

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MEEKER COUNTY
(Including the Meeker County Economic
Development Authority)
LITCHFIELD, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

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

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

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MEEKER COUNTY
**(Including the Meeker County Economic
Development Authority)**
LITCHFIELD, MINNESOTA

Year Ended December 31, 2016



Audit Practice Division
Office of the State Auditor
State of Minnesota

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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LITCHFIELD, MINNESOTA**

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LITCHFIELD, MINNESOTA**

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2016**

			<u>Term Expires</u>
Elected			
Commissioners			
Vice Chair	Beth Oberg	District 1	December 2018
Chair	Dale Fenrich	District 2	December 2020
Board Member	Bryan Larson	District 3	December 2020
Board Member	Mike Housman	District 4	December 2020
Board Member	Mike Huberty	District 5	December 2018
Auditor	Barbara Loch		December 2018
Treasurer	Sharon Euerle		December 2018
Recorder	Christine Paul		December 2018
Sheriff	Brian Cruze		December 2018
Attorney	Brandi Schiefelbein		December 2018
 Appointed			
Assessor	Jason Jorgensen		December 2020
Court Administrator	Debra Mueske		Indefinite
Coroner/Medical Examiner	A. Quinn Strobl, M.D.		December 2017
Examiner of Titles	Mark Wood		Indefinite
Highway Engineer	Ronald Mortensen		May 2018
Surveyor	Doug Huhn		December 2018
Veterans Service Officer	Donald Dufner		December 2017
Social Services Director	Paul Bukovich		Indefinite
Emergency Management Director	Dan Miller		Indefinite
Department of Motor Vehicles			
Registrar	Sharon Euerle		Indefinite
County Administrator	Paul Virnig		Indefinite
Planning and Zoning			
Administrator	Kristin Cote		Indefinite

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**ORGANIZATION SCHEDULE
MEEKER COUNTY ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2016**

Board Member	Tim Bennoit	City of Dassel
Board Member	Barb Hagemeyer	City of Eden Valley
Board Member	Mike Housman	Meeker County Commissioner
Board Member	Mike Doering	City of Litchfield
Board Member	Mike Huberty	Meeker County Commissioner
Board Member	Chuck Lietzau	City of Cosmos
Board Member	Mike Lokken	City of Grove City
President	Mark Smith	City of Darwin
Board Member	Dennis Loch	City of Watkins
Executive Director	David Krueger	

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Meeker County
Litchfield, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County, Minnesota, as of and for the year ended December 31, 2016, including the Meeker County Housing and Redevelopment Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of (1) the Meeker Memorial Hospital, which represents the amounts shown as the business-type activities and the major enterprise fund; or (2) the Meeker County Housing and Redevelopment Authority, which represents 15 percent and 26 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Meeker Memorial Hospital Enterprise Fund and the Meeker County Housing and Redevelopment Authority component unit, is based solely on those reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller

General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Meeker Memorial Hospital were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit report and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County as of December 31, 2016, including the Meeker County Housing and Redevelopment Authority as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 1, 2017, on our consideration of Meeker County's and the Meeker County Economic Development Authority component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meeker County's and the Meeker County Economic Development Authority component unit's internal control over financial reporting and compliance. They do not include the Meeker Memorial Hospital or the Meeker County Housing and Redevelopment Authority, which were audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 1, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(Unaudited)**

As management of Meeker County, Minnesota, we offer the readers of the Meeker County financial statements this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Meeker County exceeded its liabilities and deferred inflows of resources on December 31, 2016, by \$100,860,132 (net position). Of this amount, \$36,201,403 (unrestricted net position) may be used to meet Meeker County's ongoing obligations to citizens and creditors.
- Meeker County's total net position increased by \$2,083,057 in 2016. This is attributed primarily to an increase in activity.
- As of the close of 2016, Meeker County's governmental funds reported combined ending fund balances of \$24,302,351. Of this fund balance amount, \$22,111,642 was unrestricted by Meeker County, and thus available for spending at the government's discretion.
- At the end of 2016, unassigned fund balance for the General Fund was \$7,650,376, or 71.21 percent, of the total General Fund expenditures for that year.
- Meeker County's total debt decreased by \$1,349,876. The key factor in the decrease was payment on principal. This results in a decrease of 4.75 percent in total outstanding debt of the County.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to Meeker County's basic financial statements. Meeker County's basic financial statements are composed of three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. The MD&A is required to accompany the basic financial statements and is included as required supplementary information. This report also contains other supplementary information.

Government-Wide Financial Statements

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

The statement of net position presents information on all of Meeker County's assets and liabilities, 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 position of Meeker County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

Meeker County's government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from those intended to recover all or a significant portion of their costs through fees and charges (business-type activities). The governmental activities of Meeker County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest. The business-type activities for Meeker County represent the Meeker Memorial Hospital.

The government-wide statements include not only the financial data for Meeker County itself (known as the primary government), but also the legally separate component units of the Meeker County Economic Development Authority and the Meeker County Housing and Redevelopment Authority for which Meeker County is legally accountable. Further financial information for the Meeker County Housing and Redevelopment Authority is audited and reported separately from the financial information provided herein for the primary government itself.

The government-wide financial statements can be found on Exhibits 1 and 2 of this report.

Fund Level Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Meeker County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of Meeker County can be divided into three categories: governmental funds, proprietary fund, and fiduciary funds.

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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. 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 government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Meeker County reports 15 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Debt Service Fund, and Capital Projects Fund--all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the notes to the financial statements.

Governmental fund financial statements can be found on Exhibits 3 through 6 of this report.

The proprietary fund is maintained by Meeker County to account for the activities of the Meeker Memorial Hospital. The financial statements for this fund provide the same type of information as the government-wide financial statements, only in detail.

Proprietary fund financial statements can be found on Exhibits 7 through 9 of this report.

Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Meeker County's fiduciary funds consist of four funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the government-wide financial statements because these resources are not available to support the County's programs.

Notes to the financial statements provide additional information that is 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 39 through 106 of this report.

Other information regarding Meeker County's intergovernmental revenues is provided as other schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Meeker County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$100,860,132 at the close of 2016. The largest portion of Meeker County's net position (60.09 percent) reflects the County's net investment in capital assets (for example, land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 27,793,342	\$ 25,374,629	\$ 41,386,227	\$ 40,463,616	\$ 69,179,569	\$ 65,838,245
Capital assets	63,152,731	62,983,061	22,370,629	22,098,122	85,523,360	85,081,183
Total Assets	\$ 90,946,073	\$ 88,357,690	\$ 63,756,856	\$ 62,561,738	\$ 154,702,929	\$ 150,919,428
Deferred Outflows of Resources	\$ 9,453,635	\$ 1,406,534	\$ 5,614,506	\$ 1,206,096	\$ 15,068,141	\$ 2,612,630
Liabilities						
Long-term liabilities	\$ 23,801,633	\$ 15,514,901	\$ 36,925,166	\$ 32,682,278	\$ 60,726,799	\$ 48,197,179
Other liabilities	1,328,293	1,551,788	3,117,761	2,899,489	4,446,054	4,451,277
Total Liabilities	\$ 25,129,926	\$ 17,066,689	\$ 40,042,927	\$ 35,581,767	\$ 65,172,853	\$ 52,648,456
Deferred Inflows of Resources	\$ 1,950,972	\$ 1,146,665	\$ 1,787,113	\$ 959,862	\$ 3,738,085	\$ 2,106,527
Net Position						
Net investment in capital assets	\$ 59,682,857	\$ 58,653,649	\$ 922,399	\$ 59,964	\$ 60,605,256	\$ 58,713,613
Restricted	2,985,232	3,226,225	1,068,241	189,266	4,053,473	3,415,491
Unrestricted	10,650,721	9,670,996	25,550,682	26,976,975	36,201,403	36,647,971
Total Net Position	\$ 73,318,810	\$ 71,550,870	\$ 27,541,322	\$ 27,226,205	\$ 100,860,132	\$ 98,777,075

The unrestricted net position amount of \$36,201,403 as of December 31, 2016, may be used to meet the County's ongoing obligations to citizens and creditors. The business-type activities reported in 2016 are comprised of the Meeker Memorial Hospital, an enterprise fund of the primary government.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 4,535,001	\$ 5,751,183	\$ 32,394,405	\$ 31,902,563	\$ 36,929,406	\$ 37,653,746
Operating grants and contributions	9,475,590	9,074,862	-	-	9,475,590	9,074,862
Capital grants and contributions	-	1,989,368	-	-	-	1,989,368
General revenues						
Property taxes	13,631,618	13,201,297	-	-	13,631,618	13,201,297
Gravel taxes	57,562	107,211	-	-	57,562	107,211
Mortgage registry taxes	18,757	16,784	-	-	18,757	16,784
Other taxes	119,966	112,953	-	-	119,966	112,953
Grants and contributions not restricted to specific programs	1,334,089	1,271,689	-	-	1,334,089	1,271,689
Gifts and contributions	-	-	37,673	29,759	37,673	29,759
Investment earnings	206,274	223,272	367,620	344,368	573,894	567,640
Gain on sale of capital assets	-	-	27,280	27,871	27,280	27,871
Miscellaneous	325,624	365,038	-	-	325,624	365,038
Total Revenues	\$ 29,704,481	\$ 32,113,657	\$ 32,826,978	\$ 32,304,561	\$ 62,531,459	\$ 64,418,218
Expenses						
General government	\$ 6,101,355	\$ 5,438,796	\$ -	\$ -	\$ 6,101,355	\$ 5,438,796
Public safety	6,703,702	5,942,586	-	-	6,703,702	5,942,586
Highways and streets	5,331,946	5,775,551	-	-	5,331,946	5,775,551
Sanitation	391,838	350,657	-	-	391,838	350,657
Human services	6,544,455	6,459,712	-	-	6,544,455	6,459,712
Hospital	-	-	32,511,861	29,307,214	32,511,861	29,307,214
Health	1,553,607	1,547,999	-	-	1,553,607	1,547,999
Culture and recreation	510,164	469,249	-	-	510,164	469,249
Conservation of natural resources	607,226	468,575	-	-	607,226	468,575
Economic development	118,500	188,536	-	-	118,500	188,536
Interest	73,748	91,117	-	-	73,748	91,117
Total Expenses	\$ 27,936,541	\$ 26,732,778	\$ 32,511,861	\$ 29,307,214	\$ 60,448,402	\$ 56,039,992
Increase in Net Position	\$ 1,767,940	\$ 5,380,879	\$ 315,117	\$ 2,997,347	\$ 2,083,057	\$ 8,378,226
Net Position - January 1	71,550,870	66,169,991	27,226,205	24,228,858	98,777,075	90,398,849
Net Position - December 31	\$ 73,318,810	\$ 71,550,870	\$ 27,541,322	\$ 27,226,205	\$ 100,860,132	\$ 98,777,075

Governmental Activities

Meeker County's governmental activities increased the County's net position during 2016 by \$1,767,940.

Business-Type Activities

Business-type activities of the Meeker Memorial Hospital increased Meeker County's net position by \$315,117, accounting for 15.13 percent of the total increase in the County's net position. Charges for services increased \$491,842, or 1.54 percent, while expenses were up \$3,204,647, or 10.93 percent.

Financial Analysis of the Government's Funds

As noted earlier, Meeker County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, Meeker County's governmental funds reported combined ending fund balances of \$24,302,351, an increase of \$2,822,415 in comparison with the prior year. Of the ending fund balance, \$7,571,336 represents unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is not available for new spending because it has already been committed, restricted, assigned, or is in non-spendable form.

The General Fund is the chief operating fund for Meeker County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$7,650,376, while total fund balance was \$8,674,153. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total expenditures. Unassigned fund balance represents 71.21 percent of total General Fund expenditures. The ending fund balance for 2016 in the General Fund increased by \$218,555 as compared to the 2015 ending balance.

The Road and Bridge Special Revenue Fund's fund balance at the end of the current fiscal year was \$4,592,247. The ending fund balance in the Road and Bridge Special Revenue Fund increased by \$1,315,080. This is primarily due to delay on the CSAH 30 project.

The Human Services Special Revenue Fund's fund balance at the end of the current fiscal year was \$5,901,295. The ending fund balance in the Human Services Special Revenue Fund increased by \$874,395, primarily due to increased revenue.

The Debt Service Fund's fund balance at the end of the current fiscal year was \$752,926. The ending fund balance in the Debt Service Fund increased by \$21,912.

GENERAL FUND BUDGETARY HIGHLIGHTS

There are no differences between the original expenditure budget and the final amended budget. (Meeker County did not amend the 2016 expenditure budget.)

Actual revenues in the General Fund were more than budgeted revenues by \$242,322, primarily due to an overall increase in intergovernmental and miscellaneous revenues over budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Meeker County's capital assets for its governmental activities at December 31, 2016, totaled \$63,152,731 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's governmental investment in capital assets increased \$169,670, or 0.27 percent, from the previous year. The major capital asset event was infrastructure.

Governmental Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,805,903	\$ 2,672,434	\$ 1,963,928	\$ 1,963,928	\$ 4,769,831	\$ 4,636,362
Land improvements	-	-	512,010	605,631	512,010	605,631
Infrastructure	44,745,708	44,336,602	-	-	44,745,708	44,336,602
Buildings	9,245,891	9,781,053	15,707,827	14,820,373	24,953,718	24,601,426
Building improvements	2,705,418	2,718,648	-	-	2,705,418	2,718,648
Machinery, equipment, and office furniture	3,347,785	3,332,540	4,177,452	4,347,856	7,525,237	7,680,396
Construction in progress	302,026	141,784	9,412	360,334	311,438	502,118
Total Capital Assets	\$ 63,152,731	\$ 62,983,061	\$ 22,370,629	\$ 22,098,122	\$ 85,523,360	\$ 85,081,183

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, Meeker County had total outstanding debt of \$27,092,261. The governmental activities portion is backed by the full faith and credit of the government; the business-type activities portion is a limited obligation of Meeker County, payable solely from gross revenues of the Meeker Memorial Hospital.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 2,760,000	\$ 3,290,000	\$ -	\$ -	\$ 2,760,000	\$ 3,290,000
General obligation capital notes	670,000	995,000	-	-	670,000	995,000
Gross revenue hospital facilities bonds	-	-	23,200,000	23,770,000	23,200,000	23,770,000
Loan payable	462,261	387,137	-	-	462,261	387,137
Total	\$ 3,892,261	\$ 4,672,137	\$ 23,200,000	\$ 23,770,000	\$ 27,092,261	\$ 28,442,137

The County's debt related to general obligation bonds, gross revenue hospital facilities bonds, capital notes, and loans decreased by \$1,349,876, or 4.75 percent, during the fiscal year.

Meeker County was assigned a bond rating of "AA" by Standard & Poor's.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2016, Meeker County is well below the three percent debt limit imposed by state statutes.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The unemployment rate for Meeker County at the end of 2016 was 5.2 percent, which represents an increase of 0.2 percent from the rate of one year ago. This compares with the state unemployment rate of 4.1 percent.

