\$ 364,217</u>

At December 31, 2024, the Rock County reported \$2,286,265 as due from Rock County Rural Water District for commitments to pay back the USDA loan, G.O. Revenue Note and the MN pollution control loan. The County sponsored the loan on behalf of Rural Water District as the District does not have the authority to issue debt. See footnote 3.C.4. for more details on the loans and notes.

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Loans Receivable

The General Fund has a loans receivable balance of \$551,762 as follows:

In March 2012, the County approved a \$150,000 loan to the Southwestern Mental Health Center, Inc., to bridge a financing gap for a building project. The loan is to be repaid with semi-annual repayments of \$3,336 each year through beginning October 15, 2013, which includes interest on the unpaid principal at two percent. Beginning October 1, 2023, and ending March 1, 2043, the interest rate increases to three percent, with semi-annual repayments of \$3,604. The loan was issued during July 2013.

In July 2024, the County approved a \$450,000 loan to the Buffalo Ridge Regional Rail Authority, to bridge a gap in flood repair reimbursement from FEMA for a federally declared disaster. The loan does not have a stated interest rate or repayment schedule.

4. Long-Term Lease Receivables

The County, acting as lessor, leases office space to the Department of Public Safety Vehicle Services division. An initial lease receivable was recorded in the amount of \$1,793. As of December 31, 2024, the value of the lease receivable is \$1,395. The lessee is required to make quarterly fixed payments of \$200. The lease has an interest rate of 0.38%. The value of the deferred inflow of resources as of December 31, 2024, was \$1,349 and the County recognized \$398 and \$2 in lease revenue and interest revenue respectively, pursuant to this lease.

The County leases office space to Southwest Health and Human Services. An initial lease receivable was recorded in the amount of \$366,026. As of December 31, 2024, the value of the lease receivable is \$99,425. The lessee is required to make monthly fixed payments of \$7,125. The lease has an interest rate of 0.6020%. The value of the deferred inflow of resources as of December 31, 2024, was \$91,507 and the County recognized \$94,094 and \$906 in lease revenue and interest revenue respectively, pursuant to this lease.

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

4. Long-Term Lease Receivables (Continued)

Principal and interest requirements to maturity under lease agreements are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 100,221	\$ 329
2026	599	1
Total governmental activities lease payments	<u>\$ 100,820</u>	<u>\$ 330</u>

5. Capital Assets

Capital asset activity for the year ended December 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 193,861	\$ -	\$ -	\$ 193,861
Right-of-way	1,019,021	-	-	1,019,021
Construction in progress	2,164,831	871,866	2,164,831	871,866
Works of art and historical treasures	620,000	-	-	620,000
Total capital assets not depreciated	<u>\$ 3,997,713</u>	<u>\$ 871,866</u>	<u>\$ 2,164,831</u>	<u>\$ 2,704,748</u>
Capital assets depreciated				
Buildings	\$ 11,194,983	\$ 1,005,114	\$ -	\$ 12,200,097
Land improvements	543,524	7,347	-	550,871
Machinery, furniture, and equipment	8,905,643	2,460,918	295,977	11,070,584
Infrastructure	90,557,831	4,314,823	-	94,872,654
Total capital assets depreciated	<u>\$ 111,201,981</u>	<u>\$ 7,788,202</u>	<u>\$ 295,977</u>	<u>\$ 118,694,206</u>

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

5. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 4,642,754	\$ 224,321	\$ -	\$ 4,867,075
Land improvements	200,587	29,347	-	229,934
Machinery, furniture, and equipment	5,503,012	567,142	279,863	5,790,291
Infrastructure	30,420,021	1,897,454	-	32,317,475
Total accumulated depreciation	\$ 40,766,374	\$ 2,718,264	\$ 279,863	\$ 43,204,775
Total capital assets depreciated, net	\$ 70,435,607	\$ 5,069,938	\$ 16,114	\$ 75,489,431
Intangible right-to-use assets				
Leased buildings	\$ 197,672	\$ -	\$ -	\$ 197,672
Leased equipment	431,852	258,847	34,086	656,613
Total intangible right-to-use assets	\$ 629,524	\$ 258,847	\$ 34,086	\$ 854,285
Less: accumulated amortization for				
Leased buildings	\$ 88,821	\$ 48,258	\$ -	\$ 137,079
Leased equipment	186,763	138,271	34,086	290,948
Total accumulated amortization	\$ 275,584	\$ 186,529	\$ 34,086	\$ 428,027
Total intangible right-to-use assets, net	\$ 353,940	\$ 72,318	\$ -	\$ 426,258
Subscription Based Information Technology Arrangement Assets				
Software	\$ 63,959	\$ -	\$ -	\$ 63,959
Less: accumulated amortization for Software	\$ 16,367	\$ 19,778	\$ -	\$ 36,145
Total subscription based information technology arrangement asset, net	\$ 47,592	\$ (19,778)	\$ -	\$ 27,814
Capital Assets, Net	\$ 74,834,852	\$ 5,994,344	\$ 2,180,945	\$ 78,648,251