By the end of 2016, Meeker County approved its balanced 2017 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Meeker County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Meeker County Auditor, 325 Sibley Avenue North, Litchfield, Minnesota 55355.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 1

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

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and pooled investments	\$ 23,579,148	\$ 8,356,539	\$ 31,935,687	\$ 464,238
Petty cash and change funds	2,690	-	2,690	-
Investments	-	-	-	141,000
Taxes receivable				
Delinquent	283,137	-	283,137	-
Special assessments receivable				
Delinquent	1,111	-	1,111	-
Noncurrent	305,979	-	305,979	-
Accounts receivable - net	254,193	3,631,069	3,885,262	49,171
Accrued interest receivable	81,983	-	81,983	853
Due from other governments	2,556,939	-	2,556,939	-
Due from primary government	-	-	-	27,500
Notes receivable	303,000	-	303,000	-
Loans receivable	92,637	-	92,637	-
Inventories	210,691	562,067	772,758	-
Prepaid items	121,834	269,310	391,144	38,401
Restricted assets				
Investments	-	24,626,315	24,626,315	-
Restricted by bond indenture	-	1,957,962	1,957,962	-
Restricted by donor	-	67,176	67,176	-
Restricted by interest rate swap agreement	-	900,232	900,232	-
Investment in joint venture	-	722,569	722,569	-
Interest rate swap	-	292,988	292,988	-
Capital assets				
Non-depreciable	3,107,929	1,973,340	5,081,269	219,954
Depreciable - net of accumulated depreciation	60,044,802	20,397,289	80,442,091	2,748,602
Total Assets	\$ 90,946,073	\$ 63,756,856	\$ 154,702,929	\$ 3,689,719
<u>Deferred Outflows of Resources</u>				
Deferred pension outflows	\$ 9,453,635	\$ 5,614,506	\$ 15,068,141	\$ 57,184

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 1
(Continued)**

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

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Accounts payable	\$ 426,360	\$ 1,045,400	\$ 1,471,760	\$ 98,038
Salaries payable	502,398	1,722,153	2,224,551	7,527
Contracts payable	75,269	-	75,269	-
Due to other governments	179,493	-	179,493	-
Due to component unit	27,500	-	27,500	-
Accrued interest payable	29,511	221,090	250,601	3,103
Estimated third-party payor settlements	-	129,118	129,118	-
Other accrued liabilities	-	-	-	2,518
Unearned revenue	87,762	-	87,762	586
Payables from restricted assets				
Customer deposits	-	-	-	56,063
Long-term liabilities				
Due within one year	1,697,067	605,000	2,302,067	189,274
Due in more than one year	4,120,412	22,801,192	26,921,604	3,362,529
Net pension liability	17,370,413	13,518,974	30,889,387	137,424
Other postemployment benefits	613,741	-	613,741	-
Total Liabilities	\$ 25,129,926	\$ 40,042,927	\$ 65,172,853	\$ 3,857,062
Deferred Inflows of Resources				
Deferred interest rate swap inflow	\$ -	\$ 292,988	\$ 292,988	\$ -
Deferred pension inflows	1,950,972	1,494,125	3,445,097	16,905
Total Deferred Inflows of Resources	\$ 1,950,972	\$ 1,787,113	\$ 3,738,085	\$ 16,905
Net Position				
Net investment in capital assets	\$ 59,682,857	\$ 922,399	\$ 60,605,256	\$ (574,402)
Restricted for				
General government	351,695	-	351,695	-
Public safety	128,582	-	128,582	-
Highways and streets	1,444,156	-	1,444,156	-
Human services	58,281	-	58,281	-
Conservation of natural resources	249,592	-	249,592	-
Debt service	752,926	-	752,926	-
Restricted by bond indenture	-	100,833	100,833	-
Restricted by donor	-	67,176	67,176	-
Restricted by interest rate swap agreement	-	900,232	900,232	-
Unrestricted	10,650,721	25,550,682	36,201,403	447,338
Total Net Position	\$ 73,318,810	\$ 27,541,322	\$ 100,860,132	\$ (127,064)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Primary Government			
Governmental activities			
General government	\$ 6,101,355	\$ 895,828	\$ 10,000
Public safety	6,703,702	1,094,699	547,526
Highways and streets	5,331,946	731,197	4,457,319
Sanitation	391,838	341,183	100,400
Human services	6,544,455	882,695	3,342,780
Health	1,553,607	402,703	645,784
Culture and recreation	510,164	87,613	-
Conservation of natural resources	607,226	94,450	371,781
Economic development	118,500	4,633	-
Interest	73,748	-	-
Total governmental activities	\$ 27,936,541	\$ 4,535,001	\$ 9,475,590
Business-type activities			
Meeker Memorial Hospital	32,511,861	32,394,405	-
Total Primary Government	\$ 60,448,402	\$ 36,929,406	\$ 9,475,590
Discretely Presented Component Units	\$ 1,397,362	\$ 1,068,568	\$ 343,255

General Revenues

Property taxes
Gravel taxes
Mortgage registry and deed tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Gifts and contributions
Investment earnings
Gain on disposal of capital assets
Miscellaneous

Total general revenues

Change in Net Position

Net Position - January 1

Net Position - December 31

EXHIBIT 2

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Discretely Presented Component Units</u>
	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	
\$ -	\$ (5,195,527)	\$ -	\$ (5,195,527)	
-	(5,061,477)	-	(5,061,477)	
-	(143,430)	-	(143,430)	
-	49,745	-	49,745	
-	(2,318,980)	-	(2,318,980)	
-	(505,120)	-	(505,120)	
-	(422,551)	-	(422,551)	
-	(140,995)	-	(140,995)	
-	(113,867)	-	(113,867)	
-	(73,748)	-	(73,748)	
<u>\$ -</u>	<u>\$ (13,925,950)</u>	<u>\$ -</u>	<u>\$ (13,925,950)</u>	
-	-	(117,456)	(117,456)	
<u>\$ -</u>	<u>\$ (13,925,950)</u>	<u>\$ (117,456)</u>	<u>\$ (14,043,406)</u>	
<u>\$ 18,895</u>				<u>\$ 33,356</u>
	\$ 13,631,618	\$ -	\$ 13,631,618	\$ -
	57,562	-	57,562	-
	18,757	-	18,757	-
	119,966	-	119,966	-
	1,334,089	-	1,334,089	535
	-	37,673	37,673	-
	206,274	367,620	573,894	2,498
	-	27,280	27,280	1,000
	325,624	-	325,624	-
	<u>\$ 15,693,890</u>	<u>\$ 432,573</u>	<u>\$ 16,126,463</u>	<u>\$ 4,033</u>
	\$ 1,767,940	\$ 315,117	\$ 2,083,057	\$ 37,389
	<u>71,550,870</u>	<u>27,226,205</u>	<u>98,777,075</u>	<u>(164,453)</u>
	<u>\$ 73,318,810</u>	<u>\$ 27,541,322</u>	<u>\$ 100,860,132</u>	<u>\$ (127,064)</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 8,138,376	\$ 4,570,295
Petty cash and change funds	2,690	-
Taxes receivable		
Delinquent	156,806	36,811
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable	48,189	100
Accrued interest receivable	81,983	-
Due from other funds	3,025	283
Due from other governments	337,876	1,492,126
Notes receivable	300,000	-
Loans receivable	-	-
Inventories	-	210,691
Advances to other funds	11,891	-
Prepaid items	119,526	1,500
	\$ 9,200,362	\$ 6,311,806
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 106,051	\$ 70,944
Salaries payable	253,044	70,060
Contracts payable	-	75,269
Due to other funds	234	913
Due to other governments	21,214	29,397
Due to component unit	-	-
Advances from other funds	-	-
Unearned revenue	-	-
	\$ 380,543	\$ 246,583
Deferred Inflows of Resources		
Unavailable revenue	\$ 145,666	\$ 1,472,976

EXHIBIT 3

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,737,127	\$ 749,291	\$ 686,289	\$ 3,697,770	\$ 23,579,148
-	-	-	-	2,690
65,096	18,071	50	6,303	283,137
-	-	-	1,111	1,111
-	-	-	305,979	305,979
99,460	-	-	106,444	254,193
-	-	-	-	81,983
555	-	-	-	3,863
501,852	-	-	225,085	2,556,939
-	-	-	3,000	303,000
-	-	-	92,637	92,637
-	-	-	-	210,691
-	-	-	-	11,891
-	-	-	808	121,834
<u>\$ 6,404,090</u>	<u>\$ 767,362</u>	<u>\$ 686,339</u>	<u>\$ 4,439,137</u>	<u>\$ 27,809,096</u>
\$ 200,306	\$ -	\$ 1,110	\$ 47,949	\$ 426,360
121,023	-	-	58,271	502,398
-	-	-	-	75,269
2,112	-	-	604	3,863
86,311	-	-	42,571	179,493
-	-	-	27,500	27,500
-	-	-	11,891	11,891
-	-	-	87,762	87,762
<u>\$ 409,752</u>	<u>\$ -</u>	<u>\$ 1,110</u>	<u>\$ 276,548</u>	<u>\$ 1,314,536</u>
<u>\$ 93,043</u>	<u>\$ 14,436</u>	<u>\$ 41</u>	<u>\$ 466,047</u>	<u>\$ 2,192,209</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
(Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 210,691
Prepaid items	119,526	-
Advances to other funds	11,891	-
Notes receivable	300,000	-
Missing heirs	3,717	-
Restricted for		
Debt service	-	-
Recorder's technology equipment	114,690	-
Recorder's compliance	235,561	-
Attorney forfeiture	35,459	-
Gravel tax	116,941	-
Sheriff contingencies	-	-
Permit to carry	84,548	-
Veterans grant	1,444	-
Child protection	-	-
Ditch maintenance and construction	-	-
Committed for		
Regional library	-	-
Assigned to		
General government	-	-
Highways and streets	-	4,381,556
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Economic development	-	-
Capital projects	-	-
Unassigned	7,650,376	-
Total Fund Balances	\$ 8,674,153	\$ 4,592,247
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,200,362	\$ 6,311,806

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 210,691
-	-	-	808	120,334
-	-	-	-	11,891
-	-	-	3,000	303,000
-	-	-	-	3,717
-	752,926	-	-	752,926
-	-	-	-	114,690
-	-	-	-	235,561
-	-	-	-	35,459
-	-	-	-	116,941
-	-	-	8,575	8,575
-	-	-	-	84,548
-	-	-	-	1,444
58,281	-	-	-	58,281
-	-	-	132,651	132,651
-	-	-	60,885	60,885
-	-	-	430,691	430,691
-	-	-	-	4,381,556
-	-	-	925,077	925,077
5,843,014	-	-	-	5,843,014
-	-	-	614,964	614,964
-	-	-	210,429	210,429
-	-	-	1,388,502	1,388,502
-	-	685,188	-	685,188
-	-	-	(79,040)	7,571,336
<u>\$ 5,901,295</u>	<u>\$ 752,926</u>	<u>\$ 685,188</u>	<u>\$ 3,696,542</u>	<u>\$ 24,302,351</u>
<u>\$ 6,404,090</u>	<u>\$ 767,362</u>	<u>\$ 686,339</u>	<u>\$ 4,439,137</u>	<u>\$ 27,809,096</u>

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016**

Fund balance - total governmental funds		\$	24,302,351
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			63,152,731
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.			2,192,209
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
General obligation bonds and any related unamortized discounts/premiums	\$	(2,797,213)	
Capital notes payable and any related unamortized discounts/premiums		(672,661)	
Loan payable		(462,261)	
Other postemployment benefits		(613,741)	
Compensated absences		(1,885,344)	
Net pension liability		(17,370,413)	
Accrued interest payable		<u>(29,511)</u>	(23,831,144)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.			
Deferred outflows related to pensions	\$	9,453,635	
Deferred inflows related to pensions		<u>(1,950,972)</u>	<u>7,502,663</u>
Net Position of Governmental Activities			<u>\$ 73,318,810</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

	General	Road and Bridge
Revenues		
Taxes	\$ 7,764,050	\$ 1,739,849
Special assessments	-	-
Licenses and permits	99,458	-
Intergovernmental	1,874,630	4,903,916
Charges for services	1,695,299	578,127
Fines and forfeitures	17,568	-
Gifts and contributions	790	-
Investment earnings	204,865	-
Miscellaneous	426,745	153,070
	\$ 12,083,405	\$ 7,374,962
Expenditures		
Current		
General government	\$ 4,716,505	\$ 78,976
Public safety	5,435,756	-
Highways and streets	-	5,486,110
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	411,119	-
Economic development	91,000	-
Capital outlay		
General government	-	-
Public safety	-	-
Conservation of natural resources	-	-
Intergovernmental		
General government	89,740	-
Highways and streets	-	437,985
Debt service		
Principal	-	-
Interest	-	-
Administrative and fiscal charges	-	-
	\$ 10,744,120	\$ 6,003,071
Excess of Revenues Over (Under) Expenditures	\$ 1,339,285	\$ 1,371,891

EXHIBIT 5

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,059,448	\$ 780,138	\$ -	\$ 362,359	\$ 13,705,844
-	-	-	122,269	122,269
-	-	-	-	99,458
3,387,911	75,428	5,452	856,987	11,104,324
694,450	-	-	712,781	3,680,657
-	-	-	1,370	18,938
195	-	-	-	985
-	-	-	1,409	206,274
188,245	-	3,250	366,166	1,137,476
\$ 7,330,249	\$ 855,566	\$ 8,702	\$ 2,423,341	\$ 30,076,225
\$ -	\$ -	\$ -	\$ 482,945	\$ 5,278,426
-	-	-	-	5,435,756
-	-	-	-	5,486,110
-	-	-	369,287	369,287
6,455,854	-	-	-	6,455,854
-	-	-	1,529,896	1,529,896
-	-	-	481,096	481,096
-	-	-	140,247	551,366
-	-	-	27,500	118,500
-	-	41,278	-	41,278
-	-	44,465	-	44,465
-	-	9,616	-	9,616
-	-	-	-	89,740
-	-	-	-	437,985
-	855,000	-	35,366	890,366
-	77,304	-	5,600	82,904
-	1,350	-	-	1,350
\$ 6,455,854	\$ 933,654	\$ 95,359	\$ 3,071,937	\$ 27,303,995
\$ 874,395	\$ (78,088)	\$ (86,657)	\$ (648,596)	\$ 2,772,230

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ 57,000	\$ -
Transfers out	(1,177,730)	-
Loans issued	-	-
	\$ (1,120,730)	\$ -
Net Change in Fund Balances	\$ 218,555	\$ 1,371,891
Fund Balances - January 1	8,455,598	3,277,167
Increase (decrease) in inventories	-	(56,811)
	\$ 8,674,153	\$ 4,592,247
Fund Balances - December 31	\$ 8,674,153	\$ 4,592,247

EXHIBIT 5
(Continued)

Human Services	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 100,000	\$ 500,000	\$ 677,730	\$ 1,334,730
-	-	(100,000)	(57,000)	(1,334,730)
-	-	-	106,996	106,996
\$ -	\$ 100,000	\$ 400,000	\$ 727,726	\$ 106,996
\$ 874,395	\$ 21,912	\$ 313,343	\$ 79,130	\$ 2,879,226
5,026,900	731,014	371,845	3,617,412	21,479,936
-	-	-	-	(56,811)
\$ 5,901,295	\$ 752,926	\$ 685,188	\$ 3,696,542	\$ 24,302,351

**MEEKER COUNTY
LITCHFIELD, 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, 2016**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 2,879,226

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

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

Unavailable revenue - December 31	\$ 2,192,209	
Unavailable revenue - January 1	<u>(2,378,384)</u>	(186,175)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 2,798,866	
Current year depreciation expense	<u>(2,629,196)</u>	169,670

Proceeds from debt issuances provide current financial resources to funds, but issuing debt increases long-term liabilities in the statement of net position.

Debt issued - loans		(110,490)
---------------------	--	-----------

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 payments		
General obligation bonds	\$ 530,000	
Capital notes	325,000	
Loan payable	<u>35,366</u>	890,366

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

Change in accrued interest payable	\$ 5,968	
Amortization of discounts/premiums	4,538	
Change in compensated absences	(18,024)	
Change in inventories	(56,811)	
Change in other postemployment benefits	(80,006)	
Change in deferred pension outflows	8,047,101	
Change in deferred pension inflows	(804,307)	
Change in net pension liability	<u>(8,973,116)</u>	<u>(1,874,657)</u>

Net Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,767,940

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

PROPRIETARY FUND

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2016**

Assets

Current assets

Cash and pooled investments	\$ 8,356,539
Accounts receivable - net	3,631,069
Inventories	562,067
Prepaid items	269,310
	<hr/>

Total current assets **\$ 12,818,985**

Restricted assets

Investments	\$ 24,626,315
Restricted by bond indenture	1,957,962
Restricted by interest rate swap agreement	900,232
Restricted by donor	67,176
	<hr/>

Total restricted assets **\$ 27,551,685**

Noncurrent assets

Investment in joint venture	\$ 722,569
Interest rate swap	292,988
Capital assets	
Nondepreciable	1,973,340
Depreciable - net	20,397,289
	<hr/>

Total noncurrent assets **\$ 23,386,186**

Total Assets **\$ 63,756,856**

Deferred Outflows of Resources

Deferred pension outflows	<u>\$ 5,614,506</u>
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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT 7
(Continued)***

**STATEMENT OF FUND NET POSITION
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2016**

Liabilities

Current liabilities

Accounts payable	\$ 1,045,400
Salaries payable	1,722,153
Accrued interest payable	221,090
Estimated third-party payor settlements	129,118
Bonds payable	<u>605,000</u>

Total current liabilities **\$ 3,722,761**

Noncurrent liabilities

Bonds payable	\$ 22,801,192
Net pension liability	<u>13,518,974</u>

Total noncurrent liabilities **\$ 36,320,166**

Total Liabilities **\$ 40,042,927**

Deferred Inflows of Resources

Deferred interest rate swap inflow	\$ 292,988
Deferred pension inflows	<u>1,494,125</u>

Total Deferred Inflows of Resources **\$ 1,787,113**

Net Position

Net investment in capital assets	\$ 922,399
Restricted by bond indenture	100,833
Restricted by donor	67,176
Restricted by interest rate swap agreement	900,232
Unrestricted	<u>25,550,682</u>

Total Net Position **\$ 27,541,322**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Operating Revenues	
Patient services revenues	\$ 31,993,371
Miscellaneous	401,034
	<hr/>
Total Operating Revenues	\$ 32,394,405
Operating Expenses	
Professional care of patients	\$ 20,579,356
Administration and fiscal services	6,343,374
Property, housekeeping, and laundry	1,488,295
Dietary	508,650
Depreciation	2,250,529
	<hr/>
Total Operating Expenses	\$ 31,170,204
Operating Income (Loss)	\$ 1,224,201
Nonoperating Revenues (Expenses)	
Noncapital contributions	\$ 37,673
Investment earnings	367,620
Interest expense	(1,341,657)
Gain (loss) on disposal of assets and other	27,280
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (909,084)
Change in Net Position	\$ 315,117
Net Position - January 1	27,226,205
	<hr/>
Net Position - December 31	\$ 27,541,322
	<hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash Flows from Operating Activities	
Receipts from third-party payors and patients	\$ 32,535,420
Other receipts	386,591
Payments to suppliers	(13,418,527)
Payments to employees	<u>(14,288,212)</u>
Net cash provided by (used in) operating activities	<u>\$ 5,215,272</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	\$ (2,523,036)
Contributions received restricted for capital assets	64,953
Principal payments on long-term debt	(570,000)
Interest paid	<u>(1,356,463)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (4,384,546)</u>
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	\$ 10,922,121
Purchase of investments	(11,751,616)
Investment earnings received	<u>383,598</u>
Net cash provided by (used in) investing activities	<u>\$ (445,897)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 384,829
Cash and Cash Equivalents, January 1	<u>7,971,710</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 8,356,539</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ <u>1,224,201</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 2,250,529
Equity in joint venture	(233,898)
Distributions received from joint venture	219,455
Provision for bad debts	436,659
(Increase) decrease in accounts receivable	138,657
(Increase) decrease in inventories	(8,078)
(Increase) decrease in prepaid items	15,929
(Increase) decrease in accounts payable	174,468
Increase (decrease) in salaries payable	82,056
(Increase) decrease in estimated third-party payor settlements	(33,266)
Increase (decrease) in net pension liability	<u>948,560</u>
Total adjustments	\$ <u>3,991,071</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>5,215,272</u></u>

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FIDUCIARY FUNDS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 10

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

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	\$ <u><u>607,364</u></u>
<u>Liabilities</u>	
Due to other governments	\$ <u><u>607,364</u></u>

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DISCRETELY PRESENTED COMPONENT UNITS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 11

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2016**

	<u>Economic Development Authority</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 418,042	\$ 46,196	\$ 464,238
Cash and cash equivalents	141,000	-	141,000
Accounts receivable - net	15,768	33,403	49,171
Accrued interest receivable	853	-	853
Due from primary government	27,500	-	27,500
Prepaid items	31,504	6,897	38,401
	<u>634,667</u>	<u>86,496</u>	<u>721,163</u>
Total current assets	\$ 634,667	\$ 86,496	\$ 721,163
Noncurrent assets			
Capital assets			
Nondepreciable	\$ 155,988	\$ 63,966	\$ 219,954
Depreciable - net	2,342,475	406,127	2,748,602
	<u>2,498,463</u>	<u>470,093</u>	<u>2,968,556</u>
Total noncurrent assets	\$ 2,498,463	\$ 470,093	\$ 2,968,556
Total Assets	\$ 3,133,130	\$ 556,589	\$ 3,689,719
<u>Deferred Outflows of Resources</u>			
Deferred pension outflows	\$ 57,184	\$ -	\$ 57,184
	<u>57,184</u>	<u>-</u>	<u>57,184</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 11
(Continued)**

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2016**

	Economic Development Authority	Housing and Redevelopment Authority	Total
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 95,396	\$ 2,642	\$ 98,038
Salaries payable	3,186	4,341	7,527
Accrued interest payable	3,103	-	3,103
Unearned revenue	-	586	586
Customer deposits	48,053	8,010	56,063
Other accrued liabilities	-	2,518	2,518
Compensated absences payable - current	3,626	-	3,626
Revenue bonds payable - current	185,648	-	185,648
Total current liabilities	\$ 339,012	\$ 18,097	\$ 357,109
Noncurrent liabilities			
Compensated absences payable - long-term	\$ 5,219	\$ -	\$ 5,219
Revenue bonds payable - long-term	3,195,183	-	3,195,183
Long-term debt - capital projects/mortgage rev.	-	162,127	162,127
Net pension liability	137,424	-	137,424
Total noncurrent liabilities	\$ 3,337,826	\$ 162,127	\$ 3,499,953
Total Liabilities	\$ 3,676,838	\$ 180,224	\$ 3,857,062
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows	\$ 16,905	\$ -	\$ 16,905
<u>Net Position</u>			
Net investment in capital assets	\$ (882,368)	\$ 307,966	\$ (574,402)
Unrestricted	378,939	68,399	447,338
Total Net Position	\$ (503,429)	\$ 376,365	\$ (127,064)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Economic Development Authority (EDA)	\$ 1,004,541	\$ 971,839
Housing and Redevelopment Authority (HRA)	392,821	96,729
Total Component Units	\$ 1,397,362	\$ 1,068,568
General Revenues		
	Grants and contributions not restricted to specific programs	
	Investment earnings	
	Total general revenues	
	Change in Net Position	
	Net Position - January 1	
	Net Position - December 31	

EXHIBIT 12

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	EDA	HRA	Total
\$ 91,000	\$ -	\$ 58,298	\$ -	\$ 58,298
252,255	18,895	-	(24,942)	(24,942)
\$ 343,255	\$ 18,895	\$ 58,298	\$ (24,942)	\$ 33,356
		\$ 535	\$ -	\$ 535
		2,403	95	2,498
		-	1,000	1,000
		\$ 2,938	\$ 1,095	\$ 4,033
		\$ 61,236	\$ (23,847)	\$ 37,389
		(564,665)	400,212	(164,453)
		\$ (503,429)	\$ 376,365	\$ (127,064)

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

1. Summary of Significant Accounting Policies

Meeker County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Meeker County was established February 23, 1856, and is an organized county having the powers, duties, and privileges granted to counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Meeker County (primary government) and its component units for which the County is financially accountable. 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.

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Meeker County are discretely presented:

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Meeker County Economic Development Authority (EDA)	The Board of Directors consists of two County Commissioners and six members appointed by the County Commissioners. Meeker County is obligated for the debt and any operating deficits of the EDA.	The Meeker County EDA does not issue separate financial statements.
Meeker County Housing and Redevelopment Authority (HRA)	The Board of Directors consists of five members who are appointed by the County Commissioners. Meeker County is obligated for the debt and any operating deficits of the HRA.	Meeker County Housing and Redevelopment Authority 840 North Third Street P. O. Box 277 Dassel, Minnesota 55325

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in several joint ventures described in Note 7.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 Meeker County (the primary government) and its component units. 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 normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental activities and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) 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.

Meeker County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. Meeker 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 and business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

Proprietary fund 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.

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 Road and Bridge Special Revenue Fund is used to account for restricted revenues from the federal and state government and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for restricted revenue resources from federal, state, and other oversight agencies used for economic assistance and community social services programs.

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, principal, interest, and related costs of the County's long-term debt.

The Capital Projects Fund accounts for financial resources to be used for anticipated capital projects.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major enterprise fund:

The Meeker Memorial Hospital Fund is used to account for the operations of the Meeker Memorial Hospital.

Additionally, the County reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Meeker County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed. 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 one of the unrestricted fund balance classifications could be used.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

Meeker County has 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 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 Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2016. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the Meeker Memorial Hospital Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Investment earnings for 2016 were \$204,865.

Meeker County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Any residual balances outstanding between the primary government and the component units are reported in the government-wide financial statements as “due to/from primary government and due to/due from component unit.”

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate the asset is not in spendable form.

No allowance for uncollectible receivables of the governmental activities have been provided because such amounts are not expected to be material.

All receivables of the discretely presented component units are shown net of an allowance for uncollectibles.

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

Special assessments receivable consist of delinquent special assessments payable in the years 2011 through 2016 and noncurrent special assessments in 2017 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

3. Receivables and Payables (Continued)

The Meeker Memorial Hospital Enterprise Fund grants credit to its patients, most of whom are local residents or are employed by the businesses of Litchfield and the surrounding area. The Hospital has agreements with third-party payors, which provide for reimbursement to the Hospital at amounts different from its established rates.

Patient accounts receivable, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient accounts receivable due directly from the patients are carried at the original charge for the services provided, less amounts covered by third-party payors and less an estimated allowance for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts; by using historical experience applied to an aging of accounts; and by considering a patient's financial history, credit history, and current economic conditions. Patient accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of the provision for bad debts when received.

The County reports unearned revenue in connection with resources that have been received, but not yet earned.

4. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. The inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds and at the government-wide level are recorded as expenses when consumed.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by Meeker County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 - 50
Furniture	20
Machinery and equipment	5 - 25
Infrastructure	50 - 75

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion consists of an amount based on a trend analysis of current usage of vacation and sick leave. The noncurrent portion consists of the remaining amount of vacation and sick leave. Compensated absences are generally paid by the General Fund.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has one item, deferred pension outflows that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, changes in actuarial assumptions, changes in proportion, differences between expected and actual economic experience, and also the differences 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

8. Deferred Outflows/Inflows of Resources (Continued)

until that time. Currently, the County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, and delinquent and deferred special assessments receivable, and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position. Additionally, the County reports a deferred interest rate inflow in the major enterprise fund and business-type activities. This deferred inflow of resources is the result of a gain/loss associated with the change in fair value of a derivative instrument.

9. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 and other governmental funds that have personal services.

11. Classification of Net Position

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

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

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

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which Meeker 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 not expected to be converted to cash.

Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action (ordinance or 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 (ordinance or resolution) it employed to previously commit those amounts.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

12. Classification of Fund Balances (Continued)

Meeker 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.

13. Minimum Fund Balance

Meeker County has adopted a minimum fund balance policy for the General Fund. The General Fund is 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 in the General Fund (committed, assigned, and unassigned) of no less than five months of operating expenditures based on the previous year, or approximately 35 to 50 percent of fund operating revenues. The fund balance policy was adopted by the County Board on December 8, 2011. At December 31, 2016, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

14. Use of Estimates

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Hospital Enterprise Fund - Net Patient and Resident Service Revenue

As services are rendered at the Hospital, patient service revenue is recorded at the Hospital's established rates, with contractual adjustments and charity care allowance deducted to arrive at net patient service revenue. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Hospital has agreements with third-party payors that provide for reimbursement at amounts different from its established rates. Blue Cross Blue Shield reimbursements are based on the lower of the Hospital's established rates or a prospectively established rate for most inpatient and outpatient services. The Hospital has also entered into reimbursement agreements with certain other commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements is primarily based on fee schedules and discounts from established charges.

The Hospital has elected Critical Access Hospital (CAH) designation. As a CAH, inpatient acute-care services and outpatient services rendered to Medicare program beneficiaries are paid based on a cost-reimbursement method. The Hospital is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare administrative contractor.

Retroactive contractual adjustments arising under reimbursement agreements with third-party payors are recognized on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The laws and regulations under which the Medicare program operates are complex, subject to frequent change, and subject to interpretation. As part of operating under the Medicare program, there is a possibility that governmental authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to Medicare reimbursement previously received and subject the Hospital to fines and penalties. Although the outcome of pending reviews cannot be ascertained, management believes the Hospital is in compliance with all applicable laws and regulations and has complied with the requirements of the Medicare program.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

F. Hospital Enterprise Fund - Operating Revenues and Expenses

The Hospital's statement of revenues, expenses, and changes in fund net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses result from exchange transactions associated with providing health care services (the Hospital's principal activity) and supporting the activities of the Hospital. Nonexchange revenues, including interest income, grants, and contributions, are reported as nonoperating revenues.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of \$53,611 as of December 31, 2016, although 15 ditches had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

42 ditches with positive balances	\$	132,651
15 ditches with deficit balances		<u>(79,040)</u>
Net Fund Balance	\$	<u>53,611</u>

B. Excess of Expenditures Over Appropriations

The following nonmajor fund had expenditures in excess of budget for the year ended December 31, 2016:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Transfer Station Special Revenue Fund	\$ 251,291	\$ 229,000	\$ 22,291

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	23,579,147
Petty cash and change funds	2,690
Business-type activities	
Cash and pooled investments	8,356,539
Investments, restricted	27,551,685
Statement of fiduciary net position	
Cash and pooled investments	607,363
Total Cash and Investments	\$ 60,097,424
Deposits	\$ 37,819,590
Petty cash and change funds	2,690
Investments	22,275,144
Total Deposits, Cash on Hand, and Investments	\$ 60,097,424

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; state and local 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, the County complies with Minnesota statutes in establishing authorized collateral for its deposits. As of December 31, 2016, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its 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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County's investment policy is to invest in both short-term and long-term investments to limit exposure to interest rate risk.

At December 31, 2016, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
Federal Home Loan Mortgage Corporation Securities	\$ 940,097	\$ -	\$ 940,097	\$ -
Federal Home Loan Bank Securities	296,190	-	-	296,190
Federal Farm Credit Bank Securities	250,267	-	250,267	-
Federal National Mortgage Association Securities	1,605,766	-	1,605,766	-
MAGIC Fund	12,613,080	12,613,080	-	-
Negotiable CDs	6,569,744	1,092,202	5,477,542	-
Total Investments	<u>\$ 22,275,144</u>	<u>\$ 13,705,282</u>	<u>\$ 8,273,672</u>	<u>\$ 296,190</u>

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 County's policy to invest only in securities that meet the ratings requirements set by state statute.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

The County's exposure to credit risk as of December 31, 2016, is as follows:

	<u>S & P Rating</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation Securities	AA+	\$ 940,097
Federal Home Loan Bank Securities	AA+	296,190
Federal Farm Credit Bank Securities	AA+	250,267
Federal National Mortgage Association Securities	AA+	1,605,766
MAGIC Fund	N/R	12,613,080
Negotiable CDs	N/A	<u>6,569,744</u>
Total		<u>\$ 22,275,144</u>

N/R - not rated; N/A - not applicable

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 does not have a specific policy for custodial credit risk. As of December 31, 2016, Meeker County's investments were not subject to custodial credit risk.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that investments in the MAGIC Fund, 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.