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

5. Capital Assets (Continued)

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

Governmental Activities	
General government	\$ 336,524
Public safety	197,991
Highways and streets (including depreciation of infrastructure assets)	2,257,651
Sanitation	38,448
Culture and recreation	71,632
Conservation of natural resources	<u>22,325</u>
 Total Depreciation and Amortization Expense	
- Governmental Activities	<u>\$ 2,924,571</u>

B. Interfund Activity

Funds	Amount	Purpose
Transfer to Capital Projects Fund from:		
Debt Service	\$ 421	Transfer of excess property tax revenue
Transfer to Public Works Fund from:		
Capital Projects	77,340	Fund transfer station shortfall
Land Management	41,331	Fund transfer station shortfall
Transfer to Debt Service Fund from:		
Capital Projects	44	Transfer of excess property tax revenue

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2024, were as follows:

	Primary Government
Accounts payable	\$ 332,212
Salaries payable	246,644
Contracts payable	69,577
Due to other governments	<u>297,523</u>
 Total Payables	<u>\$ 945,956</u>

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Deferred Inflows of Resources

Deferred inflows of resources include taxes collected for subsequent periods, leases and unavailable revenue which consists of special assessments, taxes, state and federal grants, settlements and interest not collected soon enough after year-end to pay liabilities of the current period, and state and federal grants received but not yet earned. Deferred inflows of resources at December 31, 2024, are summarized below by fund:

	Special Assessments	Taxes	Grants	Settlements and Interest	Leases	Miscellaneous	Total
Major Governmental Funds							
General Fund	\$ -	\$ 24,401	\$ 33,300	286,572	\$ 92,855	\$ 63,394	\$ 500,522
Special Revenue							
Public Works	-	5,763	1,505,366	-	-	-	1,511,129
Land Management	7,122	235	98,570	9	-	-	105,936
Debt Service Fund	-	2,078	-	-	-	-	2,078
Nonmajor Governmental Funds							
Family Services	-	9,294	-	-	-	-	9,294
Total	\$ 7,122	\$ 41,771	\$ 1,637,236	\$ 286,581	\$ 92,855	\$ 63,394	\$ 2,128,959
Deferred inflows of resources							
Lease Related	\$ -	\$ -	\$ -	\$ -	\$ 92,855	\$ -	\$ 92,855
Taxes collected for subsequent period	-	9,688	-	-	-	-	9,688
Unavailable revenue	7,122	32,083	1,637,236	286,581	-	63,394	2,026,416
Total	\$ 7,122	\$ 41,771	\$ 1,637,236	\$ 286,581	\$ 92,855	\$ 63,394	\$ 2,128,959

3. Construction Commitments

The County had two active road construction projects and one repair project resulting in a \$125,796 commitment obligation of the County at December 31, 2024.

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
General obligation bonds					
2012 G.O. Bonds, Series 2012A	2026	\$110,000 - \$270,000	2.00 - 2.40	\$ 2,640,000	\$ 230,000
2014 G.O. Capital Improvement Plan Bonds, Series 2014A	2025	\$320,000 - \$405,000	2.00 - 2.50	3,970,000	405,000
2022 G.O. Bonds, Series 2022A	2042	\$190,000 - \$250,000	2.00 - 3.00	4,325,000	3,975,000
Total general obligation bonds				\$ 10,935,000	\$ 4,610,000
Add: unamortized premium					167,152
Total General Obligation Bonds, Net					<u>\$ 4,777,152</u>

Loans Payable

In 2010, the County agreed to act as loan and project sponsor for a loan agreement made under the Clean Water Partnership (CWP) Law with the State of Minnesota through its Pollution Control Agency. The County makes loans to residents to be used for the control and abatement of water pollution. Loans are secured by special assessments placed on the individual parcels requesting funding of a project. Loan payments are reported in the Land Management Special Revenue Fund.

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

Loans Payable (Continued)

On June 29, 2016, the County issued, on behalf of Rock County Rural Water District \$2,448,000 in General Obligation Water Revenue Bonds. The bonds were later repaid with loan proceeds from the U.S. Department of Agriculture (USDA) as part of the Water and Waste Disposal Systems for Rural Communities (CFDA No. 10.760) grant and loan program. The term of the \$2,448,000 USDA Loan is 40 years, with an interest rate of 2.25 percent, and principal payments ranging from \$40,000 to \$93,000 beginning on January 1, 2018. The Rural Water District makes payments on the USDA Rural Development loan to the USDA according to the General Obligation Water Revenue Bonds of 2016 repayment schedule. The loan agreement contains provisions that upon default of the payments of any principal and accrued interest on the loan or in the performance of any covenants, the USDA at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the association, incur and pay reasonable expense for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of the default (c) take possession of the facility, repair, maintain, and operate or rent it.

In 2020 the County was awarded \$89,723 of Clean Water Partnership (CWP) Loans for the Wellhead Nitrogen Reduction Project. The term of the loan is 10 years beginning in 2024, with an interest rate of 0.00 percent, and principal payments of \$8,972.