Investments in any one issuer that represent five percent or more of the County's investments are:

<u>Issuer</u>	<u>Percent of Total</u>	<u>Reported Amount</u>
Federal National Mortgage Association Securities	7.21%	\$ 1,605,766

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2016, the County had the following recurring fair value measurements:

	December 31, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	\$ 3,092,320	\$ -	\$ 3,092,320	\$ -
Negotiable certificates of deposit	6,569,744	-	6,569,744	-
Interest rate swap	292,988	-	292,988	-
Total Investments Included in the Fair Value Hierarchy	\$ 9,955,052	\$ -	\$ 9,955,052	\$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 8,373,080			
MAGIC Term	4,240,000			
Total Investments Measured at the NAV	\$ 12,613,080			

Debt securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries: a market approach by utilizing quoted prices for identical securities in markets that are not active;
- Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices; and
- Interest Rate Swap: prices based on securities with similar characteristics in active markets.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member. The MAGIC fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables at December 31, 2016, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 283,137	\$ -
Special assessments	307,090	305,979
Accounts	254,193	-
Accrued interest	81,983	-
Due from other governments	2,556,939	-
Notes	303,000	-
Loans	92,637	68,249
	\$ 3,878,979	\$ 374,228
Business-Type Activities		
Accounts	\$ 6,711,676	\$ -
Allowance for contractual adjustments	(1,919,607)	-
Allowance for uncollectible accounts	(1,161,000)	-
	\$ 3,631,069	\$ -

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Loans Receivable

Loans receivable represent amounts owing from business within the County for economic development. The loan receivable is reported in the Revolving Loan Special Revenue Fund. The annual payments to the County for the loans are as follows:

Year Ended December 31	Loans Receivable
2017	\$ 26,903
2018	24,008
2019	21,113
2020	21,113
2021	5,278
Total	\$ 98,415
Less: interest	(5,778)
Present Value of Loans Receivable	\$ 92,637

3. Capital Assets

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

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,075,064	\$ 109,169	\$ -	\$ 1,184,233
Right-of-way	1,597,370	24,300	-	1,621,670
Construction in progress	141,784	302,026	141,784	302,026
Total capital assets not depreciated	\$ 2,814,218	\$ 435,495	\$ 141,784	\$ 3,107,929
Capital assets depreciated				
Buildings	\$ 18,879,544	\$ -	\$ -	\$ 18,879,544
Building improvements	3,975,164	20,793	-	3,995,957
Office furniture and equipment	6,071,183	15,929	134,595	5,952,517
Machinery and equipment	9,214,050	809,555	363,450	9,660,155
Infrastructure	60,639,058	1,658,878	-	62,297,936
Total capital assets depreciated	\$ 98,778,999	\$ 2,505,155	\$ 498,045	\$ 100,786,109

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 9,098,491	\$ 535,162	\$ -	\$ 9,633,653
Building improvements	1,256,516	34,023	-	1,290,539
Office furniture and equipment	5,604,800	143,647	134,595	5,613,852
Machinery and equipment	6,347,893	666,592	363,450	6,651,035
Infrastructure	16,302,456	1,249,772	-	17,552,228
Total accumulated depreciation	<u>\$ 38,610,156</u>	<u>\$ 2,629,196</u>	<u>\$ 498,045</u>	<u>\$ 40,741,307</u>
Total capital assets depreciated, net	<u>\$ 60,168,843</u>	<u>\$ (124,041)</u>	<u>\$ -</u>	<u>\$ 60,044,802</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 62,983,061</u></u>	<u><u>\$ 311,454</u></u>	<u><u>\$ 141,784</u></u>	<u><u>\$ 63,152,731</u></u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,963,928	\$ -	\$ -	\$ 1,963,928
Construction in progress	360,334	9,412	360,334	9,412
Total capital assets not depreciated	<u>\$ 2,324,262</u>	<u>\$ 9,412</u>	<u>\$ 360,334</u>	<u>\$ 1,973,340</u>
Capital assets depreciated				
Land improvements	\$ 1,465,195	\$ -	\$ 5,000	\$ 1,460,195
Buildings	27,576,529	2,172,236	-	29,748,765
Machinery, furniture, and equipment	19,781,066	706,722	814	20,486,974
Total capital assets depreciated	<u>\$ 48,822,790</u>	<u>\$ 2,878,958</u>	<u>\$ 5,814</u>	<u>\$ 51,695,934</u>
Less: accumulated depreciation for				
Land improvements	\$ 859,564	\$ 88,621	\$ -	\$ 948,185
Buildings	12,756,156	1,284,782	-	14,040,938
Machinery, furniture, and equipment	15,433,210	877,126	814	16,309,522
Total accumulated depreciation	<u>\$ 29,048,930</u>	<u>\$ 2,250,529</u>	<u>\$ 814</u>	<u>\$ 31,298,645</u>
Total capital assets depreciated, net	<u>\$ 19,773,860</u>	<u>\$ 628,429</u>	<u>\$ 5,000</u>	<u>\$ 20,397,289</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 22,098,122</u></u>	<u><u>\$ 637,841</u></u>	<u><u>\$ 365,334</u></u>	<u><u>\$ 22,370,629</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	554,083
Public safety		201,209
Highways and streets, including depreciation of infrastructure assets		1,786,866
Human services		3,001
Health		2,251
Culture and recreation		46,930
Sanitation		32,761
Conservation of natural resources		2,095
		2,095
Total Depreciation Expense - Governmental Activities	\$	2,629,196
Business-Type Activities		
Hospital	\$	2,250,529

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 913
	Human Services	2,112
		3,025
Total due to General Fund		\$ 3,025
Road and Bridge	Nonmajor governmental funds	\$ 283
Human Services	General	\$ 234
	Nonmajor governmental funds	321
		555
Total due to Human Services Fund		\$ 555
Total Due To/From Other Funds		\$ 3,863

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 11,891

Advance from the General Fund to the Ditch Special Revenue Fund is to cover negative cash balances.

3. Interfund Transfers

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

Transfer to Debt Service Fund from Capital Projects Fund	\$ 100,000	Debt service requirements
Transfer to General Fund from nonmajor governmental funds	57,000	Refund of forfeited tax expense
Transfer to Capital Projects Fund from General Fund	500,000	To fund capital expenditures
Transfers to nonmajor governmental funds from General Fund	677,730	Annual appropriation
Total Interfund Transfers	\$ 1,334,730	

C. Liabilities

1. Payables

Payables at December 31, 2016, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 426,360	\$ 1,045,400
Salaries	502,398	1,722,153
Contracts	75,269	-
Due to other governments	179,493	-
Due to component unit	27,500	-
Total Payables	\$ 1,211,020	\$ 2,767,553

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Construction Commitments

The County has no active construction projects as of December 31, 2016.

3. Long-Term Debt

The County issues long-term debt obligations to provide for the acquisition, construction, and betterment of major capital facilities and infrastructure.

Bonds and Notes

Governmental Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2016</u>
General obligation bonds					
2012 G.O. Capital Improvement Refunding Bonds	2026	\$200,000 - \$310,000	2.00 - 2.50	\$ 3,175,000	\$ 2,285,000
2012B G.O. Law Enforcement Center Refunding Bonds	2018	\$220,000 - \$240,000	0.30 - 0.75	1,150,000	475,000
Total General Obligation Bonds				<u>\$ 4,325,000</u>	<u>\$ 2,760,000</u>
2010 G.O. Capital Notes	2018	\$265,000 - \$340,000	2.00 - 2.75	<u>\$ 2,500,000</u>	<u>\$ 670,000</u>

Business-Type Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2016</u>
2007 Gross Revenue Hospital Facilities Bonds	2037	\$425,000 - \$1,825,000	5.00 - 5.75	<u>\$ 26,675,000</u>	<u>\$ 23,200,000</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Loans Payable

In 2010, the County entered into loan agreements with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. The loans are secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much as \$200,000. The total amount received by the County through December 31, 2012, was \$200,000; accumulated interest was \$11,358. Repayment began in 2013.

In 2011, the County entered into another loan agreement with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. These loans are also secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much as \$300,000. The agreement was later amended in 2011 to increase the total to \$600,000. However, only \$300,000 may be borrowed without further authorization from the Minnesota Pollution Control Agency. The total amount received by the County through December 31, 2013, was \$153,356; accumulated interest was \$4,910. Repayment began in 2014.

In 2012, the County entered into another loan agreement with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. These loans are also secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much as \$200,000. As of December 31, 2016, the total amount borrowed was \$142,414. Repayment is estimated to begin in 2017.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Loans Payable (Continued)

In 2016, the County entered into another loan agreement with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. These loans are also secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much as \$200,000. As of December 31, 2016, the total amount borrowed was \$66,421.

Repayment schedules are not currently available for the 2016 loan.

4. Debt Service Requirements

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

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2017	\$ 545,000	\$ 48,630	\$ 330,000	\$ 13,475
2018	440,000	41,925	340,000	4,675
2019	205,000	36,975	-	-
2020	210,000	32,825	-	-
2021	215,000	28,575	-	-
2022 - 2026	1,145,000	70,639	-	-
Total	<u>\$ 2,760,000</u>	<u>\$ 259,569</u>	<u>\$ 670,000</u>	<u>\$ 18,150</u>

Year Ending December 31	Septic System Loans	
	Principal	Interest
2017	\$ 49,076	\$ 7,673
2018	50,063	6,686
2019	51,070	5,680
2020	52,096	4,653
2021	53,143	3,605
2022 - 2026	140,392	5,611
Total	<u>\$ 395,840</u>	<u>\$ 33,908</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	Gross Hospital Facilities Bonds	
	Principal	Interest
2017	\$ 605,000	\$ 1,326,538
2018	635,000	1,294,775
2019	670,000	1,259,056
2020	710,000	1,221,369
2021	745,000	1,181,431
2022 - 2026	4,420,000	5,221,163
2027 - 2031	5,855,000	3,795,864
2032 - 2036	7,735,000	1,908,425
2037	1,825,000	104,938
Total	<u>\$ 23,200,000</u>	<u>\$ 17,313,559</u>

5. Changes in Long-Term Liabilities

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 3,290,000	\$ -	\$ 530,000	\$ 2,760,000	\$ 545,000
Capital notes	995,000	-	325,000	670,000	330,000
Add: unamortized premium	46,339	-	5,181	41,158	-
Less: unamortized discounts	(1,927)	-	(643)	(1,284)	-
Total bonds payable	\$ 4,329,412	\$ -	\$ 859,538	\$ 3,469,874	\$ 875,000
Loans payable	387,137	110,490	35,366	462,261	49,076
Compensated absences	1,867,320	821,647	803,623	1,885,344	772,991
Governmental Activities Long-Term Liabilities	<u>\$ 6,583,869</u>	<u>\$ 932,137</u>	<u>\$ 1,698,527</u>	<u>\$ 5,817,479</u>	<u>\$ 1,697,067</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Long-term liabilities					
Bonds payable					
Gross revenue hospital facilities bonds	\$ 23,770,000	\$ -	\$ 570,000	\$ 23,200,000	\$ 605,000
Add: unamortized premium	216,011	-	9,819	206,192	-
Business-Type Activities					
Long-Term Liabilities	\$ 23,986,011	\$ -	\$ 579,819	\$ 23,406,192	\$ 605,000

For the governmental activities, loans payable are paid by the Septic Loans Special Revenue Fund. Bonded debt is paid from the Debt Service Fund.

D. Deferred Inflows of Resources

Unavailable Revenue

Unavailable revenue consists of taxes and special assessments receivable, state and federal grants not collected soon enough after year-end to pay liabilities of the current period, money from state-aid highway allotments received but not yet earned, and other revenues. Unavailable revenue at December 31, 2016, is summarized by fund:

	Taxes and Special Assessments	Grants	State-Aid Highway Allotments	Other	Total
Major governmental funds					
General	\$ 122,643	\$ 23,023	\$ -	\$ -	\$ 145,666
Special Revenue					
Road and Bridge	28,820	-	1,444,156	-	1,472,976
Human Services	51,017	42,026	-	-	93,043
Debt Service	14,436	-	-	-	14,436
Capital Projects	41	-	-	-	41

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

D. Deferred Inflows of Resources

Unavailable Revenue (Continued)

	Taxes and Special Assessments	Grants	State-Aid Highway Allotments	Other	Total
Nonmajor governmental funds					
Regional Library	3,378	-	-	-	3,378
County Nurse	-	61,377	-	-	61,377
Ditch	32,433	-	-	-	32,433
Family Services Building	1,565	-	-	-	1,565
Septic System Loan Program	-	-	-	274,657	274,657
Revolving Loan	-	-	-	92,637	92,637
Total	\$ 254,333	\$ 126,426	\$ 1,444,156	\$ 367,294	\$ 2,192,209

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description

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

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

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

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

2. Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans (Continued)

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2016.

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

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75
Public Employees Police and Fire Plan	16.20
Public Employees Correctional Plan	8.75

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

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

General Employees Retirement Plan	\$ 1,396,804
Public Employees Police and Fire Plan	231,561
Public Employees Correctional Plan	58,951

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans (Continued)

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of \$23,871,949 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.2957 percent. It was 0.2972 percent measured as of June 30, 2015. The County recognized pension expense of \$3,052,905 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$92,966 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

County's proportionate share of the net pension liability	\$ 23,871,949
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>311,817</u>
Total	<u>\$ 24,183,766</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,942,463
Changes in actuarial assumptions	4,674,148	-
Difference between projected and actual investment earnings	4,537,802	-
Changes in proportion	-	816,419
Contributions paid to PERA subsequent to the measurement date	702,232	-
Total	\$ 9,914,182	\$ 2,758,882

The \$702,232 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 1,661,350
2018	1,661,350
2019	2,266,742
2020	863,626

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of \$5,738,839 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.143 percent. It was 0.144 percent measured as of June 30, 2015. The County recognized pension expense of \$992,748 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$12,870 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 659,827
Changes in actuarial assumptions	3,158,334	-
Difference between projected and actual investment earnings	877,272	-
Changes in proportion	-	9,469
Contributions paid to PERA subsequent to the measurement date	124,367	-
Total	\$ 4,159,973	\$ 669,296

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The \$124,367 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2017	\$ 724,329
2018	724,329
2019	724,330
2020	653,061
2021	540,261

Public Employees Correctional Plan

At December 31, 2016, the County reported a liability of \$1,278,599 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.35 percent. It was 0.37 percent measured as of June 30, 2015. The County recognized pension expense of \$360,602 for its proportionate share of the Public Employees Correctional Plan's pension expense.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,002	\$ 14,600
Changes in actuarial assumptions	814,621	-
Difference between projected and actual investment earnings	145,588	-
Changes in proportion	1,131	2,319
Contributions paid to PERA subsequent to the measurement date	31,644	-
Total	\$ 993,986	\$ 16,919

The \$31,644 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 303,746
2018	303,745
2019	310,476
2020	27,456

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was \$4,406,255.

5. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for the Public Employees Police and Fire Plan and the Public Employees Correctional Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009. The experience study for the Public Employees Correctional Plan was for the period 2006 through 2011.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

5. Actuarial Assumptions (Continued)

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

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

6. Discount Rate (Continued)

and the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056, and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057, for the Public Employees Police and Fire Plan and June 30, 2059, for the Public Employees Correctional Plan, when projected benefit payments exceed the Plans' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan and 5.31 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Police and Fire Plan

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

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

8. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 33,905,243	4.60%	\$ 8,033,613	4.31%	\$ 1,925,175
Current	7.50	23,871,949	5.60	5,738,839	5.31	1,278,599
1% Increase	8.50	15,607,246	6.60	3,863,834	6.31	773,822

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans (Continued)

9. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

Three Board members of Meeker County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Meeker County during the year ended December 31, 2016, were:

	Employee	Employer
Contribution amount	\$ 4,246	\$ 4,426
Percentage of covered payroll	5%	5%

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Health Care Plan

A. Plan Description

The County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage. Medical coverage is administered by Blue Cross Blue Shield. The County provides benefits for retirees, in accordance with Minn. Stat. § 471.61, subd. 2b. It is the County's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for County employees and retirees.

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the County based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2016, the County contributed \$105,093. As of January 1, 2016, there were four retirees receiving health benefits from the County's health plan.

C. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net obligation to the plan.

ARC	\$ 194,943
Interest on net OPEB obligation	18,681
Adjustment to ARC	<u>(28,525)</u>
Annual OPEB cost (expense)	\$ 185,099
Contributions made	<u>(105,093)</u>
Increase in net OPEB obligation	\$ 80,006
Net OPEB Obligation - Beginning of Year	<u>533,735</u>
Net OPEB Obligation - End of Year	<u>\$ 613,741</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Health Care Plan

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for 2014, 2015, and 2016, was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2014	\$ 132,982	\$ 83,073	62.5%	\$ 507,606
December 31, 2015	132,231	106,102	80.2	533,735
December 31, 2016	185,099	105,093	56.8	613,741

The net OPEB obligation is primarily liquidated by funds that have personal services.

D. Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the County has no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$1,028,340, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,028,340. The covered payroll (annual payroll of active employees covered by the plan) was \$9,731,748, and the ratio of the UAAL to the covered payroll was 10.6 percent.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Health Care Plan (Continued)

E. Actuarial Methods and Assumptions

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

In the January 1, 2016, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 3.5 percent discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust or unfunded. The County currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 6.5 percent initially, reduced incrementally to 5.0 percent after 7 years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at January 1, 2016, was 22 years.

6. Risk Management

The 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. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group employee health benefits, the County has entered into a joint powers agreement, the Southwest/West Central Service Cooperative. For all other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2016 and 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

6. Risk Management (Continued)

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

The Hospital is covered by professional liability insurance on a claims-made basis. Individual and aggregate claims coverage is \$1,000,000 and \$3,000,000, respectively. Hospital management is of the opinion that insurance coverage is adequate to cover anticipated losses, if any. Settled claims have not exceeded commercial coverage in any of the past three years.

7. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

The Hospital is involved in various claims, litigations and judgments. Hospital management believes the ultimate resolution of these matters will not have an adverse effect on the financial position of the Hospital.

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; and Southwest Health

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties. The Board is headquartered in Windom, Minnesota. Des Moines Valley Health and Human Services (DVHHS) acts as fiscal agent.

The Board shall take actions and enter into such agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves 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.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56111.

Meeker-McLeod-Sibley Community Health Services Board

The Meeker-McLeod-Sibley Community Health Services Board was established pursuant to Minn. Stat. §§ 145A.09 to 145A.14, Minn. Stat. § 471.59, and a joint powers agreement, effective April 19, 1990. The Community Health Services Board consists of 15 members, 5 each from McLeod, Meeker, and Sibley Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services.

The joint venture is financed primarily from state and federal grants. McLeod County is the fiscal agent. Current financial statements are available from the McLeod County Auditor-Treasurer's Office, 2391 Hennepin Avenue North, Glencoe, Minnesota 55336.

PrimeWest Rural Minnesota Health Care Access Initiative

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Rural Minnesota Health Care Access Initiative) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to the

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

PrimeWest Rural Minnesota Health Care Access Initiative (Continued)

PrimeWest Rural Minnesota Health Care Access Initiative. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N. In 2016, Meeker County contributed \$37,611 to the Initiative.

Control of the PrimeWest Rural Minnesota Health Care Access Initiative is vested in a Joint Powers Board, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

Douglas County acts as fiscal agent for the PrimeWest Rural Minnesota Health Care Access Initiative and reports the cash transactions as an investment trust fund on its financial statements. Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services.

Complete financial information can be obtained from its administrative office at PrimeWest Rural Health Care Access Initiative, 2209 Jefferson Street, Suite 101, Alexandria, Minnesota 56308.

Crow River Joint Powers Agreement

In April 1999, the County entered into a joint powers agreement with Carver, Hennepin, Kandiyohi, McLeod, Pope, Renville, Sibley, Stearns, and Wright Counties, creating the Crow River Joint Powers Agreement. The Agreement is authorized by Minn. Stat. §§ 103B.311 and 103B.315. The Prairie County Resource Conservation and Development Council is the fiscal agent for this joint powers agreement.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Crow River Joint Powers Agreement (Continued)

The Board of Directors meets at least two times per year, or more often if needed, at the location to be set by the chair of the Joint Powers Board. The purpose of this Agreement is the joint exercise of powers by the counties to promote the orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans.

The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds. Current financial statements are not available.

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Stevens, Swift, Traverse, and Yellow Medicine. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties in this agreement. The purpose of this agreement is to organize, govern, plan, and administer a multi-county based nurse family partnership program specifically within the jurisdictional boundaries of the counties involved.

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2016, Meeker County made \$46,480 in contributions to the Partnership.

Renville County acts as fiscal agent for Supporting Hands Nurse Family Partnership. A complete financial report of the Supporting Hands Nurse Family Partnership can be obtained from Renville County at the Renville County Administrator's Office, Renville County Government Services Center, 105 South 5th Street, Suite 315, Olivia, Minnesota 56277.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Central Minnesota Emergency Services Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

The Central Minnesota Emergency Services Board is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from the City appointed by the City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

In the event of dissolution of the Central Minnesota Emergency Services Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2016, Meeker County contributed \$9,916 to the Joint Powers Board.

Complete financial information can be obtained from Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street South, St. Cloud, Minnesota 56303.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Central Minnesota Diagnostics, Inc.

The Meeker Memorial Hospital and other hospitals (all unrelated parties to the Hospital) formed a nonprofit corporation known as Central Minnesota Diagnostics, Inc. (CMDI). CMDI was organized to provide certain agreed-upon shared services to those hospitals who are members of this corporation. CMDI operates as a nonprofit cooperative and allocates income to its member hospitals based on the services the member hospitals purchase from CMDI. The Hospital records its investment in CMDI on the equity method of accounting, which approximates the Hospital's equity in the underlying book value of CMDI.

Putting All Communities Together for Families Collaborative

Putting All Communities Together for Families Collaborative (PACT) was established in 1996 by a joint powers agreement among Kandiyohi, Meeker, Renville, and Yellow Medicine Counties. Effective January 1, 2011, an additional joint powers agreement was entered into to add McLeod County as a fifth county partner to PACT. As a result, the name was changed from PACT 4 Families Collaborative to PACT for Families Collaborative. The joint powers agreements were established to provide coordinated services to children and families. Meeker County has no operational or financial control over the Collaborative. In 2016, Meeker County contributed \$35,049 to the Collaborative.

A county may withdraw from PACT by giving a 30-day written notice to PACT; however, the contribution will remain in the integrated fund for the implementation period. In the event of termination, any property acquired as a result of the agreement and any surplus monies on hand shall be distributed to the parties of this agreement in proportion to their contributions.

Management of PACT is vested in an Executive Board composed of nine members representing all counties. The Board includes an administrative representative of social services, public health services, community corrections, school districts, two parents (one parent of a child diagnosed with a serious emotional disturbance), and three members at large, one of whom has a mental health background. The Board appoints a fiscal agent to handle and be responsible for safekeeping the funds of PACT.

McLeod County Human Services has acted as fiscal agent for PACT since January 1, 2016.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Coordinated Enforcement Effort (CEE) VI Task Force

The Coordinated Enforcement Effort (CEE) VI Task Force was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Chippewa, Kandiyohi, Meeker, Swift, and Yellow Medicine Counties and the Cities of Appleton, Benson, Clara, Cosmos, Granite Falls, Litchfield, Montevideo, and Willmar.

Control of the Task Force is vested in a Board of Directors comprised of 13 members. The Board consists of the department heads or a designee from each participating full-time member agency.

The Task Force was established to receive and expend federal, state, and local grants and other related funds for the purpose of investigation of burglary, theft, narcotics, stolen property, and crimes of violence. Meeker County has no operational or financial control over the CEE VI Task Force. During the year, Meeker County contributed \$109,815 in funds to the Task Force. In an agent capacity, Kandiyohi County reports the cash transactions of the CEE VI Task Force as an agency fund on its financial statements.

Pioneerland Regional Library System

Meeker County, along with 32 cities and 9 other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional library service. The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties. During 2016, Meeker County contributed \$222,789 to the System.

Separate financial information can be obtained from the Pioneerland Regional Library System, 410 - 5th Street Southwest, Willmar, Minnesota 56201.

Central Minnesota Jobs and Training Services, Inc.

Central Minnesota Jobs and Training Services, Inc., (CMJTS) is a nonprofit employment and training agency and a partner in the Minnesota WorkForce Center System. CMJTS is a joint venture established pursuant to Minn. Stat. ch. 268 and § 471.59, consisting of 11 counties in central Minnesota, including Chisago, Isanti, Kanabec, Kandiyohi, McLeod, Meeker, Mille Lacs, Pine, Renville, Sherburne, and Wright Counties, and is also a partner of Workforce Service Area 5.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Jobs and Training Services, Inc. (Continued)

CMJTS's mission is to match job seekers, youth, businesses, and those seeking training with the resources available to them. Funding is to be provided through block grants from the U.S. Department of Labor. One County Commissioner from each participating county is appointed to the Joint Powers Board. During 2016, Meeker County contributed \$159,953 to the CMJTS.

C. Tax Abatements

The County entered into property tax abatement agreements with various developers, under Minn. Stat. §§ 469.1812 through 469.1815, as amended. Under the statute, a political subdivision may grant a current or prospective abatement of property taxes if it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to political subdivision of the proposed agreement and it will provide benefits such as increasing or preserving the tax base or providing employment opportunities in the County.

Hilltop Health Care Center, LLC

The County entered into a property tax abatement agreement with Hilltop Health Care Center, LLC, in January 2015, for a period of ten years effective in the years 2016 through 2026. The abatement will equal 60 percent of the County's share of the real estate taxes multiplied by the County's tax rate and multiplied by the percentage of construction completed. Contractual stipulations require County payments to not exceed \$8,900 annually, or an aggregate amount of \$89,000. The County provided a tax abatement in the form of a tax refund in the amount of \$4,171 for 2016. The developer agrees to construct an approximately 30,000 square foot expansion to an already existing health care facility, consisting of 34 units of assisted living, 12 of which will be available to residents qualifying for waived services. Further, the developer agrees to create at least five new full-time equivalent jobs within six months of June 30, 2015, and maintain these jobs for the term of the agreement.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Tax Abatements (Continued)

Mies Outland, Inc.

The County entered into a property tax abatement agreement with Mies Outland, Inc., in an original agreement dated November 18, 2003, and amended on September 17, 2013, for a period of 18 years effective in the years 2003 through 2021. The abatement is contractually set annually at \$6,000 of the County's share of the ad valorem taxes received by the County from the tax abatement property. The County provided a tax abatement in the form of a tax refund in the amount of \$5,617 for 2016. The developer agrees to construct an approximately 18,000 square foot addition to the company's existing Polaris and John Deere retail sales and service facility, which was amended to include an additional 3,000 square feet to be added to the addition.

First District Association

The County entered into a property tax abatement agreement with the City of Litchfield and First District Association, dated October 6, 2009, for a period of 20 years effective in the years 2011 through 2030. The abatement will equal sixty percent of the County's share of the real estate taxes multiplied by the County's tax rate and multiplied by the percentage of construction completed and adjusted for the removal of the value of land and the existing building. Contractual stipulations require aggregate County payments to not exceed \$190,000. The County provided a tax abatement in the form of a tax refund in the amount of \$9,492 for 2016. The developer agrees to construct an approximately 13,350 square foot facility to house evaporator equipment to process whey.

Quadion, Inc.

The County entered into a property tax abatement agreement with the City of Litchfield and Quadion, Inc., dated November 19, 2013, for a period of up to 15 years effective in the years 2012 through 2026. The abatement will be determined by subtracting the base tax capacity from the current year tax capacity and then multiplying the increased tax capacity by the County's current tax capacity rate. Contractual stipulations require aggregate County payments not to exceed \$145,000. The County provided a tax abatement in the form of a tax refund in the amount of \$7,348 for 2016. The developer agrees to construct an approximately 30,000 square foot addition to the developer's existing manufacturing facility and create at least five new full-time equivalent positions over and above the base of 185 full-time equivalent positions at a wage of at least \$12.00 per hour, plus benefits.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

D. Tax Abatements - Pay-As-You-Go Tax Increment

The County is subject to tax abatements granted by cities within the County pursuant to Minn. Stat §§ 469.174 - .1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within the city. TIF captures the increase in tax capacity and property taxes (of most taxing jurisdictions, including the County) from development or redevelopment to provide funding for the related project.

The pay-as-you-go note provides for payment to the developer of a percentage of all tax increment received in the prior six months. The payment reimburses the developer for certain public improvements. During 2016, the City of Litchfield had one pay-as-you-go note within the County. The tax increment taxes collected during 2016 totaled \$30,661 for this note. The County's portion of the captured tax capacity and related property taxes was approximately \$10,521, or 34 percent.

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entities

The Meeker County Economic Development Authority (EDA) is governed by a nine-member Board of Directors: two are County Commissioners, and seven are appointed by the Commissioners. Meeker County is obligated for the debt and any operating deficits of the EDA.

The Meeker County Housing and Redevelopment Authority (HRA) is governed by a six-member Board appointed by the County Commissioners. The HRA has a year-end of June 30, 2016. Meeker County is obligated for the debt and any operating deficits of the HRA.

Because of the significance of their financial relationship, Meeker County considers these entities major component units.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The Meeker County EDA and the Meeker County HRA are discrete component units of Meeker County and are accounted for as proprietary fund types. The Meeker County EDA and the Meeker County HRA are reported using the economic resources measurement focus and accounted for on the full accrual basis of accounting.

Financial information is presented as a separate column in the statement of net position and statement of activities.

Cash and Cash Equivalents, Deposits, and Investments

All cash and investments of the Meeker County EDA are on deposit with the County, which also are cash and cash equivalents for the purposes of cash flows. The EDA's pooled cash and investments consist of pooled cash and investments with Meeker County and certificates of deposit. The cash and pooled investments of the EDA are not subject to custodial credit risk.

Cash of the Meeker County HRA is in the custody of the HRA. All checking, savings, certificates of deposit, and cash on hand are cash and cash equivalents. State statutes authorize the HRA to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days. All investments held by the HRA at December 31, 2016, were insured or registered, or securities held by the HRA agent in the HRA's name and, therefore, not subject to custodial credit risk.

The liability for compensated absences reported for the EDA in the financial statements consists of unpaid, accumulated paid time off. The liability has been calculated using the vesting method, in which leave amounts for employees who currently are eligible to receive termination payments receive such payments upon termination. Compensated absences are accrued when incurred.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Classification of Net Position

Net position in the government-wide statements for the Meeker County EDA and Meeker County HRA is classified in the following categories:

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

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

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables at December 31, 2016, for the EDA, and at June 30, 2016, for the HRA, are as follows:

	<u>EDA</u>	<u>HRA</u>	<u>Total Receivables</u>
Accounts	\$ 15,768	\$ 34,324	\$ 50,092
Allowance for uncollectible	-	(921)	(921)
Total accounts - net	\$ 15,768	\$ 33,403	\$ 49,171
Accrued interest	853	-	853
Due from primary government	27,500	-	27,500
Total Component Units	<u>\$ 44,121</u>	<u>\$ 33,403</u>	<u>\$ 77,524</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets (Continued)

Capital Assets

Capital assets are defined by the Meeker County EDA as assets with an initial, individual cost of more than \$10,000. Component unit capital asset activity for the year ended December 31, 2016, for the EDA, and for the year ended June 30, 2016, for the HRA, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
EDA	\$ 155,988	\$ -	\$ -	\$ 155,988
HRA	63,966	-	-	63,966
Total capital assets not depreciated	<u>\$ 219,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,954</u>
Capital assets depreciated				
Buildings and equipment				
EDA	\$ 5,191,996	\$ -	\$ 120,274	\$ 5,071,722
HRA	1,252,747	181,023	10,546	1,423,224
Total capital assets depreciated	<u>\$ 6,444,743</u>	<u>\$ 181,023</u>	<u>\$ 130,820</u>	<u>\$ 6,494,946</u>
Less: accumulated depreciation for				
Buildings and equipment				
EDA	\$ 2,628,908	\$ 170,497	\$ 70,158	\$ 2,729,247
HRA	978,225	49,418	10,546	1,017,097
Total accumulated depreciation	<u>\$ 3,607,133</u>	<u>\$ 219,915</u>	<u>\$ 80,704</u>	<u>\$ 3,746,344</u>
Total capital assets depreciated, net	<u>\$ 2,837,610</u>	<u>\$ (38,892)</u>	<u>\$ 50,116</u>	<u>\$ 2,748,602</u>
Total Capital Assets, Net	<u>\$ 3,057,564</u>	<u>\$ (38,892)</u>	<u>\$ 50,116</u>	<u>\$ 2,968,556</u>

Depreciation expense was charged to functions/programs of the discretely presented component units as follows:

EDA	\$ 170,497
HRA	49,418
Total Depreciation Expense	<u>\$ 219,915</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

2. Liabilities

Payables

Payables at December 31, 2016, for the EDA, and at June 30, 2016, for the HRA were as follows:

	EDA	HRA	Total Payables
Accounts	\$ 95,396	\$ 2,642	\$ 98,038
Salaries	3,186	4,341	7,527
Total Payables	\$ 98,582	\$ 6,983	\$ 105,565

Long-Term Debt

Long-term debt outstanding at December 31, 2016, for the EDA consists of the following:

Type of Indebtedness	Final Maturity	Monthly Installment Amounts	Interest Rate (%)	Original Issue Amount	Remaining Commitment
1998 Essential Function Housing Development Revenue Bonds	2029	\$ 8,852	3.80	\$ 1,810,000	\$ 1,044,601
1999 Essential Function Housing Development Revenue Bonds	2030	6,822	3.80	1,400,000	875,660
2001 Essential Function Housing Development Revenue Bonds	2032	5,770	3.80	1,200,000	816,515
2002 Essential Function Housing Development Revenue Bonds	2033	4,465	3.80	930,000	644,055
Totals				\$ 5,340,000	\$ 3,380,831

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities

Long-Term Debt (Continued)

Long-term debt outstanding at December 31, 2016, for the HRA consists of a deferred forgivable mortgage agreement with the Minnesota Housing Finance Agency (MHFA). If there is no default or transfer of the property and all program requirements are met, the debt listed below will be forgiven on the final maturity date.

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
MHFA - Publicly Owned Housing Program	2035	0%	\$ 162,127	\$ 162,127

Debt Service Requirements

Revenue bonds' debt service requirements at December 31, 2016, for the EDA were as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 185,648	\$ 125,260
2018	192,827	118,081
2019	200,283	110,625
2020	208,028	102,881
2021	216,072	94,836
2022 - 2026	1,212,339	342,201
2027 - 2031	1,063,343	105,613
2032 - 2033	102,291	1,918
Total	<u>\$ 3,380,831</u>	<u>\$ 1,001,415</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the EDA for the year ended December 31, 2016.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Essential Function Housing Development Revenue Bonds for					
1998	\$ 1,109,778	\$ -	\$ 65,177	\$ 1,044,601	\$ 67,697
1999	923,263	-	47,603	875,660	49,444
2001	853,954	-	37,439	816,515	38,887
2002	<u>672,573</u>	<u>-</u>	<u>28,518</u>	<u>644,055</u>	<u>29,620</u>
Total Essential Function Housing Development Revenue Bonds	\$ 3,559,568	\$ -	\$ 178,737	\$ 3,380,831	\$ 185,648
Compensated absences	<u>7,290</u>	<u>1,555</u>	<u>-</u>	<u>8,845</u>	<u>3,626</u>
EDA Long-Term Liabilities	<u>\$ 3,566,858</u>	<u>\$ 1,555</u>	<u>\$ 178,737</u>	<u>\$ 3,389,676</u>	<u>\$ 189,274</u>

C. Defined Benefit Pension Plan

1. Plan Description

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

2. Contributions

The EDA's contributions for the General Employees Retirement Plan for the year ended December 31, 2016, were \$7,998. The contributions are equal to the contractually required contributions as set by state statute.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

3. Pension Costs

At December 31, 2016, the EDA reported a liability of \$137,424 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The EDA's proportion of the net pension liability was based on the EDA's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Authority's proportion was 0.0017 percent. It was 0.0017 percent measured as of June 30, 2015. The EDA recognized pension expense of \$15,975 for its proportionate share of the General Employees Retirement Plan's pension expense.

The EDA also recognized \$535 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

EDA's proportionate share of the net pension liability	\$ 137,424
State of Minnesota's proportionate share of the net pension liability associated with the EDA	<u>1,795</u>
Total	<u>\$ 139,219</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

C. Defined Benefit Pension Plans

3. Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 11,252
Changes in actuarial assumptions	26,908	-
Difference between projected and actual investment earnings	26,271	-
Changes in proportion	-	5,653
Contributions paid to PERA subsequent to the measurement date	4,005	-
Total	\$ 57,184	\$ 16,905

The \$4,005 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 10,659
2018	7,758
2019	13,222
2020	4,635

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

4. Pension Liability Sensitivity

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

	Proportionate Share of the General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 195,183
Current	7.50	137,424
1% Increase	8.50	89,847

Additional pension information regarding benefits provided, contributions, actuarial assumptions, discount rates, and pension plan fiduciary net position can be found in Note 4.A.

REQUIRED SUPPLEMENTARY INFORMATION

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,880,947	\$ 7,880,947	\$ 7,764,050	\$ (116,897)
Licenses and permits	83,045	83,045	99,458	16,413
Intergovernmental	1,637,022	1,637,022	1,874,630	237,608
Charges for services	1,759,092	1,759,092	1,695,299	(63,793)
Fines and forfeits	26,791	26,791	17,568	(9,223)
Gifts and contributions	-	-	790	790
Investment earnings	150,000	150,000	204,865	54,865
Miscellaneous	304,186	304,186	426,745	122,559
Total Revenues	\$ 11,841,083	\$ 11,841,083	\$ 12,083,405	\$ 242,322
Expenditures				
Current				
General government				
Commissioners	\$ 221,987	\$ 221,987	\$ 213,724	\$ 8,263
Courts	60,000	60,000	104,930	(44,930)
Law library	23,291	23,291	25,445	(2,154)
County administration	264,735	264,735	278,815	(14,080)
County auditor	374,253	374,253	382,654	(8,401)
County treasurer	390,744	390,744	370,500	20,244
County assessor	469,587	469,587	408,258	61,329
Accounting and auditing	70,000	70,000	70,121	(121)
Data processing	417,184	417,184	436,058	(18,874)
Central services	73,200	73,200	88,880	(15,680)
Attorney	799,484	799,484	761,597	37,887
Recorder	230,261	230,261	219,620	10,641
Surveyor	7,500	7,500	-	7,500
Planning and zoning	359,294	359,294	361,119	(1,825)
Maintenance	454,850	454,850	402,647	52,203
Veterans service officer	160,259	160,259	154,081	6,178
Appropriations	199,290	199,290	182,004	17,286
Other	349,218	349,218	256,052	93,166
Total general government	\$ 4,925,137	\$ 4,925,137	\$ 4,716,505	\$ 208,632
Public safety				
Sheriff	\$ 4,617,128	\$ 4,617,128	\$ 4,545,459	\$ 71,669
Coroner	63,708	63,708	62,289	1,419
Court services	537,738	537,738	521,661	16,077
E-911 system	134,827	134,827	105,433	29,394
Wireless communication	116,591	116,591	121,665	(5,074)
Emergency management	71,289	71,289	79,249	(7,960)
Total public safety	\$ 5,541,281	\$ 5,541,281	\$ 5,435,756	\$ 105,525

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Planning and zoning	\$ 324,500	\$ 324,500	\$ 222,743	\$ 101,757
County extension	193,490	193,490	180,551	12,939
Extension committee	2,945	2,945	2,825	120
Agricultural inspections	5,000	5,000	5,000	-
Total conservation of natural resources	\$ 525,935	\$ 525,935	\$ 411,119	\$ 114,816
Economic development				
Community development	\$ 91,000	\$ 91,000	\$ 91,000	\$ -
Intergovernmental				
General government	\$ 80,000	\$ 80,000	\$ 89,740	\$ (9,740)
Total Expenditures	\$ 11,163,353	\$ 11,163,353	\$ 10,744,120	\$ 419,233
Excess of Revenues Over (Under) Expenditures	\$ 677,730	\$ 677,730	\$ 1,339,285	\$ 661,555
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 57,000	\$ 57,000
Transfers out	(677,730)	(677,730)	(1,177,730)	(500,000)
Total Other Financing Sources (Uses)	\$ (677,730)	\$ (677,730)	\$ (1,120,730)	\$ (443,000)
Net Change in Fund Balance	\$ -	\$ -	\$ 218,555	\$ 218,555
Fund Balance - January 1	8,455,598	8,455,598	8,455,598	-
Fund Balance - December 31	\$ 8,455,598	\$ 8,455,598	\$ 8,674,153	\$ 218,555

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,748,889	\$ 1,748,889	\$ 1,739,849	\$ (9,040)
Intergovernmental	3,986,860	3,986,860	4,903,916	917,056
Charges for services	570,000	570,000	578,127	8,127
Miscellaneous	70,000	70,000	153,070	83,070
Total Revenues	\$ 6,375,749	\$ 6,375,749	\$ 7,374,962	\$ 999,213
Expenditures				
Current				
General government				
GIS	\$ 78,572	\$ 78,572	\$ 78,976	\$ (404)
Highways and streets				
Administration	\$ 360,832	\$ 360,832	\$ 347,333	\$ 13,499
Maintenance	1,796,372	1,796,372	1,780,819	15,553
Engineering/construction	2,364,321	2,364,321	2,094,975	269,346
Equipment, maintenance, and shop	1,384,224	1,384,224	1,262,983	121,241
Total highways and streets	\$ 5,905,749	\$ 5,905,749	\$ 5,486,110	\$ 419,639
Intergovernmental				
Highways and streets	430,000	430,000	437,985	(7,985)
Total Expenditures	\$ 6,414,321	\$ 6,414,321	\$ 6,003,071	\$ 411,250
Excess of Revenues Over (Under)				
Expenditures	\$ (38,572)	\$ (38,572)	\$ 1,371,891	\$ 1,410,463
Other Financing Sources (Uses)				
Transfers in	38,572	38,572	-	(38,572)
Net Change in Fund Balance	\$ -	\$ -	\$ 1,371,891	\$ 1,371,891
Fund Balance - January 1	3,277,167	3,277,167	3,277,167	-
Increase (decrease) in inventories	-	-	(56,811)	(56,811)
Fund Balance - December 31	\$ 3,277,167	\$ 3,277,167	\$ 4,592,247	\$ 1,315,080

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-3

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,130,707	\$ 3,130,707	\$ 3,059,448	\$ (71,259)
Intergovernmental	3,190,546	3,190,546	3,387,911	197,365
Charges for services	584,051	584,051	694,450	110,399
Gifts and contributions	-	-	195	195
Miscellaneous	229,104	229,104	188,245	(40,859)
Total Revenues	\$ 7,134,408	\$ 7,134,408	\$ 7,330,249	\$ 195,841
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,172,196	\$ 2,172,196	\$ 2,049,934	\$ 122,262
Social services	4,962,212	4,962,212	4,405,920	556,292
Total Expenditures	\$ 7,134,408	\$ 7,134,408	\$ 6,455,854	\$ 678,554
Net Change in Fund Balance	\$ -	\$ -	\$ 874,395	\$ 874,395
Fund Balance - January 1	5,026,900	5,026,900	5,026,900	-
Fund Balance - December 31	\$ 5,026,900	\$ 5,026,900	\$ 5,901,295	\$ 874,395

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-4

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2010	\$ -	\$ 776,300	\$ 776,300	0.00%	\$ 8,692,073	8.9%
January 1, 2013	-	1,086,913	1,086,913	0.00	8,610,793	12.6
January 1, 2016	-	1,028,340	1,028,340	0.00	9,731,748	10.6

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-5

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Meeker County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.2957%	\$ 23,871,949	\$ 311,817	\$ 24,183,766	\$ 18,245,701	130.84%	68.91%
2015	0.2972	15,400,185	N/A	15,400,185	17,440,521	88.30	78.19

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-6

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 1,396,804	\$ 1,396,804	\$ -	\$ 18,654,843	7.49%
2015	1,327,077	1,327,077	-	17,807,137	7.45

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
ECONOMIC DEVELOPMENT AUTHORITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Meeker County EDA (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0017%	\$ 137,424	\$ 1,795	\$ 139,219	\$ 104,589	131.39%	68.91%
2015	0.0017	90,364	N/A	90,364	100,223	90.16	78.19

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
ECONOMIC DEVELOPMENT AUTHORITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 7,998	\$ 7,998	\$ -	\$ 106,643	7.50%
2015	7,658	7,658	-	102,111	7.50

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-9

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.143%	\$ 5,738,839	\$ 1,381,373	415.44%	63.88%
2015	0.144	1,636,177	1,449,107	112.91	86.61

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-10

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 231,561	\$ 231,561	-	\$ 1,429,392	16.20%
2015	223,220	223,220	-	1,465,493	15.23

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-11

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.35%	\$ 1,278,599	\$ 654,007	195.50%	58.16%
2015	0.37%	57,202	707,121	8.09	96.95

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-12

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 58,951	\$ 58,951	-	\$ 673,727	8.75%
2015	60,136	60,136	-	693,592	8.67

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds and most nonmajor governmental funds. All appropriations lapse at year-end. On or before mid-August of each year, all departments submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriation--is the departmental level. The Board made no supplemental budgetary appropriations throughout the year.

2. Excess of Expenditures Over Budget

The following funds and departments had expenditures in excess of budget for the year ended December 31, 2016:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Major governmental funds			
General Fund			
General government			
Courts	\$ 104,930	\$ 60,000	\$ 44,930
Law library	25,445	23,291	2,154
County administration	278,815	264,735	14,080
County auditor	382,654	374,253	8,401
Accounting and auditing	70,121	70,000	121
Data processing	436,058	417,184	18,874
Central services	88,880	73,200	15,680
Planning and zoning	361,119	359,294	1,825
Public safety			
Wireless communication	121,665	116,591	5,074
Emergency management	79,249	71,289	7,960
Intergovernmental			
General government	89,740	80,000	9,740

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 786,204	\$ 786,204	\$ 780,138	\$ (6,066)
Intergovernmental	49,100	49,100	75,428	26,328
Total Revenues	\$ 835,304	\$ 835,304	\$ 855,566	\$ 20,262
Expenditures				
Debt service				
Principal	\$ 855,000	\$ 855,000	\$ 855,000	\$ -
Interest	77,304	77,304	77,304	-
Administrative and fiscal charges	3,000	3,000	1,350	1,650
Total Expenditures	\$ 935,304	\$ 935,304	\$ 933,654	\$ 1,650
Excess of Revenues Over (Under)				
Expenditures	\$ (100,000)	\$ (100,000)	\$ (78,088)	\$ 21,912
Other Financing Sources (Uses)				
Transfers in	100,000	100,000	100,000	-
Net Change in Fund Balance	\$ -	\$ -	\$ 21,912	\$ 21,912
Fund Balance - January 1	731,014	731,014	731,014	-
Fund Balance - December 31	\$ 731,014	\$ 731,014	\$ 752,926	\$ 21,912

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively used for specified purposes. The Ditch Fund, the Septic System Loan Program Fund, the Forfeit Property Fund, the Sheriff's Contingent Fund, and the Revolving Loan Fund do not have legally adopted budgets.

The County Parks Fund accounts for funds used to maintain the County's parks. Financing is provided by transfers from the General Fund, intergovernmental grants, and the rental of facilities.

The Regional Library Fund accounts for the County's contribution to the Crow River Regional Library. Financing is provided by property taxes authorized by the County Board.

The County Nurse Fund accounts for funds used by the County Nurse. Financing is provided by transfers from the General Fund, intergovernmental grants, and charges for services.

The Ditch Fund accounts for funds used to maintain County ditches. Financing is provided by special assessments against the benefited properties.

The Transfer Station Fund accounts for the construction and operation of the County's solid waste transfer station facility. Financing is provided by transfers from the General Fund and charges for services.

The Family Services Building Fund accounts for the revenues and expenditures associated with the County's Family Services Building.

The Septic System Loan Program Fund accounts for activity associated with the Lake Minnie Belle Restoration Clean Water Partnership Project. Financing is provided by loans from the State of Minnesota.

The Forfeit Property Fund accounts for the revenues and expenditures associated with tax-forfeited property. Financing is provided by County Board authorization and the sale of property.

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS
(Continued)

The Sheriff's Contingent Fund accounts for funds used in special investigations by the County Sheriff. Financing is provided by forfeitures.