Type of Indebtedness	Final Maturity	Semi-Annual Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
Loans payable – Direct Borrowings					
Rock River Clean Water Partnership Phase II	2027	\$14,554	2.000	\$ 31,315	\$ 35,317
Wellhead Nitrogen Reduction Project	2033	\$8,972	0.000	89,723	76,265
USDA Rural Development Loan	2056	\$40,000- 93,000	2.250	2,448,000	2,148,000
Total Loans Payable				<u>\$ 2,569,038</u>	<u>\$ 2,259,582</u>

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

Loans Payable (Continued)

In 2000, the Rock County Rural Water District obtained financing through Rock County with the Minnesota Public Facilities Authority in the form of a General Obligation Revenue Bond debt of \$1,460,000 at 1.79 percent interest for 20 years and a grant of \$500,000. Additional financing was obtained during 2007 through Rock County with the Minnesota Public Facilities Authority in the form of a General Obligation Revenue Note of \$533,000 at 1.02 percent interest.

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
2007 G.O. Revenue Note – Direct Borrowing	2026	\$16,000 - \$31,000	1.02	<u>\$533,000</u>	<u>\$62,000</u>

5. Debt Service Requirements

Payments on General Obligation Bonds are made by the Debt Service Fund and payments on Special Assessment Bonds are made by the Ditch Special Revenue Fund. Debt service requirements at December 31, 2024, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2025	\$ 725,000	\$ 105,209
2026	325,000	86,099
2027	215,000	78,345
2028	215,000	71,894
2029	225,000	65,293
2030 - 2034	1,185,000	241,019
2035 - 2039	1,090,000	122,119
2040 - 2042	<u>630,000</u>	<u>21,359</u>
Total	<u>\$ 4,610,000</u>	<u>\$ 791,337</u>

Debt payments on the Rock River Clean Water Partnership loans payable are made from the Land Management Special Revenue Fund and debt payments on the USDA General Obligation Loan are made from the Debt Service Fund. Debt service requirements at December 31, 2024, were as follows:

**ROCK COUNTY
LIVERNE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Debt Service Requirements (Continued)

Year Ending December 31	Direct Borrowing: Loans Payable	
	Principal	Interest
2025	\$ 68,889	\$ 49,100
2026	71,168	47,652
2027	65,177	46,287
2028	58,972	45,113
2029	59,972	104,080
2030 – 2034	303,404	202,360
2035 – 2039	304,000	170,351
2040 – 2044	339,000	134,560
2045 – 2049	380,000	94,626
2050 – 2054	425,000	49,860
2055 - 2056	184,000	6,233
Total	<u>\$ 2,259,582</u>	<u>\$ 950,222</u>

Debt service requirements for the General Obligation Revenues Notes at December 31, 2024, were as follows:

Year Ending December 31	Direct Borrowing: General Obligation Revenue Notes	
	Principal	Interest
2025	\$ 31,000	\$ 632
2026	31,000	316
Total	<u>\$ 62,000</u>	<u>\$ 948</u>

If the County fails to comply with the loan conditions, the authority shall notify the County in writing. After receiving notification, the County has three months to return to compliance or provide a written plan for returning to compliance. If after three months, the County fails to return to compliance, to provide an acceptable plan, or fails to return to compliance within the time period specified in the plan, the interest rate on the unpaid loan principal shall increase from and after the date of required compliance to the quarterly set rate in effect when the County's loan application was received with no further discounts. If the County returns to compliance, they may request the authority to reinstate the original interest rate.

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

6. Lease Liability

The County has several long-term, noncancelable lease agreements for the acquisition of squad cars for the Sheriff's Department, copier leases for various departments, a postage machine and building rental for various departments, with commencement dates ranging from April 14, 2020, to November 4, 2024. The leases will expire on various dates through 2028.

As of December 31, 2024, right-to-use assets and the related accumulated amortization totaled \$854,285 and \$428,027, respectively.

Principal and interest requirements to maturity under lease agreements are as follows:

Year Ending December 31	Principal	Interest
2025	\$ 180,154	\$ 5,583
2026	131,123	3,013
2027	94,775	857
2028	22,580	44
Total	<u>\$ 428,632</u>	<u>\$ 9,497</u>

7. Subscription-Based Information Technology Arrangements

The County has entered into subscription-based information technology arrangements (SBITAs) related to the County's lease and SBITA tracking software and its budgeting and planning software. The SBITA arrangements expire at various dates through 2026.

As of December 31, 2024, SBITA assets and the related accumulated amortization totaled \$63,959 and \$36,145, respectively.

The future subscription payments under SBITA agreements are as follows:

Year Ending December 31	Principal	Interest
2025	\$ 12,930	\$ 670
2026	13,260	339
Total	<u>\$ 26,190</u>	<u>\$ 1,009</u>

**ROCK COUNTY
LUVERNE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

8. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 5,315,000	\$ -	\$ 705,000	\$ 4,610,000	\$ 725,000
Add: unamortized premiums	202,583	-	35,431	167,152	-
Total bonds payable	\$ 5,517,583	\$ -	\$ 740,431	\$ 4,777,152	\$ 725,000
Direct borrowing - revenue notes	\$ 93,000	\$ -	\$ 31,000	\$ 62,000	\$ 31,000
Direct borrowing - loans payable	2,328,196	-	68,614	2,259,582	68,889
Lease liability	355,562	258,847	185,777	428,632	180,154
Subscription liability	45,369	-	19,179	26,190	12,930
Compensated absences *	380,729	104,372	-	485,101	44,455
Governmental Activities Long-Term Liabilities	<u>\$ 8,720,439</u>	<u>\$ 363,219</u>	<u>\$ 1,045,001</u>	<u>\$ 8,038,657</u>	<u>\$ 1,062,428</u>

* The change in compensated absences is shown net as allowed by GASB Statement 101.