The Revolving Loan Fund accounts for the restricted revenues and expenditures associated with the County's economic development loan program. Financing is provided by repayment of existing loans.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<u>Assets</u>				
Cash and pooled investments	\$ 204,008	\$ 59,994	\$ 617,850	\$ 23,186
Taxes receivable				
Delinquent	-	4,269	-	-
Special assessments receivable				
Delinquent	-	-	-	1,111
Noncurrent	-	-	-	31,322
Accounts receivable - net	-	-	3,866	48,434
Due from other governments	11,259	-	196,216	-
Notes receivable	3,000	-	-	-
Loans receivable	-	-	-	-
Prepaid items	-	-	-	-
Total Assets	\$ 218,267	\$ 64,263	\$ 817,932	\$ 104,053
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 1,219	\$ -	\$ 6,188	\$ 3,739
Salaries payable	2,316	-	44,786	2,379
Due to other funds	11	-	310	-
Due to other governments	1,292	-	2,545	-
Due to component unit	-	-	-	-
Advances from other funds	-	-	-	11,891
Unearned revenue	-	-	87,762	-
Total Liabilities	\$ 4,838	\$ -	\$ 141,591	\$ 18,009
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ 3,378	\$ 61,377	\$ 32,433

EXHIBIT C-1

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Revolving Loan	Total
\$ 751,029	\$ 389,174	\$ 162,270	\$ 65,757	\$ 8,500	\$ 1,416,002	\$ 3,697,770
-	2,034	-	-	-	-	6,303
-	-	-	-	-	-	1,111
-	-	274,657	-	-	-	305,979
54,144	-	-	-	-	-	106,444
1,200	16,335	-	-	75	-	225,085
-	-	-	-	-	-	3,000
-	-	-	-	-	92,637	92,637
-	808	-	-	-	-	808
\$ 806,373	\$ 408,351	\$ 436,927	\$ 65,757	\$ 8,575	\$ 1,508,639	\$ 4,439,137
\$ 31,800	\$ 4,921	\$ -	\$ 82	\$ -	\$ -	\$ 47,949
3,005	5,785	-	-	-	-	58,271
283	-	-	-	-	-	604
8,478	4,712	-	25,544	-	-	42,571
-	-	-	-	-	27,500	27,500
-	-	-	-	-	-	11,891
-	-	-	-	-	-	87,762
\$ 43,566	\$ 15,418	\$ -	\$ 25,626	\$ -	\$ 27,500	\$ 276,548
\$ -	\$ 1,565	\$ 274,657	\$ -	\$ -	\$ 92,637	\$ 466,047

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
(Continued)				
Fund Balances				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Notes receivable	3,000	-	-	-
Restricted for				
Sheriff contingencies	-	-	-	-
Ditch maintenance and construction	-	-	-	132,651
Committed for				
Regional library	-	60,885	-	-
Assigned to				
General government	-	-	-	-
Sanitation	-	-	-	-
Health	-	-	614,964	-
Culture and recreation	210,429	-	-	-
Economic development	-	-	-	-
Unassigned	-	-	-	(79,040)
Total Fund Balances	<u>\$ 213,429</u>	<u>\$ 60,885</u>	<u>\$ 614,964</u>	<u>\$ 53,611</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 218,267</u>	<u>\$ 64,263</u>	<u>\$ 817,932</u>	<u>\$ 104,053</u>

EXHIBIT C-1
(Continued)

<u>Special Revenue Funds</u>						
<u>Transfer Station</u>	<u>Family Services Building</u>	<u>Septic System Loan Program</u>	<u>Forfeit Property</u>	<u>Sheriff's Contingent</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ -	\$ 808	\$ -	\$ -	\$ -	\$ -	\$ 808
-	-	-	-	-	-	3,000
-	-	-	-	8,575	-	8,575
-	-	-	-	-	-	132,651
-	-	-	-	-	-	60,885
-	390,560	-	40,131	-	-	430,691
762,807	-	162,270	-	-	-	925,077
-	-	-	-	-	-	614,964
-	-	-	-	-	-	210,429
-	-	-	-	-	1,388,502	1,388,502
-	-	-	-	-	-	(79,040)
<u>\$ 762,807</u>	<u>\$ 391,368</u>	<u>\$ 162,270</u>	<u>\$ 40,131</u>	<u>\$ 8,575</u>	<u>\$ 1,388,502</u>	<u>\$ 3,696,542</u>
<u>\$ 806,373</u>	<u>\$ 408,351</u>	<u>\$ 436,927</u>	<u>\$ 65,757</u>	<u>\$ 8,575</u>	<u>\$ 1,508,639</u>	<u>\$ 4,439,137</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
Revenues				
Taxes	\$ -	\$ 202,943	\$ -	\$ -
Special assessments	-	-	-	63,067
Intergovernmental	171	20,438	737,967	-
Charges for services	81,113	-	400,728	-
Fines and forfeits	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	10,231	-	1,975	-
Total Revenues	\$ 91,515	\$ 223,381	\$ 1,140,670	\$ 63,067
Expenditures				
Current				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Health	-	-	1,529,896	-
Culture and recreation	258,307	222,789	-	-
Conservation of natural resources	-	-	-	140,247
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	\$ 258,307	\$ 222,789	\$ 1,529,896	\$ 140,247
Excess of Revenues Over (Under) Expenditures	\$ (166,792)	\$ 592	\$ (389,226)	\$ (77,180)
Other Financing Sources (Uses)				
Transfers in	\$ 184,523	\$ -	\$ 493,207	\$ -
Transfers out	-	-	-	-
Loans issued	-	-	-	-
Total Other Financing Sources (Uses)	\$ 184,523	\$ -	\$ 493,207	\$ -
Net Change in Fund Balance	\$ 17,731	\$ 592	\$ 103,981	\$ (77,180)
Fund Balance - January 1	195,698	60,293	510,983	130,791
Fund Balance - December 31	\$ 213,429	\$ 60,885	\$ 614,964	\$ 53,611

EXHIBIT C-2

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Revolving Loan	Total
\$ -	\$ 102,416	\$ -	\$ 57,000	\$ -	\$ -	\$ 362,359
-	-	59,202	-	-	-	122,269
88,291	10,120	-	-	-	-	856,987
230,940	-	-	-	-	-	712,781
-	-	-	-	1,370	-	1,370
-	-	-	-	-	1,409	1,409
4,152	321,893	-	28	-	27,887	366,166
\$ 323,383	\$ 434,429	\$ 59,202	\$ 57,028	\$ 1,370	\$ 29,296	\$ 2,423,341
\$ -	\$ 381,565	\$ -	\$ 101,380	\$ -	\$ -	\$ 482,945
251,291	-	117,996	-	-	-	369,287
-	-	-	-	-	-	1,529,896
-	-	-	-	-	-	481,096
-	-	-	-	-	-	140,247
-	-	-	-	-	27,500	27,500
-	-	35,366	-	-	-	35,366
-	-	5,600	-	-	-	5,600
\$ 251,291	\$ 381,565	\$ 158,962	\$ 101,380	\$ -	\$ 27,500	\$ 3,071,937
\$ 72,092	\$ 52,864	\$ (99,760)	\$ (44,352)	\$ 1,370	\$ 1,796	\$ (648,596)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 677,730
-	-	-	(57,000)	-	-	(57,000)
-	-	106,996	-	-	-	106,996
\$ -	\$ -	\$ 106,996	\$ (57,000)	\$ -	\$ -	\$ 727,726
\$ 72,092	\$ 52,864	\$ 7,236	\$ (101,352)	\$ 1,370	\$ 1,796	\$ 79,130
690,715	338,504	155,034	141,483	7,205	1,386,706	3,617,412
\$ 762,807	\$ 391,368	\$ 162,270	\$ 40,131	\$ 8,575	\$ 1,388,502	\$ 3,696,542

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-3

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 171	\$ 171
Charges for services	89,737	89,737	81,113	(8,624)
Miscellaneous	5,100	5,100	10,231	5,131
Total Revenues	\$ 94,837	\$ 94,837	\$ 91,515	\$ (3,322)
Expenditures				
Current				
Culture and recreation				
Parks	317,860	317,860	258,307	59,553
Excess of Revenues Over (Under)				
Expenditures	\$ (223,023)	\$ (223,023)	\$ (166,792)	\$ 56,231
Other Financing Sources (Uses)				
Transfers in	184,523	184,523	184,523	-
Net Change in Fund Balance	\$ (38,500)	\$ (38,500)	\$ 17,731	\$ 56,231
Fund Balance - January 1	195,698	195,698	195,698	-
Fund Balance - December 31	\$ 157,198	\$ 157,198	\$ 213,429	\$ 56,231

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-4

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 204,474	\$ 204,474	\$ 202,943	\$ (1,531)
Intergovernmental	<u>18,315</u>	<u>18,315</u>	<u>20,438</u>	<u>2,123</u>
Total Revenues	\$ 222,789	\$ 222,789	\$ 223,381	\$ 592
Expenditures				
Current				
Culture and recreation	<u>222,789</u>	<u>222,789</u>	<u>222,789</u>	<u>-</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 592	\$ 592
Fund Balance - January 1	<u>60,293</u>	<u>60,293</u>	<u>60,293</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 60,293</u></u>	<u><u>\$ 60,293</u></u>	<u><u>\$ 60,885</u></u>	<u><u>\$ 592</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-5

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 792,969	\$ 792,969	\$ 737,967	\$ (55,002)
Charges for services	292,552	292,552	400,728	108,176
Miscellaneous	5,000	5,000	1,975	(3,025)
Total Revenues	\$ 1,090,521	\$ 1,090,521	\$ 1,140,670	\$ 50,149
Expenditures				
Current				
Health				
Nursing service	1,673,728	1,673,728	1,529,896	143,832
Excess of Revenues Over (Under)				
Expenditures	\$ (583,207)	\$ (583,207)	\$ (389,226)	\$ 193,981
Other Financing Source (Uses)				
Transfers in	493,207	493,207	493,207	-
Net Change in Fund Balance	\$ (90,000)	\$ (90,000)	\$ 103,981	\$ 193,981
Fund Balance - January 1	510,983	510,983	510,983	-
Fund Balance - December 31	\$ 420,983	\$ 420,983	\$ 614,964	\$ 193,981

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-6

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 74,000	\$ 74,000	\$ 88,291	\$ 14,291
Charges for services	135,000	135,000	230,940	95,940
Miscellaneous	<u>20,000</u>	<u>20,000</u>	<u>4,152</u>	<u>(15,848)</u>
Total Revenues	\$ 229,000	\$ 229,000	\$ 323,383	\$ 94,383
Expenditures				
Current				
Sanitation				
Solid waste	<u>229,000</u>	<u>229,000</u>	<u>251,291</u>	<u>(22,291)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 72,092	\$ 72,092
Fund Balance - January 1	<u>690,715</u>	<u>690,715</u>	<u>690,715</u>	<u>-</u>
Fund Balance - December 31	<u><u>690,715</u></u>	<u><u>690,715</u></u>	<u><u>762,807</u></u>	<u><u>72,092</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-7

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 103,305	\$ 103,305	\$ 102,416	\$ (889)
Intergovernmental	8,710	8,710	10,120	1,410
Miscellaneous	355,936	355,936	321,893	(34,043)
Total Revenues	\$ 467,951	\$ 467,951	\$ 434,429	\$ (33,522)
Expenditures				
Current				
General government				
Central services	467,951	467,951	381,565	86,386
Net Change in Fund Balance	\$ -	\$ -	\$ 52,864	\$ 52,864
Fund Balance - January 1	338,504	338,504	338,504	-
Fund Balance - December 31	\$ 338,504	\$ 338,504	\$ 391,368	\$ 52,864

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

The Taxes and Penalties Fund accounts for the collection of taxes and penalties and their payment to the various taxing districts.

The State Fund accounts for the collection and distribution of funds for the State of Minnesota.

The Other Agency Fund accounts for plat contractor fees pertaining to compliance of new developments.

The Select Account Fund accounts for employees' Select Account deposits and withdrawals.

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 336,969	\$ 19,894,518	\$ 19,859,366	\$ 372,121
<u>Liabilities</u>				
Due to other governments	\$ 336,969	\$ 19,894,518	\$ 19,859,366	\$ 372,121
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 110,919	\$ 2,854,050	\$ 2,835,029	\$ 129,940
<u>Liabilities</u>				
Due to other governments	\$ 110,919	\$ 2,854,050	\$ 2,835,029	\$ 129,940
 <u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 22,688	\$ -	\$ -	\$ 22,688
<u>Liabilities</u>				
Due to other governments	\$ 22,688	\$ -	\$ -	\$ 22,688

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT D-1
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 89,690	\$ 80,981	\$ 88,056	\$ 82,615
<u>Liabilities</u>				
Due to other governments	\$ 89,690	\$ 80,981	\$ 88,056	\$ 82,615
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 560,266	\$ 22,829,549	\$ 22,782,451	\$ 607,364
<u>Liabilities</u>				
Due to other governments	\$ 560,266	\$ 22,829,549	\$ 22,782,451	\$ 607,364

ECONOMIC DEVELOPMENT AUTHORITY

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT E-1

**STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2016**

Assets

Current assets

Cash and pooled investments	\$ 418,042
Cash and cash equivalents	141,000
Accounts receivable - net	15,768
Accrued interest receivable	853
Due from primary government	27,500
Prepaid items	31,504
	<hr/>

Total current assets **\$ 634,667**

Noncurrent assets

Capital assets	
Nondepreciable	\$ 155,988
Depreciable - net	2,342,475
	<hr/>

Total noncurrent assets **\$ 2,498,463**

Total Assets **\$ 3,133,130**

Deferred Outflows of Resources

Deferred pension outflows **\$ 57,184**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT E-1
(Continued)**

**STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2016**

Liabilities

Current liabilities

Accounts payable	\$ 95,396
Salaries payable	3,186
Accrued interest payable	3,103
Customer deposits	48,053
Compensated absences payable - current	3,626
Revenue bonds payable - current	185,648

Total current liabilities **\$ 339,012**

Noncurrent liabilities

Compensated absences payable - long-term	\$ 5,219
Revenue bonds payable - long-term	3,195,183
Net pension liability	137,424

Total noncurrent liabilities **\$ 3,337,826**

Total Liabilities **\$ 3,676,838**

Deferred Inflows of Resources

Deferred pension inflows	<u>\$ 16,905</u>
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Net Position

Net investment in capital assets	\$ (882,368)
Unrestricted	378,939

Total Net Position **\$ (503,429)**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT E-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2016**

Operating Revenues	
Administrative fees	\$ 27,500
Tenant rents	616,150
Intergovernmental revenue	91,000
Miscellaneous	1,639
	<hr/>
Total Operating Revenues	\$ 736,289
	<hr/>
Operating Expenses	
Personal services	\$ 113,919
Employee benefits and payroll taxes	39,484
General services - repairs and maintenance	404,704
Administration and fiscal services	6,257
Other services and charges	571
Supplies	3,307
Management and caretaking	25,920
Real estate taxes	29,823
Snowplowing	13,520
Telephone	2,262
Utilities	2,516
Water	4,428
Advertising	3,011
Background checks	518
Insurance	48,552
Licenses and dues	920
Interest	513
Miscellaneous	1,647
Depreciation	170,497
	<hr/>
Total Operating Expenses	\$ 872,369
	<hr/>
Operating Income (Loss)	\$ (136,080)
	<hr/>
Nonoperating Revenues (Expenses)	
Investment earnings	\$ 2,403
Management fees	2,400
Intergovernmental	535
Other income	324,150
Interest expense	(132,172)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 197,316
	<hr/>
Change in Net Position	\$ 61,236
	<hr/>
Net Position - January 1	(564,665)
	<hr/>
Net Position - December 31	\$ (503,429)
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT E-3

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2016
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 935,627
Payments to suppliers	(459,057)
Payments to employees	(145,500)
Other nonoperating revenue	<u>377,201</u>
Net cash provided by (used in) operating activities	<u>\$ 708,271</u>
Cash Flows from Noncapital Financing Activities	
Repayment to contributors	\$ (101,671)
Intergovernmental expense - Meeker County	<u>(101,670)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ (203,341)</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (178,737)
Interest paid on long-term debt	<u>(132,175)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (310,912)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 2,422</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 196,440
Cash and Cash Equivalents, January 1	<u>362,602</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 559,042</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT E-3
(Continued)**