**ROCK COUNTY
LUVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

The County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

Public Employees Police and Fire Retirement Plan (Police and Fire Plan)

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

2. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

**ROCK COUNTY
LUVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100%

**ROCK COUNTY
LUVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

Police and Fire Plan Benefits (Continued)

vested after ten years. Police and Fire Plan members receive 3% of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a prorated increase.

3. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the County was required to contribute 7.50% for General Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2024, were \$271,549. The County's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2024 and the County was required to contribute 17.70% for Police and Fire Plan members. The County's contributions to the Police and Fire Fund for the year ended December 31, 2024, were \$204,884. The County's contributions were equal to the required contributions as set by state statute.

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the County reported a liability of \$1,539,323 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled \$39,804.

County's proportionate share of the net pension liability	\$ 1,539,323
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>39,804</u>
Total	<u>\$ 1,579,127</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.0416% at the end of the measurement period and 0.0419% for the beginning of the period.

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2024, the County recognized pension expense of \$107,230 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$493 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The County recognized \$70,823 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 144,737	\$ -
Changes in actuarial assumptions	7,516	582,608
Net difference between projected and actual earnings on pension plan investments	-	447,007
Changes in proportion	5,622	47,489
Contributions paid to PERA subsequent to the measurement date	136,646	-
Total	\$ 294,521	\$ 1,077,104

**ROCK COUNTY
LUVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The \$136,646 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2025	\$ (524,218)
2026	(84,675)
2027	(192,357)
2028	(117,979)

Police and Fire Fund Pension Costs

At December 31, 2024, the County reported a liability of \$1,048,337 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.0797% at the end of the measurement period and 0.0838% for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded,

**ROCK COUNTY
LUVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled \$39,962.

County's proportionate share of the net pension liability	\$ 1,048,337
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>39,962</u>
Total	<u>\$ 1,088,299</u>

For the year ended December 31, 2024, the County recognized pension expense of \$166,347 for its proportionate share of the Police and Fire Plan's pension expense. The County recognized \$15,710 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The County recognized \$22,628 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

At December 31, 2024, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 408,546	\$ -
Changes in actuarial assumptions	1,152,394	1,543,703
Net difference between projected and actual earnings on pension plan investments	-	340,867
Changes in proportion	12,493	111,295
Contributions paid to PERA subsequent to the measurement date	104,445	-
Total	\$ 1,677,878	\$ 1,995,865

The \$104,445 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2025	\$ (86,041)
2026	242,558
2027	(168,704)
2028	(422,346)
2029	12,101

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the County's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated. The table below includes the County's portion of each plan.

	General Employees Fund	Police and Fire Fund	Total
Net Pension Liability	\$ 1,539,323	\$ 1,048,337	\$ 2,587,660
Deferred Outflows of Resources Related to Pensions	294,521	1,677,878	1,972,399
Deferred Inflows of Resources Related to Pensions	1,077,104	1,995,865	3,072,969
Pension Expense	107,723	182,057	289,780

6. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0%	

**ROCK COUNTY
LUVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan and Police & Fire Plan.
- Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1% for the Police & Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police and Fire Plan was reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Actuarial Methods and Assumptions

General Employees Fund (Continued)

Changes in Actuarial Assumptions (Continued):

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund

Changes in Actuarial Assumptions:

- There were no changes in actuarial assumptions since the prior valuation.

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

8. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund & Police & Fire Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

9. Pension Liability Sensitivity

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

	Proportionate Share of the			
	General Employees Retirement Plan		Public Employees Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)
1% Decrease	6.00%	\$ 3,362,129	6.00%	\$ 2,477,424
Current	7.00	1,539,323	7.00	1,048,337
1% Increase	8.00	39,899	8.00	(125,243)

10. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

**ROCK COUNTY
LUVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan

Eight of the elected officials of Rock County are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D and 356, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of one percent (0.25%) of the assets in each member's account annually.

Total contributions made by the County during the year fiscal year 2024 were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,954	\$ 6,954
Percentage of covered payroll	5%	5%
Required rate	5%	5%

C. Other Postemployment Benefits (OPEB)

1. Plan Description

The County provides health insurance benefits for certain retired employees under a single-employer defined benefit plan. The County provides benefits for retirees as required by Minnesota Statute §471.61 subdivision 2b. No plan assets are accumulated in a trust.

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

2. Benefits Provided

Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their spouse/partner under the County's health benefits program. Pursuant to the provisions of the plan, retirees pay the total premium costs. For 2024, there were approximately seventy-three active participants and three retirees. There are no inactive employees entitled to payments, but they are not yet receiving them.

3. Total OPEB Liability

The County's total OPEB liability of \$300,400 was measured as of January 1, 2024, and was determined by an actuarial valuation as of January 1, 2024.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The total OPEB liability in the January 1, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Service graded table
Health Care Trend Rates	6.50% grading to 5.00% over 6 years and then 4.00% over the next 48 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality with MP-2021 Generational Improvements Scale.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source of information as well as for consistency with the other economic assumptions.

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

3. Total OPEB Liability (Continued)

The discount rate used to measure the total OPEB liability was 3.70%. The discount rate is based on the estimated yield of 20 year AA rated municipal bonds as of the measurement date.

4. Summary of Changes in Actuarial Assumptions

Since the most recent actuarial valuation, the following changes have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 3.70%.

5. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2023	\$ 281,361
Changes for the year:	
Service Cost	17,632
Interest Cost	5,806
Assumption Changes	(27,209)
Differences between Expected and Actual Experience	40,302
Benefit Payments	(17,492)
Net Changes	19,039
Balance at December 31, 2024	\$ 300,400

6. Sensitivity Results

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.70%)	Discount Rate (3.70%)	1% Increase (4.70%)
Total OPEB Liability	\$ 320,243	\$ 300,400	\$ 281,717

**ROCK COUNTY
LUVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

6. Sensitivity Results (Continued)

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease (5.50% decreasing to 4.00% then 3.00%)	Discount Rate (6.50% decreasing to 5.00% then 4.00%)	1% Increase (7.50% decreasing to 6.00% then 5.00%)
Total OPEB Liability	\$ 274,215	\$ 300,400	\$ 330,780

For the year ended December 31, 2024, the County recognized OPEB expense of \$17,473. At December 31, 2024, the County reported \$46,832 in deferred inflows of resources related to assumption changes of \$25,481 and the difference between expected and actual experience of \$21,351 and \$55,390 in deferred outflows of resources: \$6,289 from assumption changes, \$33,585 from the difference between expected and actual experience, and \$15,516 resulting from County benefit payments subsequent to the measurement date which will be recognized as a reduction of the OPEB liability in the year ended December 31, 2025.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 6,289	\$ 25,481
Difference between expected and actual experience	33,585	21,351
County payment of benefits subsequent to the measurement date	15,516	-
Total	<u>\$ 55,390</u>	<u>\$ 46,832</u>

**ROCK COUNTY
LIVERNE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

6. Sensitivity Results (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31</u>	<u>OPEB Expense Amount</u>
2025	\$ (5,962)
2026	(4,831)
2027	1,689
2028	(37)
2029	2,183

5. Risk Management

Rock County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group employee health benefits, the County has entered into a joint powers agreement, the Southwest/West Central Service Cooperative. For all other risks, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2024. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**ROCK COUNTY
LUVERNE, MINNESOTA**

5. Risk Management

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities/Commitments

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

The County, in connection with the normal conduct of its affairs, is involved in various judgements, claims and litigation. The County attorney identified no potential claims against the county that would materially affect the financial statements.

Lincoln-Pipestone Rural Water System

At December 31, 2024, the Lincoln-Pipestone Rural Water System had \$29,407,000 of general obligation bonds and other loans outstanding through 2059. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specially benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and unlimited taxing powers are pledged. The participating counties (Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted Board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties be required to make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn. Stat. § 116A.24,

**ROCK COUNTY
LUVERNE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities/Commitments

Lincoln-Pipestone Rural Water System (Continued)

subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and by the county issuer.

Rock County's exposure to potential losses related to these guarantees is based on the likelihood of default by Lincoln-Pipestone Rural Water and the potential amount of the payments that may be required under the terms of the guarantees. Management believes that the risks associated with the County's nonexchange financial guarantees are mitigated by the creditworthiness of the borrowers, the terms of the guarantees, and the County's ability to manage its financial resources. However, there can be no assurance that the County will not incur losses related to these guarantees in the future.

Property Assessed Clean Energy (MinnPACE) Loan Program

The County has entered into an agreement with the Saint Paul Port Authority (Port Authority) to facilitate the implementation and administration of the MinnPACE loan program. Through this program, qualifying commercial building owners within the County can receive loans from the Port Authority for the purpose of financing energy efficiency and conservation building improvement projects. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities with the loan agreements. By participating, the County has agreed to: (1) levy assessments against the related properties in accordance with the loan agreements between the Port Authority and property owners, (2) collect scheduled assessment payments, and (3) transfer all collections to the Port Authority. The County has met those responsibilities for the year under audit.

B. Joint Ventures

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

Southwest Health and Human Services

Southwest Health and Human Services (SWHHS) was formed pursuant to Minn. Stat. ch. 145A and §§ 471.59 and 393.01, subd. 7, by Lincoln, Lyon, Murray, and Pipestone Counties. SWHHS began official operation on January 1, 2011, and performs human service and public health functions. Funding is provided by the member counties based

**ROCK COUNTY
LUVERNE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwest Health and Human Services (Continued)

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

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

SWHHS is governed by the:

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

Financing is provided by state and federal grants and appropriations from member counties. Rock County's contribution in 2024 for the human services function was \$1,751,519 and its contribution to the health services function was \$116,448. There is no accumulation of significant financial resources or fiscal distress for this entity. Complete financial statements of Southwest Health and Human Services can be obtained at 607 West Main Street, Marshall, Minnesota 56258.

**ROCK COUNTY
LUVERNE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Lincoln-Pipestone Rural Water System

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

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

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2024, were \$29,407,000. There is no accumulation of significant financial resources or fiscal distress for this entity.

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

Rock Nobles Community Corrections

Rock County participates with Nobles County in a joint venture to provide community corrections services. Rock Nobles Community Corrections was established under the Community Corrections Act, January 1, 1979. Rock Nobles Community Corrections develops and implements humane and effective methods of prevention, control, and rehabilitation of offenders.

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

Rock Nobles Community Corrections is headquartered in Worthington, Minnesota, with offices at the county seats of the member counties. Financing is provided by state grants and appropriations from member counties. Rock County's contribution to Rock Nobles Community Corrections for the year ended December 31, 2024, was \$60,000.

**ROCK COUNTY
LUVERNE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Rock Nobles Community Corrections (Continued)

There is no accumulation of significant financial resources or fiscal distress for this entity. Rock County acts as fiscal agent for the Community Corrections and reports Rock Nobles Community Corrections as a custodial fund in its financial statements.

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

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

Rock County, in conjunction with Cottonwood, Lincoln, Lyon, Murray, Nobles, and Redwood Counties and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, have formed an agreement to coordinate the delivery of volunteer services to non-profit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The entity known as Retired and Senior Volunteer Program of Southwest Minnesota (RSVP of Southwest Minnesota) changed its name to A.C.E. of Southwest Minnesota as of January 1, 2014. The Board comprises one voting member from each participating County and one voting member of the A.C.E. of Southwest Minnesota Advisory Council.

In 2024, Rock County made contributions of \$23,576 to A.C.E. of Southwest Minnesota. There is no accumulation of significant financial resources or fiscal distress for this entity.

Plum Creek Library System

Rock County, along with 19 cities and 8 other counties, participates in the Plum Creek Library System. The Plum Creek Library System was created as a public library service on May 29, 1974, by the act of contracting with various public libraries in its region to provide expanded library service, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without such services. The Plum Creek Library System is governed by a board of trustees which consists of two representatives from each county. One is appointed by the County Commissioners, the second from the board of the participating libraries. During 2024, Rock County did not contribute to the Plum Creek Library System.

**ROCK COUNTY
LUVERNE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Plum Creek Library System (Continued)

There is no accumulation of significant financial resources or fiscal distress for this entity. Complete financial statements of the Plum Creek Library System can be obtained at 290 South Lake Street, P. O. Box 697, Worthington, Minnesota 56187.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon, & Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board (the Board) under the authority of Minnesota Statutes §471.59. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

The Board takes actions and enters into such agreements as necessary to plan and develop, within the Board's geographic jurisdiction, a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2024:

Total Assets	\$ 1,319,760
Total Liabilities	58,356
Total Net Position	1,261,404
Total Revenues	2,676,966
Total Expenses	2,415,731
Net Change in Net Position	(261,235)

There is no accumulation of significant financial resources or fiscal distress for this entity. A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at 2200 23rd Street N.E. Suite 2050, Willmar, Minnesota 56201.

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entity

The Rock County Rural Water District is included in the County's reporting entity because of the significance of its operational and financial relationship with the County. The Rock County Rural Water District was established in 1978 to provide water to rural residents of Rock County. It is governed by a board composed of seven members, appointed by the Rock County Board of Commissioners. It is reported in a separate column in the financial statements to emphasize that it is legally separate from the County. Separate financial statements are not prepared.

Measurement Focus and Basis of Presentation

The Rock County Rural Water District financial statements are reporting using the economic resources measurement focus and accrual basis of accounting. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities. Operating expenses are all expenses incurred to provide services. Expenses not meeting this definition are reported as nonoperating expenses.

Deposits and Investments

The Rural Water District's cash is pooled and invested by the Rock County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at fair value at December 31, 2024, based on market prices. Pooled investment earnings for 2024 were \$64,561.

Deposits totaling \$2,757,184 are restricted for future system expenditures and equipment replacement.

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

1. Assets and Deferred Outflows of Resources

Deposits and Investments

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

Cash and cash equivalents	\$ 689,506
Cash equivalents - restricted	<u>2,757,184</u>
 Total Cash and Cash Equivalents	 <u>\$ 3,446,690</u>
 Petty cash and change funds	 \$ 75
Checking	2,589,103
Savings	<u>857,512</u>
 Total Deposits and Cash on Hand	 <u>\$ 3,446,690</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Rural Water District's deposits may not be returned to it. The District'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, 2024, the balance was fully insured and collateralized as required by Minnesota Statutes § 118A.03.

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

1. Assets and Deferred Outflows of Resources (Continued)

Receivables

Receivables as of December 31, 2024, for the Rock County Rural Water District are as follows:

	<u>Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Accounts receivable	\$ 93,009	\$ -
Due from other governments	38,222	-
Total receivables	<u>131,231</u>	<u>-</u>
Receivables - restricted		
Special assessments	<u>\$ 575,796</u>	<u>\$ 527,680</u>

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

1. Assets and Deferred Outflows of Resources (Continued)

Capital Assets

Capital asset activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and right-of-way	\$ 214,420	\$ 69,080	\$ -	\$ 283,500
Lewis and Clark project	655,332	-	-	655,332
Construction in progress	493,044	126,917	476,964	142,997
Expansion project	21,704	-	-	21,704
Total capital assets not depreciated	\$ 1,384,500	\$ 195,997	\$ 476,964	\$ 1,103,533
Capital assets depreciated				
Buildings and pumps	\$ 3,475,107	\$ 567,378	\$ -	\$ 4,042,485
Land improvements	11,649	-	-	11,649
Machinery, furniture, and equipment	1,026,207	81,110	42,109	1,065,208
Infrastructure - distribution system	10,753,045	114,013	-	10,867,058
Total capital assets depreciated	\$ 15,266,008	\$ 762,501	\$ 42,109	\$ 15,986,400
Less: accumulated depreciation for				
Buildings and pumps	\$ 2,467,486	\$ 90,599	\$ -	\$ 2,558,085
Land improvements	4,450	291	-	4,741
Machinery, furniture, and equipment	408,341	70,207	42,109	436,439
Infrastructure - distribution system	4,211,535	269,735	-	4,481,270
Total accumulated depreciation	\$ 7,091,812	\$ 430,832	\$ 42,109	\$ 7,480,535
Total capital assets depreciated, net	\$ 8,174,196	\$ 331,669	\$ -	\$ 8,505,865
Intangible right-to-use assets				
Leased equipment	\$ 3,646	\$ -	\$ -	\$ 3,646
Total intangible right-to-use assets	\$ 3,646	\$ -	\$ -	\$ 3,646
Less: accumulated amortization for				
Leased equipment	\$ 1,154	\$ 694	\$ -	\$ 1,848
Total accumulated amortization	\$ 1,154	\$ 694	\$ -	\$ 1,848
Total intangible right-to-use assets, net	\$ 2,492	\$ (694)	\$ -	\$ 1,798
Capital Assets, Net	\$ 9,561,188	\$ 526,972	\$ 476,964	\$ 9,611,196

Depreciation and amortization expense for 2024 was \$431,526.

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities and Deferred Inflows of Resources

Payables

Payables at December 31, 2024, were as follows:

Accounts Payable	\$ 137,469
Salaries Payable	<u>14,826</u>
Total Payables	<u>\$ 152,295</u>

Lease Liabilities

On May 3, 2022, Rock County Rural Water entered into a 63 month lease as lessee for the use of a Ricoh Copier. An initial lease liability was recorded in the amount of \$3,646. As of December 31, 2024, the value of the lease liability is \$1,845. Rock County Rural Water is required to make monthly fixed payments of \$61. The lease has an interest rate of 2.2870%. The value of the right to use asset as of December 31, 2024, is \$3,646 with related amortization of \$1,848. Principal and interest requirements to maturity under lease agreements are as follows:

<u>Year Ending December 31</u>	<u>Lease Liability</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 701	\$ 35
2026	718	19
2027	<u>426</u>	<u>3</u>
Total	<u>\$ 1,845</u>	<u>\$ 57</u>

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities and Deferred Inflows of Resources

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease liability	\$ 2,531	\$ -	\$ 686	\$ 1,845	\$ 701
Compensated absences *	25,425	9,304	-	34,729	2,341
Governmental Activities Long-Term Liabilities	<u>\$ 27,956</u>	<u>\$ 9,304</u>	<u>\$ 686</u>	<u>\$ 36,574</u>	<u>\$ 3,042</u>

* The change in compensated absences is shown net as allowed by GASB Statement 101.

Due to Primary Government

At December 31, 2024, the Rural Water District reported \$2,286,265 as payable to Rock County for commitments to pay back the USDA loan, G.O. Revenue Note and the MN pollution control loan. The County sponsored the loan as the rural water District does not have the authority to issue debt. As of December 31, 2024, principal and interest due in 2025 is \$85,972 and \$73,925, respectively. See County footnote 3.C.4. for more details on the loans and notes.

C. Defined Benefit Pension Plans

1. Plan Description and Benefits Provided

All full-time and certain part-time employees of the Rock County Rural Water District are covered by defined benefit pension plans administered by PERA. See Note 4.A. for information on PERA.

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

C. Defined Benefit Pension Plans

2. Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the Rural Water District was required to contribute 7.50% for General Plan Members. The Rural Water District's contributions for the General Employees Fund for the year ended December 31, 2024, were \$21,247. The contributions were equal to the required contributions as set by state statute.

3. Pension Costs

At December 31, 2024, the Rural Water District reported a liability of \$114,797 for its proportionate share of the General Employees Fund's net pension liability. The Rural Water District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Rural Water District totaled \$2,968.

Rural Water District's proportionate share of the net pension liability	\$ 114,797
State of Minnesota's proportionate share of the net pension liability associated with the Rural Water District	<u>2,968</u>
Total	<u>\$ 117,765</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Rural Water District's proportion of the net pension liability was based on the Rural Water District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The Rural Water District's proportionate share was 0.0031% at the end of the measurement period and 0.0031% for the beginning of the period.

**ROCK COUNTY
LIVERNE, MINNESOTA**

7. Component Unit Disclosures

C. Defined Benefit Pension Plans

3. Pension Costs (Continued)

For the year ended December 31, 2024, the Rural Water District recognized pension expense of \$7,997 for its proportionate share of the General Employees Plan's pension expense. In addition, the Rural Water District recognized an additional \$37 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The Rural Water District recognized \$5,282 for the year ended December 31, 2024 as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the Rural Water District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,794	\$ -
Change in actuarial assumptions	560	43,448
Net difference between projected and actual earnings on pension plan investments	-	33,336
Changes in proportion	419	3,542
Contributions paid to PERA subsequent to the measurement date	10,190	-
Total	\$ 21,963	\$ 80,326

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

C. Defined Benefit Pension Plans

3. Pension Costs (Continued)

The \$10,190 reported as deferred outflows of resources related to pensions resulting from Rural Water District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2025	\$ (39,094)
2026	(6,315)
2027	(14,345)
2028	(8,799)

4. Pension Liability Sensitivity

The following presents the Rural Water District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed at Note 4.A.8, as well as what the Rural Water District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase in Discount Rate (8.00%)</u>
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 250,733	\$ 114,797	\$ 2,975

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

D. Other Postemployment Benefits (OPEB)

1. Plan Description

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

2. Total OPEB Liability

The Rural Water District's total OPEB liability of \$7,550 was measured as of January 1, 2024, and was determined by an actuarial valuation as of January 1, 2024.

The Schedule of Changes in the Total OPEB Liability and Related Ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information.

3. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2023	\$ 6,345
Changes for the year:	
Service Cost	641
Interest Cost	140
Assumption Changes	(1,310)
Differences between Expected and Actual Experience	1,734
Net Changes	1,205
Balance at December 31, 2024	\$ 7,550

4. Sensitivity Results

The following presents the total OPEB liability of the Rural Water District, as well as what the Rural Water District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.70%)	Discount Rate (3.70%)	1% Increase (4.70%)
Total OPEB Liability	\$ 8,439	\$ 7,550	\$ 6,721

**ROCK COUNTY
LIVERNE, MINNESOTA**

7. Component Unit Disclosures

D. Other Postemployment Benefits (OPEB)

4. Sensitivity Results (Continued)

The following presents the total OPEB liability of the Rural Water District, as well as what the Rural Water District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease (5.50% decreasing to 4.00% then 3.00%)	Discount Rate (6.50% decreasing to 5.00% then 4.00%)	1% Increase (7.50% decreasing to 6.00% then 5.00%)
Total OPEB Liability	\$ 6,291	\$ 7,550	\$ 9,056

5. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2024, the Rural Water District recognized OPEB expense of \$735. At December 31, 2024, the Rural Water District reported \$1,881 in deferred inflows of resources and \$1,806 in deferred outflows of resources. Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized as OPEB as follows:

Year Ended December 31	OPEB Expense Amount
2025	\$ (46)
2026	(46)
2027	(46)
2028	(34)
2029	45
Thereafter	52

**ROCK COUNTY
LUVERNE, MINNESOTA**

7. Component Unit Disclosures

E. Risk Management

The Rock County Rural Water District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the Rural Water District carries commercial insurance for property and casualty insurance. The Rural Water District is covered under Rock County's policy for workers' compensation with MCIT. For group health benefits, the Rural Water District is covered under the County's joint powers agreement with the Southwest/West Central Service Cooperative. For all other risks, the Rural Water District carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

PROPOSAL FORM

TO: Rock County, Minnesota
C/O Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Phone: 612-851-5900
Email: PublicSale@northlandsecurities.com

Sale Date: December 2, 2025

For all or none of the \$2,500,000* General Obligation Capital Improvement Plan Bonds, Series 2025A, in accordance with the Notice of Sale, we will pay you \$ _____, (not less than \$2,470,000) plus accrued interest, if any, to date of delivery (estimated to be December 30, 2025) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

<u>Year</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2027	_____%	_____%	2031	_____%	_____%	2034	_____%	_____%
2028	_____%	_____%	2032	_____%	_____%	2035	_____%	_____%
2029	_____%	_____%	2033	_____%	_____%	2036	_____%	_____%
2030	_____%	_____%						

True interest percentage: _____ %

Net interest cost: \$ _____

Term Bond Option: Bonds maturing in the years:

_____ through _____
_____ through _____
_____ through _____
_____ through _____
_____ through _____

To be accumulated into a Term Bond maturing in year:

_____.
_____.
_____.
_____.
_____.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the County with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the County will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:

Account Manager: _____ By: _____

The foregoing proposal is hereby duly accepted by and on behalf of the Rock County, Minnesota at _____ PM on December 2, 2025.

Administrator

Board Chair

* The County reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.