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2016
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ <u>(136,080)</u>
 Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 170,497
Other nonoperating revenue	377,201
(Increase) decrease in accounts receivable	(3,937)
(Increase) decrease in prepaid items	(52)
(Increase) decrease in loans receivable	203,341
(Increase) decrease in due from primary government	(52)
Increase (decrease) in customer deposits	(66)
Increase (decrease) in accounts payable	89,516
Increase (decrease) in salaries payable	(1,094)
Increase (decrease) in compensated absences payable	1,555
Increase (decrease) in net pension liability	47,060
Increase (decrease) in deferred outflows	(44,938)
Increase (decrease) in deferred inflows	<u>5,320</u>
 Total adjustments	 \$ <u>844,351</u>
 Net Cash Provided by (Used in) Operating Activities	 \$ <u>708,271</u>
 Noncash Investing, Capital, and Financing Activities	
Carrying value of disposed assets	\$ 50,116

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OTHER SCHEDULES

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT F-1

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

Appropriations and Shared Revenue

State

Highway users tax	\$	4,667,542
County program aid		931,836
Market value credit - agricultural		310,027
PERA rate reimbursement		24,144
Disparity reduction aid		14,891
Police aid		155,040
Aquatic invasive species		244,115
E-911		98,333
		98,333

Total appropriations and shared revenue **\$ 6,445,928**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	1,039,780
Minnesota Department of Transportation		63,904
		63,904

Total reimbursement for services **\$ 1,103,684**

Local

Local contributions	\$	105,606
Payments in lieu of taxes		119,966
		119,966

Total local **\$ 225,572**

Grants

State

Minnesota Department/Board of		
Corrections	\$	114,441
Public Safety		68,235
Health		178,287
Natural Resources		68,743
Human Services		705,457
Water and Soil Resources		58,923
Veterans Affairs		10,000
Peace Officer Standards and Training		8,442
Pollution Control Agency		100,400
		100,400

Total state **\$ 1,312,928**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT F-1
(Continued)**

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

Grants (Continued)

Federal

Department of Agriculture	\$ 321,204
Commerce	50
Justice	42,729
Transportation	3,804
Education	1,933
Health and Human Services	1,626,711
Social Security Administration	1,295
Homeland Security	33,816

Total federal **\$ 2,031,542**

Total state and federal grants **\$ 3,344,470**

Total Intergovernmental Revenue **\$ 11,119,654**

Intergovernmental Revenue

Governmental funds	\$ 11,104,324
Proprietary fund	15,330

Total Intergovernmental Revenue **\$ 11,119,654**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT F-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	\$ 146,117
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	<u>175,087</u>
Total U.S. Department of Agriculture			\$ 321,204
U.S. Department of Commerce			
Passed Through Central Minnesota Emergency Services Board State and Local Implementation Grant Program	11.549	A-SLIGP-2013-CRRB-0001	<u>\$ 50</u>
U.S. Department of Justice			
Direct Bulletproof Vest Partnership Program	16.607	N/A	\$ 2,570
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2016-MEEKERAO-00036	<u>40,159</u>
Total U.S. Department of Justice			\$ 42,729
U.S. Department of Transportation			
Passed Through City of Glencoe, Minnesota State and Community Highway Safety	20.600	A-ENFRC16-2016-GLENCOPD-0052	<u>\$ 3,813</u>
U.S. Department of Education			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Education - Grants for Infants and Families	84.181	Not Provided	<u>\$ 1,933</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT F-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Meeker-McLeod-Sibley Community Health Services			
Public Health Emergency Preparedness	93.069	Not Provided	\$ 6,537
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 \$209,061)	93.558	Not Provided	27,326
Block Grants for Prevention and Treatment of Substance Abuse (Total Block Grants for Prevention and Treatment of Substance Abuse CFDA 93.959 \$145,966)	93.959	Not Provided	23,931
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	21,816
Passed Through Minnesota Department of Health			
Small Rural Hospital Improvement Grant Program	93.301	Not Provided	8,985
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	Not Provided	4,999
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	Not Provided	612
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFSS	4,560
Temporary Assistance for Needy Families	93.558	1601MNTANF	43,161
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 \$209,061)	93.558	1601MFTANF	138,574
Child Support Enforcement	93.563	1604MNCSES	15,688
Child Support Enforcement (Total Child Support Enforcement CFDA 93.563 \$327,980)	93.563	1604MNCES	312,292
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	1601MNRMA	177
Child Care and Development Block Grant	93.575	G1601MNCCDF	4,678
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPG	823
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	1,675
Foster Care - Title IV-E	93.658	1601MNFOS	115,433
Social Services Block Grant	93.667	16-01MNSOSR	114,442
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	2,600
Children's Health Insurance Program	93.767	1605MN5021	(561)
Medical Assistance Program	93.778	05-1605MN5MAP	12,297
Medical Assistance Program (Total Medical Assistance Program CFDA 93.778 \$668,158)	93.778	05-1605MN5ADM	655,861
Block Grants for Prevention and Treatment of Substance Abuse (Total Block Grants for Prevention and Treatment of Substance Abuse CFDA 93.959 \$145,966)	93.959	TI010027-15	<u>122,035</u>
Total U.S. Department of Health and Human Services			\$ <u>1,637,941</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT F-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Social Security Administration			
Passed Through Minnesota Department of Employment and Economic Development Social Security - Disability Insurance	96.001	Not Provided	<u>\$ 1,295</u>
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety Hazard Mitigation Grant	97.039	3-18796 F-EMPG-2016- MEEKERCO-049	\$ 13,936
Emergency Management Performance Grants	97.042		21,244
Passed Through Central Minnesota Emergency Services Board Homeland Security Grant Program	97.067	A-DECN-SHSP- 2015-CM-ESB-001	<u>75</u>
Total U.S. Department of Homeland Security			<u>\$ 35,255</u>
Total Federal Awards			<u><u>\$ 2,044,220</u></u>

Meeker County did not pass any federal awards through to subrecipients during the year ended December 31, 2016.

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Meeker County. The County's reporting entity is defined in Note 1 to the financial statements. Meeker County's financial statements include the operations of the Meeker County Housing and Redevelopment Authority component unit, which expended \$271,150 in federal awards during the year ended June 30, 2016, which are not included in the Schedule of Expenditures of Federal Awards because it was audited by other auditors.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Meeker County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Meeker County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Meeker County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Meeker County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,031,542
Grants received more than 60 days after year-end, unavailable in 2016	
State and Community Highway Safety	1,076
Special Education - Grants for Infants and Families	483
Promoting Safe and Stable Families	481
Temporary Assistance for Needy Families	45,610
Child Care and Development Block Grant	368
Community-Based Child Abuse Prevention Grants	491
Stephanie Tubbs Jones Child Welfare Services Program	375
Chafee Foster Care Independence Program	963
Block Grants for Prevention and Treatment of Substance Abuse	4,652
Maternal and Child Health Services Block Grant to the States	5,454
Emergency Management Performance Grants	1,439
Unavailable in 2015, recognized as revenue in 2016	
State and Community Highway Safety	(1,067)
Special Education - Grants for Infants and Families	(483)
Public Health Emergency Preparedness	(8,846)
Child Support Enforcement	(16,500)
Temporary Assistance for Needy Families	(6,262)
Block Grants for Prevention and Treatment of Substance Abuse	(10,349)
Maternal and Child Health Services Block Grant to the States	(5,207)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 2,044,220</u>

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MEEKER COUNTY

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Meeker County
Litchfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County, Minnesota, as of and for the year ended December 31, 2016, including the Meeker County Housing and Redevelopment Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 1, 2017. Our report includes a reference to other auditors who audited the financial statements of the Meeker Memorial Hospital, an enterprise fund of Meeker County, and the Meeker County Housing and Redevelopment Authority, a discretely presented component unit of Meeker County, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Meeker Memorial Hospital were not audited in accordance with *Government Auditing Standards*. The results of our testing of the Meeker County Economic Development Authority component unit's internal control over financial reporting and on compliance and other matters are reported on separately within the Management and Compliance Section.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meeker County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not

for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 1996-002, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Meeker County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 1996-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Meeker County's Response to Findings

Meeker County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 1, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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REBECCA OTTO
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Meeker County
Litchfield, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Meeker County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. Meeker County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Meeker County's basic financial statements include the operations of the Meeker County Housing and Redevelopment Authority (HRA) component unit, which expended \$271,150 in federal awards during the year ended June 30, 2016, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Meeker County HRA because it was audited by other auditors.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Meeker County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Meeker County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Meeker County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003. Our opinion on each major federal program is not modified with respect to this matter.

Meeker County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Meeker County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Meeker County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003, that we consider to be a significant deficiency.

Meeker County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Meeker County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 1, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

Child Support Enforcement	CFDA No. 93.563
Medical Assistance Program	CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was \$750,000.

Meeker County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1996-002

Segregation of Duties

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

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

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

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

Cause: The County informed us that, due to the available resources, it would not be able to hire additional qualified accounting staff to segregate duties in every department.

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

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2013-003

Eligibility Testing

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1605MN5ADM, 2016

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: The state maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed on the Medical Assistance Program to provide reasonable assurance of compliance with grant requirements for eligibility, not all documentation was available to support participant eligibility requirements. We noted the following exceptions in our sample of 40 cases tested:

- one case file assets listed in the application were not verified nor were the assets entered into MAXIS; and
- one case file included a bank statement that did not match the amount in MAXIS.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: The State of Minnesota contracts with the County Social Services Department to perform the "intake function" (meeting with the social services recipient to determine income and categorical eligibility), while the state maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The improper input of information into MAXIS increases the risk that program participants will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS did not ensure all required information was verified and entered.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly input into MAXIS. In addition, consideration should be given to providing additional training to program personnel.

View of Responsible Official: Concur

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1996-001

Ditch Special Revenue Fund - Cash and Equity Balances

Criteria: As stated in Minn. Stat. § 385.04, in part, “. . . every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable.” As allowed by Minn. Stat. § 103E.655, subd. 2, loans may be made from ditch systems with surplus funds or from the General Fund to a ditch with insufficient cash to pay expenditures. The loan must be repaid with interest. Also, a fund balance to be used for repairs may be established under Minn. Stat. § 103E.735, subd. 1, for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is larger.

Condition: Twenty of the 57 individual drainage systems had deficit cash balances totaling \$103,328, an increase of \$94,520 from the \$8,808 deficit reported in the prior year. Fifteen of the 57 individual drainage systems had deficit equity balances totaling \$79,040, an increase of \$61,369 from the \$17,671 deficit reported in the prior year.

Context: If the County transfers money from one account or fund to a drainage system account, the money plus accrued interest must be reimbursed from the proceeds of the drainage system that received the transfer. Ditch systems with negative fund balances indicate that an individual ditch system cannot meet financial obligations.

Effect: Allowing a ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other County funds and, as such, is in noncompliance with Minnesota law.

Cause: Ditch expenditures were necessary; the ditch levies were not sufficient, and no additional loans were formally made between ditches or other County funds.

Recommendation: We recommend the County continue its efforts in eliminating the ditch system cash and equity deficits by borrowing from an eligible fund with a surplus cash balance, as it has done for other ditch systems, and by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits an accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

View of Responsible Official: Concur

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**REPRESENTATION OF MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

Finding Number: 1996-002

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Department Heads and/or Supervisors

Corrective Action Planned:

County management continues to evaluate segregation of duties to the accounting functions and has implemented more oversight procedures.

Anticipated Completion Date:

On-going

Finding Number: 2013-003

Finding Title: Eligibility Testing

Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

LoAnn Shepard, Eligibility Supervisor

Corrective Action Planned:

Supervisor will continue to audit one case per worker per month, and review findings with each individual worker. Review of program requirements will be provided to workers found not to have correctly verified or entered asset information. In addition, the Eligibility Workers will participate in peer review of unit cases, to increase the number of cases audited and elevate awareness of the need to verify assets and correctly enter information into the Maxis system.

Anticipated Completion Date:

Immediate and on-going

Finding Number: 1996-001

Finding Title: Ditch Special Revenue Fund - Cash and Equity Balances

Name of Contact Person Responsible for Corrective Action:

Barbara Loch, County Auditor

Corrective Action Planned:

The County Auditor and the Ditch Inspector will be more aggressive in determining the future needs of the individual ditch accounts and attempt to accumulate a surplus balance as provided in Minn. Stat. § 103E.735 for repair and maintenance costs.

Anticipated Completion Date:

On-going

**REPRESENTATION OF MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

Finding Number: 1996-002

Finding Title: Segregation of Duties

Summary of Condition: Several of Meeker County's departments that collect fees and record financial transactions lack proper segregations of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, as well as depositing receipts.

Summary of Corrective Action Previously Reported: Meeker County's management is aware that various County offices may lack segregation of accounting duties and responsibilities. The County continues to evaluate to ensure segregation of duties is in place as much as possible and feasible with the staffing available.

Status: Not Corrected. Management is aware that various offices have been identified to lack segregation of accounting duties and responsibilities. County management continues to evaluate to ensure segregation of duties is in place where possible and feasible, and implemented additional supervisor review where needed.

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

Yes _____ No X

Finding Number: 1996-001

Finding Title: Ditch Special Revenue Fund - Cash and Equity Balances

Summary of Condition: Eleven of the 57 individual drainage systems had deficit cash balances totaling \$8,808. Ten of the 57 individual drainage systems had deficit equity balances totaling \$17,671.

Summary of Corrective Action Previously Reported: Management is aware of the provision in Minn. Stat. § 103E.735 to establish repair fund balances. Meeker County analyzes the individual ditch accounts monthly and, annually in November, landowner assessments are determined. The County continues to be more aggressive to accumulate a surplus balance to provide for repair and maintenance costs of the ditch systems.

Status: Not Corrected. We have become more aggressive in determining landowner assessments to provide for a surplus balance for repairs and maintenance costs on the individual ditch systems. We have employed a full time ditch inspector and this should assist the county in planning future work.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2013-003

Finding Title: Eligibility Testing

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: A sample of 15 Medical Assistance Program case files were selected for testing controls over, and compliance with, the eligibility requirements of the program. Of the 15 case files selected, there was one case file where assets listed in the application were not verified, nor was the asset information input into MAXIS.

Summary of Corrective Action Previously Reported: Discussions were held with the worker responsible for the case as well as at a staff meeting discussing the importance of verifying all information provided by the client. The County will perform targeted case reviews focusing on asset verification for all unit members and will audit at least two cases of workers as well as continue to emphasize the need to follow up, verify and act on any discrepancies or changes between information previously reported and current reported information.

Status: Partially Corrected. We will maintain our current audit method of sampling one case per Eligibility Worker per month; in addition, we will implement a peer review process to increase audit's sample size and worker awareness of program requirements.

Managing to a 100% standard is unrealistic given the volume of cases and multitude of programs for which each Eligibility Worker is responsible. Logistically, every case cannot be audited. We will never eliminate the possibility of human error given the complexity of cases, client situations, and program requirements, and the limitations of the Maxis system (although we will continue to try).

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

**MEEKER COUNTY
ECONOMIC DEVELOPMENT AUTHORITY**

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REBECCA OTTO
STATE AUDITOR

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

Independent Auditor's Report

Economic Development Authority Board
Meeker County Economic Development Authority
Litchfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Meeker County, Minnesota, which include as supplementary information, the financial statements of the Meeker County Economic Development Authority (EDA), a discretely presented component unit, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 1, 2017.

Internal Control Over Financial Reporting

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

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the EDA's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for contracting and bidding or tax increment financing because the EDA did not enter into any contracts that were subject to legal requirements as stipulated by Minnesota statutes and the EDA does not administer any tax increment financing districts. The testing of compliance with the provisions of the other categories was performed in conjunction with the audit of the financial statements of Meeker County.

In connection with our audit, nothing came to our attention that caused us to believe that the EDA failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the EDA's noncompliance with the above referenced provisions.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the EDA's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the EDA's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 1, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR