

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**MEEKER COUNTY**  
**LITCHFIELD, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2013**

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

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

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

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

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

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

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

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

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

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

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Year Ended December 31, 2013**



**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  
DECEMBER 31, 2013

			<u>Term Expires</u>
<b>Elected</b>			
Commissioners			
Board Member	Beth Oberg	District 1	January 2015
Board Member	Dale Fenrich	District 2	January 2017
Board Member	Bryan Larson	District 3	January 2017
Vice Chair	Mike Housman	District 4	January 2017
Chair	Mike Huberty	District 5	January 2015
Auditor	Barbara Loch		January 2015
Treasurer	Sharon Euerle		January 2015
Recorder	Elaine Lenhard		January 2015
Sheriff	Jeff Norlin		January 2015
<b>Appointed</b>			
Assessor	Robert Anderson		Retired February 2014
Attorney	Tony Spector		January 2015
Court Administrator	Debra Mueske		Indefinite
Coroner	A. Quinn Strobl, M.D.		Indefinite
Examiner of Titles	Mark Wood		Indefinite
Highway Engineer	Ronald Mortensen		May 2014
Surveyor	Doug Huhn		December 2014
Veterans Service Officer	Donald Dufner		December 2014
Welfare Director	Clark Gustafson		Indefinite
Emergency Management Director Department of Motor Vehicles	Jeff Norlin		Indefinite
Registrar	Sharon Euerle		Indefinite
County Administrator Planning and Zoning Administrator	Paul Virnig  Kristin Cote		Indefinite  Indefinite

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Meeker County

#### **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, 2013, including the Meeker County Housing and Redevelopment Authority, as of and for the year ended June 30, 2013, 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 12 percent, 264 percent, and 33 percent, respectively, of the assets, net position, 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 the 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 of 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 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, 2013, including the Meeker County Housing and Redevelopment Authority as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an



appropriate operational, economic, or historical context. 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 and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and other schedules are the responsibility of management and were derived from and relate 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 report dated September 18, 2014, on our consideration of Meeker County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meeker County's internal control over financial reporting and compliance. It does 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 OMB Circular A-133**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 18, 2014

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

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013  
(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, 2013. 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 of Meeker County exceeded its liabilities on December 31, 2013, by \$100,249,914 (net position). Of this amount, \$42,783,305 (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 \$1,483,103 in 2013. This is attributed primarily to the repayment of outstanding debt.
- As of the close of 2013, Meeker County's governmental funds reported combined ending fund balances of \$17,983,932, a decrease of \$5,450,029 in comparison with 2012 combined ending fund balances. Of this fund balance amount, \$15,983,633 was unrestricted by Meeker County, and thus available for spending at the government's discretion.
- At the end of 2013, unassigned fund balance for the General Fund was \$6,684,246, or 69.34 percent, of the total General Fund expenditures for that year.
- Meeker County's total debt decreased by \$6,075,192. The key factors in the decrease included the defeasance of \$4,690,000 (12.61 percent) in refunded bonds in February 2013 and principal payments of \$1,424,198 (3.83 percent). This change also included an increase of \$39,006 for loans issued in 2013. This results in a decrease of 16.33 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 represents 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 Economic Development Authority and the Housing and Redevelopment Authority for which Meeker County is legally accountable. Further financial information for the 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 38 through 90 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 exceeded liabilities by \$100,249,914 at the close of 2013. The largest portion of Meeker County's net position (54.02 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.

	<b>Net Position</b>					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012 (Restated)	2013	2012 (Restated)
<b>Assets</b>						
Current and other assets	\$ 22,291,476	\$ 27,311,526	\$ 31,158,449	\$ 29,001,934	\$ 53,449,925	\$ 56,313,460
Capital assets	59,309,307	59,038,948	25,912,674	27,884,413	85,221,981	86,923,361
<b>Total Assets</b>	<b>\$ 81,600,783</b>	<b>\$ 86,350,474</b>	<b>\$ 57,071,123</b>	<b>\$ 56,886,347</b>	<b>\$ 138,671,906</b>	<b>\$ 143,236,821</b>
<b>Liabilities</b>						
Long-term liabilities	\$ 8,734,120	\$ 14,220,534	\$ 25,070,648	\$ 25,575,467	\$ 33,804,768	\$ 39,796,001
Other liabilities	1,875,992	2,190,257	2,741,232	2,483,752	4,617,224	4,674,009
<b>Total Liabilities</b>	<b>\$ 10,610,112</b>	<b>\$ 16,410,791</b>	<b>\$ 27,811,880</b>	<b>\$ 28,059,219</b>	<b>\$ 38,421,992</b>	<b>\$ 44,470,010</b>
<b>Net Position</b>						
Net investment in capital assets	\$ 53,310,819	\$ 47,421,699	\$ 842,026	\$ 2,308,946	\$ 54,152,845	\$ 49,730,645
Restricted	1,251,035	5,437,875	2,062,729	2,085,919	3,313,764	7,523,794
Unrestricted	16,428,817	17,080,109	26,354,488	24,432,263	42,783,305	41,512,372
<b>Total Net Position</b>	<b>\$ 70,990,671</b>	<b>\$ 69,939,683</b>	<b>\$ 29,259,243</b>	<b>\$ 28,827,128</b>	<b>\$ 100,249,914</b>	<b>\$ 98,766,811</b>



The unrestricted net position amount of \$42,783,305 as of December 31, 2013, may be used to meet the County's ongoing obligations to citizens and creditors. The business-type activities reported in 2013 are comprised of the Meeker Memorial Hospital, an enterprise fund of the primary government.

### Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012 (Restated)	2013	2012 (Restated)
Revenues						
Program revenues						
Charges for services	\$ 4,464,754	\$ 4,991,332	\$ 27,629,175	\$ 27,282,379	\$ 32,093,929	\$ 32,273,711
Operating grants and contributions	6,451,807	7,759,071	-	-	6,451,807	7,759,071
Capital grants and contributions	1,987,272	1,945,079	-	-	1,987,272	1,945,079
General revenues						
Property taxes	12,484,352	12,321,003	-	-	12,484,352	12,321,003
Gravel taxes	82,647	75,458	-	-	82,647	75,458
Mortgage registry taxes	16,040	17,633	-	-	16,040	17,633
Other taxes	108,407	117,400	-	-	108,407	117,400
Grants and contributions not restricted to specific programs	990,134	994,138	-	-	990,134	994,138
Gifts and contributions	-	-	16,366	18,204	16,366	18,204
Investment income	(94,848)	158,904	194,349	273,714	99,501	432,618
Gain on sale of capital assets		8,791	28,348	29,588	28,348	38,379
Miscellaneous	338,099	2,980	-	-	338,099	2,980
<b>Total Revenues</b>	<b>\$ 26,828,664</b>	<b>\$ 28,391,789</b>	<b>\$ 27,868,238</b>	<b>\$ 27,603,885</b>	<b>\$ 54,696,902</b>	<b>\$ 55,995,674</b>
Expenses						
General government	\$ 5,281,902	\$ 5,462,755	\$ -	\$ -	\$ 5,281,902	\$ 5,462,755
Public safety	5,859,309	5,122,433	-	-	5,859,309	5,122,433
Highways and streets	5,036,572	4,700,520	-	-	5,036,572	4,700,520
Sanitation	400,629	239,297	-	-	400,629	239,297
Human services	6,327,676	6,313,358	-	-	6,327,676	6,313,358
Hospital	-	-	27,436,123	26,055,972	27,436,123	26,055,972
Health	1,478,581	1,510,542	-	-	1,478,581	1,510,542
Culture and recreation	398,320	418,664	-	-	398,320	418,664
Conservation of natural resources	547,569	596,272	-	-	547,569	596,272
Economic development	272,500	137,500	-	-	272,500	137,500
Interest	174,618	269,105	-	-	174,618	269,105
<b>Total Expenses</b>	<b>\$ 25,777,676</b>	<b>\$ 24,770,446</b>	<b>\$ 27,436,123</b>	<b>\$ 26,055,972</b>	<b>\$ 53,213,799</b>	<b>\$ 50,826,418</b>
Increase in Net Position	\$ 1,050,988	\$ 3,621,343	\$ 432,115	\$ 1,547,913	\$ 1,483,103	\$ 5,169,256
Net Position - January 1, as restated	69,939,683	66,318,340	28,827,128	27,279,215	98,766,811	93,597,555
Net Position - December 31	\$ 70,990,671	\$ 69,939,683	\$ 29,259,243	\$ 28,827,128	\$ 100,249,914	\$ 98,766,811

### Governmental Activities

Meeker County's governmental activities increased the County's net position during 2013 by \$1,050,988.

## **Business-Type Activities**

Business-type activities of the Meeker Memorial Hospital increased Meeker County's net position by \$432,115, accounting for 29.14 percent of the total growth in the County's net position. Charges for services increased \$346,796, or 1.27 percent, while expenses were up \$1,380,151, or 5.3 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 \$17,983,932, a decrease of \$5,450,029 in comparison with the prior year. Of the ending fund balance, \$6,684,246 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 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 \$6,684,246, while total fund balance was \$7,726,787. 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 69.34 percent of total General Fund expenditures. The ending fund balance for 2013 in the General Fund decreased by \$146,784 as compared to the 2012 ending balance.

The Road and Bridge Special Revenue Fund's fund balance at the end of the current fiscal year was \$2,510,873. The ending fund balance in the Road and Bridge Special Revenue Fund decreased by \$224,705. This is primarily due to operation costs.

The Human Services Special Revenue Fund's fund balance at the end of the current fiscal year was \$3,693,931. The ending fund balance in the Human Services Special Revenue Fund decreased by \$43,582, primarily due to operation costs.

The Debt Service Fund's fund balance at the end of the current fiscal year was \$658,715. The ending fund balance in the Debt Service Fund decreased by \$4,275,206. Refunded bonds were defeased in February of 2013.

## GENERAL FUND BUDGETARY HIGHLIGHTS

There are no differences between the original expenditure budget and the final amended budget. (Meeker County did not amend the 2013 expenditure budget.)

Actual revenues in the General Fund were more than budgeted revenues by \$36,277, 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, 2013, totaled \$59,309,307 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's governmental investment in capital assets increased \$270,359, or 0.46 percent, from the previous year. The major capital asset events were infrastructure.

#### Governmental Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,560,387	\$ 2,522,856	\$ 1,963,928	\$ 1,963,928	\$ 4,524,315	\$ 4,486,784
Land improvements	-	-	786,310	876,755	786,310	876,755
Infrastructure	39,276,093	38,709,375	-	-	39,276,093	38,709,375
Buildings	10,536,423	10,892,488	17,403,880	18,850,018	27,940,303	29,742,506
Buildings improvements	2,682,031	2,886,105	-	-	2,682,031	2,886,105
Machinery, equipment, and office furniture	4,215,198	4,007,759	5,758,556	6,193,712	9,973,754	10,201,471
Construction in progress	39,175	20,365	-	-	39,175	20,365
Total Capital Assets	\$ 59,309,307	\$ 59,038,948	\$ 25,912,674	\$ 27,884,413	\$ 85,221,981	\$ 86,923,361

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 \$31,125,516. 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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 4,325,000	\$ 9,615,000	\$ -	\$ -	\$ 4,325,000	\$ 9,615,000
General obligation capital notes	1,620,000	1,930,000	-	-	1,620,000	1,930,000
Gross revenue hospital facilities bonds	-	-	24,835,000	25,330,000	24,835,000	25,330,000
Loan payable	345,516	325,708	-	-	345,516	325,708
Total	\$ 6,290,516	\$ 11,870,708	\$ 24,835,000	\$ 25,330,000	\$ 31,125,516	\$ 37,200,708

The County's debt related to general obligation bonds, gross revenue hospital facilities bonds, capital notes, and loans decreased by \$6,075,192, or 16.33 percent, during the fiscal year due to payment on principal and defeasance of refunded bonds in February 2013.

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 2013, 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 2013 was 5.5 percent. This compares with the state unemployment rate of 4.7 percent and shows Meeker County's decrease of 1.40 percent from the rate of one year ago.

By the end of 2013, Meeker County approved its balanced 2014 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, 2013**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 17,434,416	\$ 6,059,377	\$ 23,493,793	\$ 220,224
Petty cash and change funds	2,690	-	2,690	-
Investments	-	-	-	149,215
Taxes receivable				
Prior - net	327,230	-	327,230	-
Special assessments receivable				
Prior - net	11,104	-	11,104	-
Noncurrent - net	319,144	-	319,144	-
Accounts receivable - net	189,391	4,703,540	4,892,931	6,461
Accrued interest receivable	84,809	-	84,809	865
Due from other governments	2,590,115	-	2,590,115	-
Due from primary government	-	-	-	27,500
Notes receivable	312,000	-	312,000	-
Loans receivable	691,091	-	691,091	264,164
Inventories	258,427	494,049	752,476	-
Prepaid items	71,059	376,353	447,412	13,538
Restricted assets				
Investments	-	16,602,866	16,602,866	-
Restricted by bond indenture	-	1,985,908	1,985,908	-
Restricted by donor	-	57,992	57,992	-
Investment in joint venture	-	878,364	878,364	-
Capital assets				
Non-depreciable	2,599,562	1,963,928	4,563,490	219,954
Depreciable - net of accumulated depreciation	56,709,745	23,948,746	80,658,491	3,268,004
<b>Total Assets</b>	<b>\$ 81,600,783</b>	<b>\$ 57,071,123</b>	<b>\$ 138,671,906</b>	<b>\$ 4,169,925</b>



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Liabilities</u></b>				
Accounts payable	\$ 540,202	\$ 993,193	\$ 1,533,395	\$ 21,089
Salaries payable	463,704	1,384,608	1,848,312	5,021
Contracts payable	20,500	-	20,500	-
Due to other governments	86,855	-	86,855	3,076
Due to component unit	27,500	-	27,500	-
Accrued interest payable	46,140	235,066	281,206	2,884
Estimated third-party payor settlements	-	128,365	128,365	-
Unearned revenue	691,091	-	691,091	-
Unearned rent income	-	-	-	371
Payables from restricted assets				
Customer deposits	-	-	-	45,715
Tenant security deposits	-	-	-	7,342
Long-term liabilities				
Due within one year	1,631,974	520,000	2,151,974	166,818
Due in more than one year	7,102,146	24,550,648	31,652,794	3,733,294
<b>Total Liabilities</b>	<b>\$ 10,610,112</b>	<b>\$ 27,811,880</b>	<b>\$ 38,421,992</b>	<b>\$ 3,985,610</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	\$ 53,310,819	\$ 842,026	\$ 54,152,845	\$ (409,368)
Restricted for				
General government	112,297	-	112,297	-
Public safety	122,589	-	122,589	-
Sanitation	103,027	-	103,027	-
Conservation of natural resources	250,690	-	250,690	-
Debt service	658,715	-	658,715	-
Restricted by bond indenture	-	1,985,908	1,985,908	-
Restricted by donor	-	76,821	76,821	-
Other purposes	3,717	-	3,717	13,661
Unrestricted	16,428,817	26,354,488	42,783,305	580,022
<b>Total Net Position</b>	<b>\$ 70,990,671</b>	<b>\$ 29,259,243</b>	<b>\$ 100,249,914</b>	<b>\$ 184,315</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>	<b>Program Revenues Operating Grants and Contributions</b>
<b><u>Functions/Programs</u></b>			
<b>Primary Government</b>			
<b>Governmental activities</b>			
General government	\$ 5,281,902	\$ 1,005,492	\$ 10,000
Public safety	5,859,309	964,334	433,764
Highways and streets	5,036,572	651,868	1,991,499
Sanitation	400,629	191,375	58,888
Human services	6,327,676	894,643	2,625,094
Health	1,478,581	389,948	924,602
Culture and recreation	398,320	89,016	-
Conservation of natural resources	547,569	170,422	407,960
Economic development	272,500	107,656	-
Interest	174,618	-	-
	<b>\$ 25,777,676</b>	<b>\$ 4,464,754</b>	<b>\$ 6,451,807</b>
<b>Business-type activities</b>			
Meeker Memorial Hospital	27,436,123	27,629,175	-
	<b>\$ 53,213,799</b>	<b>\$ 32,093,929</b>	<b>\$ 6,451,807</b>
<b>Discretely Presented Component Units</b>	<b>\$ 1,100,740</b>	<b>\$ 669,045</b>	<b>\$ 330,888</b>

**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 income  
Gain on disposal of capital assets  
Miscellaneous

**Total general revenues**

**Change in Net Position**

**Net Position - January 1, as restated (See Notes 1.G. and 8.A.)**

**Net Position - December 31**

**EXHIBIT 2**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Discretely Presented Component Units
	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
\$ -	\$ (4,266,410)	\$ -	\$ (4,266,410)	
-	(4,461,211)	-	(4,461,211)	
1,987,272	(405,933)	-	(405,933)	
-	(150,366)	-	(150,366)	
-	(2,807,939)	-	(2,807,939)	
-	(164,031)	-	(164,031)	
-	(309,304)	-	(309,304)	
-	30,813	-	30,813	
-	(164,844)	-	(164,844)	
-	(174,618)	-	(174,618)	
<b>\$ 1,987,272</b>	<b>\$ (12,873,843)</b>	<b>\$ -</b>	<b>\$ (12,873,843)</b>	
-	-	193,052	193,052	
<b>\$ 1,987,272</b>	<b>\$ (12,873,843)</b>	<b>\$ 193,052</b>	<b>\$ (12,680,791)</b>	
<b>\$ 26,211</b>				<b>\$ (74,596)</b>
	\$ 12,484,352	\$ -	\$ 12,484,352	\$ -
	82,647	-	82,647	-
	16,040	-	16,040	-
	108,407	-	108,407	-
	990,134	-	990,134	-
	-	16,366	16,366	-
	(94,848)	194,349	99,501	1,389
	-	28,348	28,348	-
	338,099	-	338,099	-
	<b>\$ 13,924,831</b>	<b>\$ 239,063</b>	<b>\$ 14,163,894</b>	<b>\$ 1,389</b>
	<b>\$ 1,050,988</b>	<b>\$ 432,115</b>	<b>\$ 1,483,103</b>	<b>\$ (73,207)</b>
	<b>69,939,683</b>	<b>28,827,128</b>	<b>98,766,811</b>	<b>257,522</b>
	<b>\$ 70,990,671</b>	<b>\$ 29,259,243</b>	<b>\$ 100,249,914</b>	<b>\$ 184,315</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 7,248,956	\$ 2,422,017
Petty cash and change funds	2,690	-
Taxes receivable		
Delinquent	179,303	42,130
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable - net	36,307	-
Accrued interest receivable	84,809	-
Due from other funds	7,458	199
Due from other governments	316,659	1,548,383
Notes receivable	300,000	-
Loans receivable	-	-
Inventories	-	258,427
Advances to other funds	107,778	-
Prepaid items	65,594	-
	<b>\$ 8,349,554</b>	<b>\$ 4,271,156</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 176,833	\$ 107,849
Salaries payable	237,859	60,811
Contracts payable	-	14,192
Due to other funds	2,355	1,927
Due to other governments	16,874	2,601
Due to component unit	-	-
Advances from other funds	-	-
Unearned revenue	-	-
	<b>\$ 433,921</b>	<b>\$ 187,380</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue	<b>\$ 188,846</b>	<b>\$ 1,572,903</b>



**EXHIBIT 3**

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,709,795	\$ 655,419	\$ 682,267	\$ 2,715,962	\$ 17,434,416
-	-	-	-	2,690
73,623	24,560	62	7,552	327,230
-	-	-	11,104	11,104
-	-	-	319,144	319,144
75,669	-	-	77,415	189,391
-	-	-	-	84,809
6,900	-	-	2,945	17,502
427,184	-	-	297,889	2,590,115
-	-	-	12,000	312,000
-	-	-	691,091	691,091
-	-	-	-	258,427
-	-	-	-	107,778
-	-	-	5,465	71,059
<u>\$ 4,293,171</u>	<u>\$ 679,979</u>	<u>\$ 682,329</u>	<u>\$ 4,140,567</u>	<u>\$ 22,416,756</u>
\$ 179,157	\$ 750	\$ -	\$ 75,613	\$ 540,202
115,164	-	-	49,870	463,704
-	-	6,308	-	20,500
7,039	-	-	6,181	17,502
50,785	-	-	16,595	86,855
-	-	-	27,500	27,500
-	-	-	107,778	107,778
-	-	-	691,091	691,091
<u>\$ 352,145</u>	<u>\$ 750</u>	<u>\$ 6,308</u>	<u>\$ 974,628</u>	<u>\$ 1,955,132</u>
<u>\$ 247,095</u>	<u>\$ 20,514</u>	<u>\$ 62</u>	<u>\$ 448,272</u>	<u>\$ 2,477,692</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)</b>		
<b>Fund Balances</b>		
Nonspendable		
Inventories	\$ -	\$ 258,427
Prepaid items	65,594	-
Advances to other funds	107,778	-
Notes receivable	300,000	-
Restricted for		
Debt service	-	-
Recorder's technology equipment	112,297	-
Missing heirs	3,717	-
Recorder's compliance	250,662	-
Attorney forfeiture	35,272	-
Gravel tax	103,027	-
Sheriff contingencies	-	-
Extension	28	-
Permit to carry	64,166	-
Committed for		
Regional library	-	-
Assigned to		
General government	-	-
Highways and streets	-	2,252,446
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	-	-
Economic development	-	-
Capital projects	-	-
Unassigned	6,684,246	-
<b>Total Fund Balances</b>	<b>\$ 7,726,787</b>	<b>\$ 2,510,873</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 8,349,554</b>	<b>\$ 4,271,156</b>

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

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 258,427
-	-	-	5,465	71,059
-	-	-	-	107,778
-	-	-	12,000	312,000
-	658,715	-	-	658,715
-	-	-	-	112,297
-	-	-	-	3,717
-	-	-	-	250,662
-	-	-	-	35,272
-	-	-	-	103,027
-	-	-	23,151	23,151
-	-	-	-	28
-	-	-	-	64,166
-	-	-	83,421	83,421
-	-	-	435,539	435,539
-	-	-	-	2,252,446
-	-	-	691,794	691,794
3,693,931	-	-	-	3,693,931
-	-	-	314,703	314,703
-	-	-	164,510	164,510
-	-	-	114,412	114,412
-	-	-	872,672	872,672
-	-	675,959	-	675,959
-	-	-	-	6,684,246
<u>\$ 3,693,931</u>	<u>\$ 658,715</u>	<u>\$ 675,959</u>	<u>\$ 2,717,667</u>	<u>\$ 17,983,932</u>
<u>\$ 4,293,171</u>	<u>\$ 679,979</u>	<u>\$ 682,329</u>	<u>\$ 4,140,567</u>	<u>\$ 22,416,756</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, 2013**

<b>Fund balance - total governmental funds</b>	<b>\$</b>	<b>17,983,932</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		59,309,307
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.		2,477,692
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	\$ (4,378,488)	
Capital notes payable	(1,620,000)	
Loan payable	(345,516)	
Other postemployment benefits	(457,697)	
Compensated absences	(1,932,419)	
Accrued interest payable	(46,140)	
		(8,780,260)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>70,990,671</u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 7,157,046	\$ 1,638,615
Special assessments	-	-
Licenses and permits	81,752	-
Intergovernmental	1,328,167	3,522,731
Charges for services	1,548,319	525,385
Fines and forfeitures	23,829	-
Gifts and contributions	435	-
Investment earnings	(99,527)	-
Miscellaneous	464,608	126,483
	<b>\$ 10,504,629</b>	<b>\$ 5,813,214</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 4,032,925	\$ -
Public safety	5,045,854	-
Highways and streets	-	5,498,785
Sanitation	106,615	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	294,873	-
Economic development	95,000	-
<b>Capital outlay</b>	-	-
<b>Intergovernmental</b>	64,497	390,363
<b>Debt service</b>		
Principal	-	600,000
Interest	-	18,000
Administrative and fiscal charges	-	-
	<b>\$ 9,639,764</b>	<b>\$ 6,507,148</b>

**EXHIBIT 5**

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,797,068	\$ 800,354	\$ -	\$ 258,367	\$ 12,651,450
-	-	-	189,632	189,632
-	-	-	-	81,752
2,722,632	42,035	253,478	762,370	8,631,413
651,260	-	-	596,729	3,321,693
-	-	-	50,818	74,647
181	-	-	1,000	1,616
-	3,592	-	1,087	(94,848)
243,383	-	30,474	463,104	1,328,052
<b>\$ 6,414,524</b>	<b>\$ 845,981</b>	<b>\$ 283,952</b>	<b>\$ 2,323,107</b>	<b>\$ 26,185,407</b>
\$ -	\$ -	\$ -	\$ 482,757	\$ 4,515,682
-	-	-	-	5,045,854
-	-	-	-	5,498,785
-	-	-	534,102	640,717
6,458,106	-	-	-	6,458,106
-	-	-	1,546,596	1,546,596
-	-	-	421,007	421,007
-	-	-	111,219	406,092
-	-	-	177,500	272,500
-	-	569,369	-	569,369
-	-	-	-	454,860
-	5,000,000	-	19,198	5,619,198
-	218,412	-	5,718	242,130
-	2,775	-	-	2,775
<b>\$ 6,458,106</b>	<b>\$ 5,221,187</b>	<b>\$ 569,369</b>	<b>\$ 3,298,097</b>	<b>\$ 31,693,671</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>General</b>	<b>Road and Bridge</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 864,865</b>	<b>\$ (693,934)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ 450,000
Transfers out	(1,011,649)	-
Loans issued	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,011,649)</b>	<b>\$ 450,000</b>
<b>Net Change in Fund Balances</b>	<b>\$ (146,784)</b>	<b>\$ (243,934)</b>
<b>Fund Balances - January 1</b>	<b>7,873,571</b>	<b>2,735,578</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>19,229</b>
<b>Fund Balances - December 31</b>	<b>\$ 7,726,787</b>	<b>\$ 2,510,873</b>



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

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ (43,582)	\$ (4,375,206)	\$ (285,417)	\$ (974,990)	\$ (5,508,264)
\$ -	\$ 100,000	\$ -	\$ 561,649	\$ 1,111,649
-	-	(100,000)	-	(1,111,649)
-	-	-	39,006	39,006
<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ (100,000)</u>	<u>\$ 600,655</u>	<u>\$ 39,006</u>
\$ (43,582)	\$ (4,275,206)	\$ (385,417)	\$ (374,335)	\$ (5,469,258)
3,737,513	4,933,921	1,061,376	3,092,002	23,433,961
-	-	-	-	19,229
<u>\$ 3,693,931</u>	<u>\$ 658,715</u>	<u>\$ 675,959</u>	<u>\$ 2,717,667</u>	<u>\$ 17,983,932</u>

**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**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ (5,469,258)**

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

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	\$ 2,477,692	
Unavailable revenue - January 1	(1,624,753)	852,939

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	\$ 3,165,676	
Net book value of assets sold	(22,370)	
Current year depreciation expense	(2,872,947)	270,359

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		(39,006)

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	\$ 5,290,000	
Capital notes	310,000	
Loan payable	19,198	5,619,198

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

Change in accrued interest payable	\$ 51,526	
Amortization of discounts/premiums	18,761	
Deferred charges not previously expensed	(160,221)	
Change in compensated absences	(42,597)	
Change in inventories	19,229	
Change in other postemployment benefits	(69,942)	(183,244)

**Net Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,050,988**

**PROPRIETARY FUND**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET POSITION  
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND  
DECEMBER 31, 2013**

**Assets**

**Current assets**

Cash and pooled investments	\$ 6,059,377
Accounts receivable - net	4,703,540
Inventories	494,049
Prepaid items	376,353

**Total current assets** **\$ 11,633,319**

**Restricted assets**

Investments	\$ 16,602,866
Restricted by bond indenture	1,985,908
Restricted by donor	57,992

**Total restricted assets** **\$ 18,646,766**

**Noncurrent assets**

Investment in joint venture	\$ 878,364
Capital assets	
Nondepreciable	1,963,928
Depreciable - net	23,948,746

**Total noncurrent assets** **\$ 26,791,038**

**Total Assets** **\$ 57,071,123**

**Liabilities**

**Current liabilities**

Accounts payable	\$ 993,193
Salaries payable	1,384,608
Accrued interest payable	235,066
Estimated third-party payor settlements	128,365
Bonds payable	520,000

**Total current liabilities** **\$ 3,261,232**

**Noncurrent liabilities**

Bonds payable	24,550,648
---------------	------------

**Total Liabilities** **\$ 27,811,880**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

***EXHIBIT 7  
(Continued)***

**STATEMENT OF NET POSITION  
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND  
DECEMBER 31, 2013**

**Net Position**

Net investment in capital assets	\$ 842,026
Restricted by bond indenture	1,985,908
Restricted by donor	76,821
Unrestricted	<u>26,354,488</u>
<b>Total Net Position</b>	<b><u>\$ 29,259,243</u></b>

**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, 2013**

<b>Operating Revenues</b>	
Patient services revenues	\$ 27,282,673
Miscellaneous	346,502
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 27,629,175</b>
<b>Operating Expenses</b>	
Professional care of patients	\$ 16,818,121
Administration and fiscal services	4,541,246
Property, housekeeping, and laundry	1,447,826
Dietary	448,046
Depreciation	2,756,325
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 26,011,564</b>
<b>Operating Income (Loss)</b>	<b>\$ 1,617,611</b>
<b>Nonoperating Revenues (Expenses)</b>	
Noncapital contributions	\$ 16,366
Interest income	237,199
Unrealized gain (loss) on investments	(42,850)
Interest expense	(1,424,559)
Gain (loss) on disposal of assets and other	28,348
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (1,185,496)</b>
<b>Change in Net Position</b>	<b>\$ 432,115</b>
<b>Net Position - January 1, as restated (See Note 1.G.)</b>	<b>28,827,128</b>
	<hr/>
<b>Net Position - December 31</b>	<b>\$ 29,259,243</b>
	<hr/> <hr/>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Cash Flows from Operating Activities</b>	
Receipts from third-party payors and patients	\$ 27,378,706
Other receipts	395,159
Payments to suppliers	(12,247,459)
Payments to employees	<u>(10,861,686)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 4,664,720</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	\$ (784,584)
Contributions received restricted for capital assets	45,245
Principal payments on long-term debt	(495,000)
Interest paid	<u>(1,438,503)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (2,672,842)</u></b>
<b>Cash Flows from Investing Activities</b>	
Proceeds from sales and maturities of investments	\$ 8,120,866
Purchase of investments	(9,101,100)
Investment earnings received	<u>281,913</u>
<b>Net cash provided by (used in) investing activities</b>	<b><u>\$ (698,321)</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 1,293,557</b>
<b>Cash and Cash Equivalents, January 1</b>	<b><u>4,765,820</u></b>
<b>Cash and Cash Equivalents, December 31</b>	<b><u><u>\$ 6,059,377</u></u></b>



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
<b>Operating income (loss)</b>	<b><u>\$ 1,617,611</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 2,756,325
Equity in joint venture	(237,833)
Distributions received from joint venture	286,490
(Increase) decrease in accounts receivable	(149,852)
(Increase) decrease in inventories	(65,436)
(Increase) decrease in prepaid items	78,290
Increase (decrease) in accounts payable	80,411
Increase (decrease) in salaries payable	52,829
Increase (decrease) in estimated third-party payor settlements	<u>245,885</u>
<b>Total adjustments</b>	<b><u>\$ 3,047,109</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 4,664,720</u></b>
<b>Noncash Investing, Capital, and Financing Activities</b>	
Unrealized losses on investments	<u>\$ (42,850)</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, 2013**

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ <u><u>590,374</u></u>
<b><u>Liabilities</u></b>	
Due to other governments	\$ <u><u>590,374</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, 2013**

	<u>Economic Development Authority</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 151,371	\$ 68,853	\$ 220,224
Investments	141,000	8,215	149,215
Accounts receivable - net	6,231	230	6,461
Accrued interest receivable	865	-	865
Loans receivable	264,164	-	264,164
Due from primary government	27,500	-	27,500
Prepaid items	6,129	7,409	13,538
	<hr/>	<hr/>	<hr/>
<b>Total current assets</b>	<b>\$ 597,260</b>	<b>\$ 84,707</b>	<b>\$ 681,967</b>
<b>Noncurrent assets</b>			
Capital assets			
Nondepreciable	\$ 155,988	\$ 63,966	\$ 219,954
Depreciable - net	2,911,347	356,657	3,268,004
	<hr/>	<hr/>	<hr/>
<b>Total noncurrent assets</b>	<b>\$ 3,067,335</b>	<b>\$ 420,623</b>	<b>\$ 3,487,958</b>
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 3,664,595</b>	<b>\$ 505,330</b>	<b>\$ 4,169,925</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ 13,923	\$ 7,166	\$ 21,089
Salaries payable	5,021	-	5,021
Due to other governments	-	3,076	3,076
Accrued interest payable	2,884	-	2,884
Deferred rent income - unearned	-	371	371
Customer deposits	45,715	-	45,715
Tenant security deposits	-	7,342	7,342
Compensated absences payable - current	1,142	-	1,142
Revenue bonds payable - current	165,676	-	165,676
	<hr/>	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>\$ 234,361</b>	<b>\$ 17,955</b>	<b>\$ 252,316</b>
<b>Noncurrent liabilities</b>			
Compensated absences payable - long-term	\$ 1,644	\$ -	\$ 1,644
Revenue bonds payable - long-term	3,731,650	-	3,731,650
	<hr/>	<hr/>	<hr/>
<b>Total noncurrent liabilities</b>	<b>\$ 3,733,294</b>	<b>\$ -</b>	<b>\$ 3,733,294</b>
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 3,967,655</b>	<b>\$ 17,955</b>	<b>\$ 3,985,610</b>
	<hr/>	<hr/>	<hr/>

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

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 11  
(Continued)**

**COMBINING STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2013**

	<u>Economic Development Authority</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ (829,991)	\$ 420,623	\$ (409,368)
Restricted for other purposes	-	13,661	13,661
Unrestricted	<u>526,931</u>	<u>53,091</u>	<u>580,022</u>
<b>Total Net Position</b>	<b><u><u>\$ (303,060)</u></u></b>	<b><u><u>\$ 487,375</u></u></b>	<b><u><u>\$ 184,315</u></u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
Economic Development Authority	\$ 699,269	\$ 594,348
Housing and Redevelopment Authority	401,471	74,697
<b>Total Component Units</b>	<b>\$ 1,100,740</b>	<b>\$ 669,045</b>
	<b>General Revenues</b>	
	Investment income	
	<b>Change in Net Position</b>	
	<b>Net Position - January 1, as restated</b>	
	(See Note 8.A.)	
	<b>Net Position - December 31</b>	

**EXHIBIT 12**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Economic Development Authority</b>	<b>Housing and Redevelopment Authority</b>	<b>Total</b>
\$ 95,000	\$ -	\$ (9,921)	\$ -	\$ (9,921)
235,888	26,211	-	(64,675)	(64,675)
<b>\$ 330,888</b>	<b>\$ 26,211</b>	<b>\$ (9,921)</b>	<b>\$ (64,675)</b>	<b>\$ (74,596)</b>
		1,319	70	1,389
		<b>\$ (8,602)</b>	<b>\$ (64,605)</b>	<b>\$ (73,207)</b>
		<b>(294,458)</b>	<b>551,980</b>	<b>257,522</b>
		<b>\$ (303,060)</b>	<b>\$ 487,375</b>	<b>\$ 184,315</b>

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

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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, 2013. 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.

Changes in Accounting Principles

During 2013, Meeker County adopted new accounting guidance by implementing the provisions of GASB Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.8. in the notes to the financial statements for additional information regarding the County's deferred outflows/inflows of resources.

Restatements of December 31, 2012, net position or fund balance were required as a result of adopting these changes in accounting principles.

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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.

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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.

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.



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

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 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. 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 are reported as other financing sources.

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

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, 2013, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. 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 losses for 2013 were \$99,527.

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 MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). The investment in the pool is measured at the net asset value per share provided by the pool.

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.”

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

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.

All receivables, including those 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.

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

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.

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 estimated fair value at the date of donation.

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

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	25 - 75
Building improvements	20 - 30
Public domain infrastructure	25 - 75
Furniture, equipment, and vehicles	3 - 15

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 the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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 no items that qualify for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

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 effective interest 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**

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1. Summary of Significant Accounting Policies

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

10. 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 do not meet the definition of restricted or net investment in capital assets.

11. 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 legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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 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.

12. 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 they need to



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

12. Minimum Fund Balance (Continued)

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, 2013, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

13. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

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 Hospital utilizes a process to identify and appeal settlements by Medicare and other payors. Additional reimbursement is recorded in the year the appeal is successful.

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.

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

G. Restatement of Beginning Net Position

Meeker County implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2013. The Statement requires debt issuance costs be recorded as operating expenses rather than as a deferred charge. As a result, the net position of the Meeker Memorial Hospital as of December 31, 2012, has been restated to eliminate the unamortized deferred debt issuance costs.

Net Position, January 1, 2013, as previously reported	\$ 29,162,041
Adjustment to eliminate deferred debt issuance costs	<u>(334,913)</u>
Net Position, January 1, 2013, as restated	<u>\$ 28,827,128</u>

2. Stewardship, Compliance, and Accountability

A. 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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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2. Stewardship, Compliance, and Accountability (Continued)

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive balance of \$114,412 as of December 31, 2013, although 11 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:

46 ditches with positive balances	\$	145,300
11 ditches with deficit balances		(30,888)
Net Fund Balance	\$	114,412

C. Excess of Expenditures Over Budget

The following funds and departments had expenditures in excess of budget for the year ended December 31, 2013:

	Expenditures	Budget	Excess
Major governmental fund			
Debt Service Fund			
Debt service			
Principal	\$ 5,000,000	\$ 760,000	\$ 4,240,000
Interest	218,412	183,395	35,017
Administrative and fiscal charges	2,775	2,500	275
Other governmental funds			
Transfer Station Special Revenue Fund			
Sanitation			
Solid waste	534,102	90,000	444,102

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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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	\$ 17,434,416
Petty cash and change funds	2,690
Business-type activities	
Cash and pooled investments	6,059,377
Investments, restricted	18,646,766
Statement of fiduciary net position	
Cash and pooled investments	590,374
Total Cash and Investments	\$ 42,733,623
Deposits	\$ 25,270,615
Petty cash and change funds	2,690
Investments	17,460,318
Total Deposits, Cash on Hand, and Investments	\$ 42,733,623

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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.

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, 2013, 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' acceptance of United States banks;

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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, 2013, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
U.S. Treasury Notes	\$ 725,435	\$ 486,409	\$ 239,026	\$ -
Federal Home Loan Mortgage Corporation Securities	492,400	-	492,400	-
Federal Home Loan Bank Securities	4,461,352	-	-	4,461,352
Federal Farm Credit Bank Securities	280,259	-	280,259	-
Federal National Mortgage Association Securities	589,181	-	589,181	-
MAGIC Fund	2,546,010	2,546,010	-	-
Negotiable CDs	4,926,867	-	4,775,109	151,758
Money markets	3,438,814	3,438,814	-	-
<b>Total Investments</b>	<b>\$ 17,460,318</b>	<b>\$ 6,471,233</b>	<b>\$ 6,375,975</b>	<b>\$ 4,613,110</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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.

The County's exposure to credit risk as of December 31, 2013, is as follows:

	<u>S &amp; P Rating</u>	<u>Fair Value</u>
U.S. Treasury Notes	AA+	\$ 725,435
Federal Home Loan Mortgage Corporation Securities	AA+	492,400
Federal Home Loan Bank Securities	AA+	4,461,352
Federal Farm Credit Bank Securities	AA+	280,259
Federal National Mortgage Association Securities	AA+	589,181
MAGIC Fund	N/R	2,546,010
Negotiable CDs	N/A	4,926,867
Money markets	N/R	3,438,814
Total		<u>\$ 17,460,318</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



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Custodial Credit Risk (Continued)

risk. As of December 31, 2013, \$10,113,704 of U.S. government securities and Treasury notes in the County's investment balance of \$17,460,318 were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging institution's trust department not in the County's name	<u>\$ 10,113,704</u>
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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 Home Loan Bank	25.55%	<u>\$ 4,461,352</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables at December 31, 2013, for the County's governmental activities and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 327,230	\$ -
Special assessments	330,248	319,144
Accounts	189,391	-
Accrued interest	84,809	-
Due from other governments	2,590,115	-
Notes	312,000	309,000
Loans	691,091	597,010
Total Governmental Activities	\$ 4,524,884	\$ 1,225,154
Business-Type Activities		
Accounts receivable - net	\$ 4,703,540	\$ 6,441

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

Governmental Activities

	Beginning Balance	Increase/ Adjustments	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,522,856	\$ 37,531	\$ -	\$ 2,560,387
Construction in progress	20,365	39,175	20,365	39,175
Total capital assets not depreciated	\$ 2,543,221	\$ 76,706	\$ 20,365	\$ 2,599,562
Capital assets depreciated				
Buildings	\$ 18,493,228	\$ 49,000	\$ 9,237	\$ 18,532,991
Building improvements	3,915,161	-	-	3,915,161
Office furniture and equipment	6,007,935	195,045	90,348	6,112,632
Machinery and equipment	7,341,575	1,238,937	365,506	8,215,006
Infrastructure	51,606,258	1,626,353	-	53,232,611
Total capital assets depreciated	\$ 87,364,157	\$ 3,109,335	\$ 465,091	\$ 90,008,401
Less: accumulated depreciation for				
Buildings	\$ 7,600,740	\$ 405,065	\$ 9,237	\$ 7,996,568
Building improvements	1,029,056	204,074	-	1,233,130
Office furniture and equipment	3,902,943	699,980	89,298	4,513,625
Machinery and equipment	5,438,808	504,193	344,186	5,598,815
Infrastructure	12,896,883	1,059,635	-	13,956,518
Total accumulated depreciation	\$ 30,868,430	\$ 2,872,947	\$ 442,721	\$ 33,298,656
Total capital assets depreciated, net	\$ 56,495,727	\$ 236,388	\$ 22,370	\$ 56,709,745
Governmental Activities				
Capital Assets, Net	\$ 59,038,948	\$ 313,094	\$ 42,735	\$ 59,309,307

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,963,928	\$ -	\$ -	\$ 1,963,928
Capital assets depreciated				
Land improvements	\$ 1,465,195	\$ -	\$ -	\$ 1,465,195
Buildings	27,576,529	-	-	27,576,529
Machinery, furniture, and equipment	18,915,053	784,729	8,025	19,691,757
Total capital assets depreciated	\$ 47,956,777	\$ 784,729	\$ 8,025	\$ 48,733,481
Less: accumulated depreciation for				
Land improvements	\$ 588,440	\$ 90,445	\$ -	\$ 678,885
Buildings	8,726,511	1,446,138	-	10,172,649
Machinery, furniture, and equipment	12,721,341	1,219,742	7,882	13,933,201
Total accumulated depreciation	\$ 22,036,292	\$ 2,756,325	\$ 7,882	\$ 24,784,735
Total capital assets depreciated, net	\$ 25,920,485	\$ (1,971,596)	\$ 143	\$ 23,948,746
Business-Type Activities				
Capital Assets, Net	\$ 27,884,413	\$ (1,971,596)	\$ 143	\$ 25,912,674

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

Governmental Activities	
General government	\$ 575,033
Public safety	729,675
Highways and streets, including depreciation of infrastructure assets	1,495,588
Human services	14,980
Health	4,152
Culture and recreation	35,338
Sanitation	18,181
Total Depreciation Expense - Governmental Activities	\$ 2,872,947
Business-Type Activities	
Hospital	\$ 2,756,325

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2013, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 1,168
	Human Services	4,853
	Other governmental funds	1,437
Total due to General Fund		\$ 7,458
Road and Bridge	Other governmental funds	\$ 199
Human Services	General	\$ 2,355
	Other governmental funds	4,545
Total due to Human Services		\$ 6,900
Other governmental funds	Human Services	\$ 2,186
	Road and Bridge	759
Total due to other governmental funds		\$ 2,945
Total Due To/From Other Funds		\$ 17,502

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 107,778

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

Transfer to Road and Bridge Fund from General Fund	\$ 450,000	Contribution to project
Transfer to Debt Service Fund from Capital Projects Fund	100,000	Debt service requirements
Transfers to other governmental funds from General Fund	<u>561,649</u>	Annual appropriation
Total Interfund Transfers	<u>\$ 1,111,649</u>	

C. Liabilities

1. Payables

Payables at December 31, 2013, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 540,202	\$ 993,193
Salaries	463,704	1,384,608
Contracts	20,500	-
Due to other governments	86,855	-
Due to component unit	<u>27,500</u>	<u>-</u>
Total Payables	<u>\$ 1,138,761</u>	<u>\$ 2,377,801</u>

2. Construction Commitments

There were no significant construction commitments at December 31, 2013.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

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, 2013</u>
General obligation bonds					
2012 G.O. Capital Improvement Refunding Bonds	2026	\$200,000 - \$310,000	2.00 - 2.50	\$ 3,175,000	\$ 3,175,000
2012B G.O. Law Enforcement Center Refunding Bonds	2018	\$220,000 - \$240,000	0.30 - 0.75	1,150,000	1,150,000
Total General Obligation Bonds				<u>\$ 4,325,000</u>	<u>\$ 4,325,000</u>
2010 G.O. Capital Notes	2018	\$265,000 - \$340,000	2.00 - 2.75	\$ 2,500,000	\$ 1,620,000

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, 2013</u>
2007 Gross Revenue Hospital Facilities Bonds	2037	\$425,000 - \$1,825,000	5.00 - 5.75	\$ 26,675,000	\$ 24,835,000

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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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 borrowed through December 31, 2013, was \$153,357. Repayment is estimated to begin 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, 2013, no money had been received by the County. Repayment is estimated to begin in 2015.

Repayment schedules are not currently available for the 2011 and 2012 loans.



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2013, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2014	\$ 510,000	\$ 69,710	\$ 310,000	\$ 34,313
2015	525,000	63,070	315,000	28,062
2016	530,000	56,048	325,000	21,256
2017	545,000	48,630	330,000	13,475
2018	440,000	41,925	340,000	4,675
2019 - 2023	1,065,000	142,300	-	-
2024 - 2026	710,000	26,714	-	-
Total	\$ 4,325,000	\$ 448,397	\$ 1,620,000	\$ 101,781

Year Ending December 31	2010 Septic System Loan	
	Principal	Interest
2014	\$ 19,682	\$ 3,743
2015	20,077	3,348
2016	20,481	2,944
2017	20,892	2,533
2018	21,312	2,113
2019 - 2022	89,716	4,080
Total	\$ 192,160	\$ 18,761

Business-Type Activities

Year Ending December 31	Gross Hospital Facilities Bonds	
	Principal	Interest
2014	\$ 520,000	\$ 1,410,394
2015	545,000	1,384,394
2016	570,000	1,356,463
2017	605,000	1,326,538
2018	635,000	1,294,775
2019 - 2023	3,750,000	5,896,469
2024 - 2028	4,945,000	4,699,188
2029 - 2033	6,545,000	3,103,276
2034 - 2037	6,720,000	993,313
Total	\$ 24,835,000	\$ 21,464,810

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, 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	\$ 9,615,000	\$ -	\$ 5,290,000	\$ 4,325,000	\$ 510,000
Capital notes	1,930,000	-	310,000	1,620,000	310,000
Add: unamortized premium	78,562	-	21,863	56,699	-
Less: deferred discounts	(6,313)	-	(3,102)	(3,211)	-
Total bonds payable	\$ 11,617,249	\$ -	\$ 5,618,761	\$ 5,998,488	\$ 820,000
Loans payable	325,708	39,006	19,198	345,516	19,682
Other postemployment benefits	387,755	69,942	-	457,697	-
Compensated absences	1,889,822	1,136,318	1,093,721	1,932,419	792,292
Governmental Activities Long-Term Liabilities	<u>\$ 14,220,534</u>	<u>\$ 1,245,266</u>	<u>\$ 6,731,680</u>	<u>\$ 8,734,120</u>	<u>\$ 1,631,974</u>

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	\$ 25,330,000	\$ -	\$ 495,000	\$ 24,835,000	\$ 520,000
Add: unamortized premium	245,467	-	9,819	235,648	-
Business-Type Activities Long-Term Liabilities	<u>\$ 25,575,467</u>	<u>\$ -</u>	<u>\$ 504,819</u>	<u>\$ 25,070,648</u>	<u>\$ 520,000</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Refunding Bonds

On May 1, 2012, the County issued \$3,175,000 2012 G.O. Capital Improvement Refunding Bonds to refund the 2006 G.O. Capital Improvement Bonds. This is a crossover refunding with the proceeds deposited with an escrow agent. The 2006 Series was called on February 1, 2013, and redeemed with proceeds from the escrow account. The County started making semiannual interest payments on the 2012 Series on February 1, 2013, and started making annual principal payments on February 1, 2014. The County refunded the 2006 Series to reduce its total debt service payments by \$342,777 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$298,756.

On November 7, 2012, the County issued \$1,150,000 2012B G.O. Law Enforcement Center Refunding Bonds to refund the 2005 G.O. Law Enforcement Refunding Bonds. This is an advance refunding; however, the proceeds were not paid out until January 18, 2013. As a result, this debt was not considered to be defeased until 2013. The 2005 Series was called on February 1, 2013, when the final payment was made. The County started making semiannual interest payments on the 2012B Series on August 1, 2013 and started making annual principal payments on February 1, 2014. The County refunded the 2005 Series to reduce its total debt service payments by \$74,290 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$73,155.

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 Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

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. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

2. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

2. Funding Policy (Continued)

pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2013:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2013	2012	2011
General Employees Retirement Fund	\$ 555,197	\$ 555,848	\$ 547,066
Public Employees Police and Fire Fund	176,811	155,942	159,424
Public Employees Correctional Fund	41,745	41,356	42,219

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

Six County Commissioners 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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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4. Pension Plans

B. Defined Contribution Plan (Continued)

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. Employees may elect to make member contributions in an amount not to exceed the employer share. 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 the County during the year ended December 31, 2013, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,863	\$ 3,863
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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5. Postemployment Health Care Plan (Continued)

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 2013, the County contributed \$63,331. As of January 1, 2013, there were three 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 of the year, the amount actually contributed to the plan, and changes in the County's net obligation to the plan.

ARC	\$ 139,873
Interest on net OPEB obligation	17,449
Adjustment to ARC	<u>(24,049)</u>
Annual OPEB cost (expense)	\$ 133,273
Contributions made	<u>(63,331)</u>
Increase in net OPEB obligation	\$ 69,942
Net OPEB Obligation - Beginning of Year	<u>387,755</u>
Net OPEB Obligation - End of Year	<u><u>\$ 457,697</u></u>



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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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 2011, 2012, and 2013 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, 2011	\$ 109,463	\$ 34,869	31.9%	\$ 324,549
December 31, 2012	108,083	44,877	41.5	387,755
December 31, 2013	133,273	63,331	47.5	457,697

D. Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the County has no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$1,086,913, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,086,913. The covered payroll (annual payroll of active employees covered by the plan) was \$8,610,793, and the ratio of the UAAL to the covered payroll was 12.6 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**

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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, 2013, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 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 (6.5 percent, long-term, similar to a pension plan) or unfunded (4.5 percent, shorter term, based on County's general assets). 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 7.5 percent initially, reduced incrementally to 5.0 percent after 5 years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at January 1, 2013, was 25 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). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For 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 \$470,000 and \$480,000 per claim in 2013 and 2014, respectively. 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**

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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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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

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 and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

The Board takes actions and enters into such agreements as necessary to plan and develop within the 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 at the Cottonwood County Family Services Agency, Windom, Minnesota 56101.

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 at the McLeod County Auditor-Treasurer's Office, 2391 Hennepin Ave N., Glencoe, Minnesota 55336.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Prime West Health System

In December 1998, Meeker County became a member of the Prime West Central County-Based Purchasing Initiative Joint Powers Board (since renamed Prime West Health System) with Big Stone, Douglas, Grant, McLeod, 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 Prime West Health System. Meeker County, in partnership with these 12 counties, 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.

Control of Prime West Health 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 Prime West Health System 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 Prime West Health, 2209 Jefferson Street, Suite 101, Alexandria, Minnesota 56308.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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.

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, La qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Stevens, Swift, Traverse, and Yellow Medicine. 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 2013, Meeker County made \$40,171 in contributions to the partnership.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Supporting Hands Nurse Family Partnership (Continued)

McLeod 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 McLeod County at 830 - 11th Street East, Glencoe, Minnesota 55336.

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 each city appointed by their respective 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 2013, Meeker County did not contribute to the Joint Powers Board.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

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 Diagnostic, 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.



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Putting All Communities Together for Families Collaborative (Continued)

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 is of a mental health background. The Board appoints a fiscal agent to handle and be responsible for safekeeping the funds of PACT.

Renville County Human Services has acted as fiscal agent for PACT since January 1, 2006.

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, and Swift Counties and the Cities of Appleton, Clara, Cosmos, Benson, Granite Falls, Litchfield, Montevideo, Willmar, and Yellow Medicine.

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 \$97,860 in funds to the Task Force.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Pioneerland Regional Library System

Western Plains merged with the Crow River Library System in 1983 to become the Pioneerland Library System (Minn. Stat. ch. 134).

Meeker County is a signatory along with 32 cities and 9 other counties to a joint powers agreement (revised in 2001) that forms the Pioneerland Library System. Funding provided by Meeker County to the Pioneerland Library System is used to operate public libraries in Meeker County and to provide efficiencies and improvements in those libraries and to library services to the citizens of the County. During the year, the County contributed \$210,000 to the System.

The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties.

Pioneerland Library System is audited annually.

Separate financial information can be obtained from:

Pioneerland Regional Library System  
410 - 5th St. S.W.  
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 Meeker, McLeod, Renville, Kandiyohi, Kanabec, Wright, Sherburne, Mille Lacs, Isanti, Chisago, and Pine Counties and is also a partner of Workforce Service Area 5.

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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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.

The Meeker County Housing and Redevelopment Authority (HRA) is governed by a five-member Board appointed by the County Commissioners. The HRA has a year-end of June 30, 2013. 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.

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 accrual basis of accounting.

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Restatement of Beginning Net Position

The Meeker County EDA implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2013. The statement requires debt issuance costs be recorded as operating expenses rather than as a deferred charge. As a result, the net position as of December 31, 2012, has been restated to eliminate the unamortized deferred debt issuance costs.

Net Position, January 1, 2013, as previously reported	\$ (243,834)
Adjustment to eliminate deferred debt issuance costs	<u>(50,624)</u>
Net Position, January 1, 2013, as restated	<u>\$ (294,458)</u>

Cash and Cash Equivalents, Deposits, and Investments

All cash and investments of the Meeker County EDA are on deposit with the County and so are cash and cash equivalents for the purposes of cash flows. The EDA's investments consist of certificates of deposit which 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, obligation 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, 2013, were insured or registered, or securities held by the HRA agent in the HRA's name and, therefore, not subject to custodial credit risk.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Compensated Absences

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.

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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8. Discretely Presented Component Unit Disclosures (Continued)

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables at December 31, 2013, for the EDA, and at June 30, 2013, for the HRA, including the applicable allowances for uncollectible accounts, are as follows:

	<u>EDA</u>	<u>HRA</u>	<u>Total Receivables</u>
Accounts	\$ 6,231	\$ 230	\$ 6,461
Accrued interest	865	-	865
Loan	264,164	-	264,164
Due from primary government	<u>27,500</u>	<u>-</u>	<u>27,500</u>
Total Component Units	<u>\$ 298,760</u>	<u>\$ 230</u>	<u>\$ 298,990</u>

Loan Receivable

Loans receivable represent amounts owing from businesses within the County for redevelopment purposes. Funding for these loans was contributed from Meeker County, other local governments, and private organizations.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets (Continued)

Capital Assets

Component unit capital asset activity for the year ended December 31, 2013, for the EDA, and for the year ended June 30, 2013, for the HRA, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
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	\$ 5,193,293	\$ 2,898	\$ -	\$ 5,196,191
HRA	1,363,105	26,211	146,359	1,242,957
Total capital assets depreciated - buildings and equipment	<u>\$ 6,556,398</u>	<u>\$ 29,109</u>	<u>\$ 146,359</u>	<u>\$ 6,439,148</u>
Less: accumulated depreciation for				
Buildings and equipment				
EDA	\$ 2,110,922	\$ 173,922	\$ -	\$ 2,284,844
HRA	1,016,409	48,158	178,267	886,300
Total accumulated depreciation	<u>\$ 3,127,331</u>	<u>\$ 222,080</u>	<u>\$ 178,267</u>	<u>\$ 3,171,144</u>
Total capital assets depreciated, net	<u>\$ 3,429,067</u>	<u>\$ (192,971)</u>	<u>\$ (31,908)</u>	<u>\$ 3,268,004</u>
Total Capital Assets, Net	<u>\$ 3,649,021</u>	<u>\$ (192,971)</u>	<u>\$ (31,908)</u>	<u>\$ 3,487,958</u>

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

EDA	\$ 173,922
HRA	48,158
Total Depreciation Expense	<u>\$ 222,080</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, 2013, for the EDA, and at June 30, 2013, for the HRA were as follows:

	EDA	HRA	Total Payables
Accounts	\$ 13,923	\$ 7,166	\$ 21,089
Salaries	5,021	-	5,021
Due to other governments	-	3,076	3,076
Total Payables	\$ 18,944	\$ 10,242	\$ 29,186

Long-Term Debt

Long-term debt outstanding at December 31, 2013, 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	\$ 1,232,942
1999 Essential Function Housing Development Revenue Bonds	2030	6,822	3.80	1,400,000	1,013,217
2001 Essential Function Housing Development Revenue Bonds	2032	5,770	3.80	1,200,000	924,704
2002 Essential Function Housing Development Revenue Bonds	2033	4,465	3.80	930,000	726,463
Totals				\$ 5,340,000	\$ 3,897,326



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Debt Service Requirements

Revenue bonds' debt service requirements at December 31, 2013, for the EDA were as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 165,675	\$ 145,233
2015	172,083	138,826
2016	178,737	132,171
2017	185,648	125,260
2018	192,826	118,081
2019 - 2023	1,081,915	472,626
2024 - 2028	1,307,912	246,629
2029 - 2033	612,530	38,819
Total	<u>\$ 3,897,326</u>	<u>\$ 1,417,645</u>

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, 2013.

	<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	\$ 1,291,107	\$ -	\$ 58,165	\$ 1,232,942	\$ 60,414
1999	1,055,698	-	42,481	1,013,217	44,124
2001	958,116	-	33,412	924,704	34,704
2002	751,913	-	25,450	726,463	26,434
Total Essential Function Housing					
Development Revenue Bonds	\$ 4,056,834	\$ -	\$ 159,508	\$ 3,897,326	\$ 165,676
Compensated absences	2,823	-	37	2,786	1,142
EDA Long-Term Liabilities	<u>\$ 4,059,657</u>	<u>\$ -</u>	<u>\$ 159,545</u>	<u>\$ 3,900,112</u>	<u>\$ 166,818</u>

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**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 7,072,273	\$ 7,072,273	\$ 7,157,046	\$ 84,773
Licenses and permits	71,175	71,175	81,752	10,577
Intergovernmental	1,256,800	1,256,800	1,328,167	71,367
Charges for services	1,530,200	1,530,200	1,548,319	18,119
Fines and forfeits	24,050	24,050	23,829	(221)
Gifts and contributions	600	600	435	(165)
Investment earnings	180,000	180,000	(99,527)	(279,527)
Miscellaneous	333,254	333,254	464,608	131,354
<b>Total Revenues</b>	<b>\$ 10,468,352</b>	<b>\$ 10,468,352</b>	<b>\$ 10,504,629</b>	<b>\$ 36,277</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 220,843	\$ 220,843	\$ 181,985	\$ 38,858
Courts	25,000	25,000	89,603	(64,603)
Law library	24,000	24,000	21,728	2,272
County administration	189,063	189,063	185,785	3,278
County auditor	312,284	312,284	301,837	10,447
County treasurer	356,305	356,305	336,124	20,181
County assessor	343,609	343,609	334,940	8,669
Accounting and auditing	52,000	52,000	66,409	(14,409)
Data processing	305,794	305,794	258,638	47,156
Central services	63,800	63,800	37,926	25,874
Attorney	658,859	658,859	600,375	58,484
Recorder	201,666	201,666	244,966	(43,300)
Surveyor	7,500	7,500	-	7,500
Planning and zoning	334,713	334,713	319,869	14,844
Maintenance	415,425	415,425	375,856	39,569
Veterans service officer	129,050	129,050	126,860	2,190
Appropriations	225,790	225,790	204,025	21,765
Other	304,151	304,151	345,999	(41,848)
<b>Total general government</b>	<b>\$ 4,169,852</b>	<b>\$ 4,169,852</b>	<b>\$ 4,032,925</b>	<b>\$ 136,927</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 4,286,392	\$ 4,286,392	\$ 4,166,270	\$ 120,122
Coroner	67,024	67,024	63,844	3,180
Court services	459,664	459,664	445,797	13,867
E-911 system	168,720	168,720	164,538	4,182
Wireless communication	122,555	122,555	119,714	2,841
Emergency management	80,158	80,158	85,691	(5,533)
<b>Total public safety</b>	<b>\$ 5,184,513</b>	<b>\$ 5,184,513</b>	<b>\$ 5,045,854</b>	<b>\$ 138,659</b>
<b>Sanitation</b>				
Solid waste	\$ 114,937	\$ 114,937	\$ 106,615	\$ 8,322
<b>Conservation of natural resources</b>				
Planning and zoning	\$ 115,500	\$ 115,500	\$ 113,001	\$ 2,499
County extension	166,756	166,756	174,054	(7,298)
Extension committee	3,145	3,145	2,818	327
Agricultural inspections	5,000	5,000	5,000	-
<b>Total conservation of natural resources</b>	<b>\$ 290,401</b>	<b>\$ 290,401</b>	<b>\$ 294,873</b>	<b>\$ (4,472)</b>
<b>Economic development</b>				
Community development	\$ 95,000	\$ 95,000	\$ 95,000	\$ -
<b>Intergovernmental</b>				
General government	\$ 52,000	\$ 52,000	\$ 64,497	\$ (12,497)
<b>Total Expenditures</b>	<b>\$ 9,906,703</b>	<b>\$ 9,906,703</b>	<b>\$ 9,639,764</b>	<b>\$ 266,939</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 561,649</b>	<b>\$ 561,649</b>	<b>\$ 864,865</b>	<b>\$ 303,216</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(561,649)	(561,649)	(1,011,649)	(450,000)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (146,784)</b>	<b>\$ (146,784)</b>
<b>Fund Balance - January 1</b>	<b>7,873,571</b>	<b>7,873,571</b>	<b>7,873,571</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 7,873,571</b>	<b>\$ 7,873,571</b>	<b>\$ 7,726,787</b>	<b>\$ (146,784)</b>

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,631,371	\$ 1,631,371	\$ 1,638,615	\$ 7,244
Intergovernmental	3,826,096	3,826,096	3,522,731	(303,365)
Charges for services	535,225	535,225	525,385	(9,840)
Miscellaneous	52,000	52,000	126,483	74,483
<b>Total Revenues</b>	<b>\$ 6,044,692</b>	<b>\$ 6,044,692</b>	<b>\$ 5,813,214</b>	<b>\$ (231,478)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 348,367	\$ 348,367	\$ 306,226	\$ 42,141
Maintenance	1,630,226	1,630,226	1,674,691	(44,465)
Engineering/construction	1,931,942	1,931,942	1,724,786	207,156
Equipment, maintenance, and shop	1,141,157	1,141,157	1,793,082	(651,925)
<b>Total highways and streets</b>	<b>\$ 5,051,692</b>	<b>\$ 5,051,692</b>	<b>\$ 5,498,785</b>	<b>\$ (447,093)</b>
<b>Intergovernmental</b>	<b>\$ 375,000</b>	<b>\$ 375,000</b>	<b>\$ 390,363</b>	<b>\$ (15,363)</b>
<b>Debt service</b>				
Principal	\$ 600,000	\$ 600,000	\$ 600,000	\$ -
Interest	18,000	18,000	18,000	-
<b>Total debt service</b>	<b>\$ 618,000</b>	<b>\$ 618,000</b>	<b>\$ 618,000</b>	<b>\$ -</b>
<b>Total Expenditures</b>	<b>\$ 6,044,692</b>	<b>\$ 6,044,692</b>	<b>\$ 6,507,148</b>	<b>\$ (462,456)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (693,934)</b>	<b>\$ (693,934)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	450,000	450,000
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (243,934)</b>	<b>\$ (243,934)</b>
<b>Fund Balance - January 1</b>	<b>2,735,578</b>	<b>2,735,578</b>	<b>2,735,578</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>19,229</b>	<b>19,229</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,735,578</b>	<b>\$ 2,735,578</b>	<b>\$ 2,510,873</b>	<b>\$ (224,705)</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,834,683	\$ 2,834,683	\$ 2,797,068	\$ (37,615)
Intergovernmental	2,849,028	2,849,028	2,722,632	(126,396)
Charges for services	517,132	517,132	651,260	134,128
Gifts and contributions	-	-	181	181
Miscellaneous	170,924	170,924	243,383	72,459
<b>Total Revenues</b>	<b>\$ 6,371,767</b>	<b>\$ 6,371,767</b>	<b>\$ 6,414,524</b>	<b>\$ 42,757</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,788,921	\$ 1,788,921	\$ 1,806,946	\$ (18,025)
Social services	4,689,664	4,689,664	4,651,160	38,504
<b>Total Expenditures</b>	<b>\$ 6,478,585</b>	<b>\$ 6,478,585</b>	<b>\$ 6,458,106</b>	<b>\$ 20,479</b>
<b>Net Change in Fund Balance</b>	<b>\$ (106,818)</b>	<b>\$ (106,818)</b>	<b>\$ (43,582)</b>	<b>\$ 63,236</b>
<b>Fund Balance - January 1</b>	<b>3,737,513</b>	<b>3,737,513</b>	<b>3,737,513</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,630,695</b>	<b>\$ 3,630,695</b>	<b>\$ 3,693,931</b>	<b>\$ 63,236</b>



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT A-4**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2008	\$ -	\$ 747,876	\$ 747,876	0.00%	\$ 8,158,691	9.2%
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

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Other Postemployment Benefits

Beginning in 2008, Meeker County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

2. Excess of Expenditures Over Budget

The following funds and departments had expenditures in excess of budget for the year ended December 31, 2013:

	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
General government			
Courts	\$ 89,603	\$ 25,000	\$ 64,603
Accounting and auditing	66,409	52,000	14,409
Recorder	244,966	201,666	43,300
Other	345,999	304,151	41,848
Public safety			
Emergency management	85,691	80,158	5,533
Conservation of natural resources			
County extension	174,054	166,756	7,298
Road and Bridge Special Revenue Fund			
Highways and streets			
Maintenance	1,674,691	1,630,226	44,465
Equipment, maintenance, and shop	1,793,082	1,141,157	651,925
Human Services Special Revenue Fund			
Human services			
Income maintenance	1,806,946	1,788,921	18,025

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**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 788,970	\$ 788,970	\$ 800,354	\$ 11,384
Intergovernmental	56,925	56,925	42,035	(14,890)
Investment earnings	-	-	3,592	3,592
<b>Total Revenues</b>	<b>\$ 845,895</b>	<b>\$ 845,895</b>	<b>\$ 845,981</b>	<b>\$ 86</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 760,000	\$ 760,000	\$ 5,000,000	\$ (4,240,000)
Interest	183,395	183,395	218,412	(35,017)
Administrative and fiscal charges	2,500	2,500	2,775	(275)
<b>Total Expenditures</b>	<b>\$ 945,895</b>	<b>\$ 945,895</b>	<b>\$ 5,221,187</b>	<b>\$ (4,275,292)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ (4,375,206)</b>	<b>\$ (4,275,206)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	100,000	100,000	100,000	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (4,275,206)</b>	<b>\$ (4,275,206)</b>
<b>Fund Balance - January 1</b>	<b>4,933,921</b>	<b>4,933,921</b>	<b>4,933,921</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,933,921</b>	<b>\$ 4,933,921</b>	<b>\$ 658,715</b>	<b>\$ (4,275,206)</b>

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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 a loan 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, 2013**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 162,454	\$ 82,475	\$ 260,865	\$ 132,123
Taxes receivable				
Delinquent	-	5,164	-	-
Special assessments receivable				
Delinquent	-	-	-	11,104
Noncurrent	-	-	-	57,521
Accounts receivable - net	-	-	7,528	60,998
Due from other funds	-	-	2,186	759
Due from other governments	9,698	-	217,375	33,649
Notes receivable	12,000	-	-	-
Loans receivable	-	-	-	-
Prepaid items	-	-	4,407	-
<b>Total Assets</b>	<b><u>\$ 184,152</u></b>	<b><u>\$ 87,639</u></b>	<b><u>\$ 492,361</u></b>	<b><u>\$ 296,154</u></b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,084	\$ -	\$ 12,724	\$ 1,160
Salaries payable	2,042	-	42,524	-
Due to other funds	1	-	4,544	1,636
Due to other governments	3,515	-	1,703	2,543
Due to component unit	-	-	-	-
Advance from other funds	-	-	-	107,778
Unearned revenue	-	-	-	-
<b>Total Liabilities</b>	<b><u>\$ 7,642</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 61,495</u></b>	<b><u>\$ 113,117</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	<u>\$ -</u>	<u>\$ 4,218</u>	<u>\$ 111,756</u>	<u>\$ 68,625</u>

**EXHIBIT C-1**

<b>Special Revenue Funds</b>						
<b>Transfer Station</b>	<b>Family Services Building</b>	<b>Septic System Loan Program</b>	<b>Forfeit Property</b>	<b>Sheriff's Contingent</b>	<b>Revolving Loan</b>	<b>Total</b>
\$ 732,358	\$ 315,517	\$ 70,902	\$ 35,970	\$ 23,126	\$ 900,172	\$ 2,715,962
-	2,388	-	-	-	-	7,552
-	-	-	-	-	-	11,104
-	-	261,623	-	-	-	319,144
8,889	-	-	-	-	-	77,415
-	-	-	-	-	-	2,945
1,200	35,942	-	-	25	-	297,889
-	-	-	-	-	-	12,000
-	-	-	-	-	691,091	691,091
-	1,058	-	-	-	-	5,465
<b>\$ 742,447</b>	<b>\$ 354,905</b>	<b>\$ 332,525</b>	<b>\$ 35,970</b>	<b>\$ 23,151</b>	<b>\$ 1,591,263</b>	<b>\$ 4,140,567</b>
\$ 50,077	\$ 6,474	\$ -	\$ 3,094	\$ -	\$ -	\$ 75,613
-	5,304	-	-	-	-	49,870
-	-	-	-	-	-	6,181
576	5,521	-	2,737	-	-	16,595
-	-	-	-	-	27,500	27,500
-	-	-	-	-	-	107,778
-	-	-	-	-	691,091	691,091
<b>\$ 50,653</b>	<b>\$ 17,299</b>	<b>\$ -</b>	<b>\$ 5,831</b>	<b>\$ -</b>	<b>\$ 718,591</b>	<b>\$ 974,628</b>
<b>\$ -</b>	<b>\$ 2,050</b>	<b>\$ 261,623</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 448,272</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)</u></b>				
<b>Fund Balances</b>				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ 4,407	\$ -
Notes receivable	12,000	-	-	-
Restricted for				
Sheriff contingencies	-	-	-	-
Committed for				
Regional library	-	83,421	-	-
Assigned to				
General government	-	-	-	-
Sanitation	-	-	-	-
Health	-	-	314,703	-
Culture and recreation	164,510	-	-	-
Conservation of natural resources	-	-	-	114,412
Economic development	-	-	-	-
<b>Total Fund Balances</b>	<b><u>\$ 176,510</u></b>	<b><u>\$ 83,421</u></b>	<b><u>\$ 319,110</u></b>	<b><u>\$ 114,412</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 184,152</u></b>	<b><u>\$ 87,639</u></b>	<b><u>\$ 492,361</u></b>	<b><u>\$ 296,154</u></b>

**EXHIBIT C-1**  
**(Continued)**

<b>Special Revenue Funds</b>						
<b>Transfer Station</b>	<b>Family Services Building</b>	<b>Septic System Loan Program</b>	<b>Forfeit Property</b>	<b>Sheriff's Contingent</b>	<b>Revolving Loan</b>	<b>Total</b>
\$ -	\$ 1,058	\$ -	\$ -	\$ -	\$ -	\$ 5,465
-	-	-	-	-	-	12,000
-	-	-	-	23,151	-	23,151
-	-	-	-	-	-	83,421
-	334,498	70,902	30,139	-	-	435,539
691,794	-	-	-	-	-	691,794
-	-	-	-	-	-	314,703
-	-	-	-	-	-	164,510
-	-	-	-	-	-	114,412
-	-	-	-	-	872,672	872,672
<b>\$ 691,794</b>	<b>\$ 335,556</b>	<b>\$ 70,902</b>	<b>\$ 30,139</b>	<b>\$ 23,151</b>	<b>\$ 872,672</b>	<b>\$ 2,717,667</b>
<b>\$ 742,447</b>	<b>\$ 354,905</b>	<b>\$ 332,525</b>	<b>\$ 35,970</b>	<b>\$ 23,151</b>	<b>\$ 1,591,263</b>	<b>\$ 4,140,567</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<b>Revenues</b>				
Taxes	\$ -	\$ 194,677	\$ -	\$ -
Special assessments	-	-	-	147,380
Intergovernmental	-	39,216	701,036	-
Charges for services	75,787	-	387,939	-
Fines and forfeits	-	-	-	-
Gifts and contributions	-	-	1,000	-
Investment earnings	-	-	-	-
Miscellaneous	15,709	-	2,009	5,311
<b>Total Revenues</b>	<b><u>\$ 91,496</u></b>	<b><u>\$ 233,893</u></b>	<b><u>\$ 1,091,984</u></b>	<b><u>\$ 152,691</u></b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Health	-	-	1,546,596	-
Culture and recreation	211,007	210,000	-	-
Conservation of natural resources	-	-	-	111,219
Economic development	-	-	-	-
<b>Debt service</b>				
Principal	-	-	-	-
Interest	-	-	-	1,491
<b>Total Expenditures</b>	<b><u>\$ 211,007</u></b>	<b><u>\$ 210,000</u></b>	<b><u>\$ 1,546,596</u></b>	<b><u>\$ 112,710</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b><u>\$ (119,511)</u></b>	<b><u>\$ 23,893</u></b>	<b><u>\$ (454,612)</u></b>	<b><u>\$ 39,981</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 162,636	\$ -	\$ 399,013	\$ -
Loans issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$ 162,636</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 399,013</u></b>	<b><u>\$ -</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ 43,125</u></b>	<b><u>\$ 23,893</u></b>	<b><u>\$ (55,599)</u></b>	<b><u>\$ 39,981</u></b>
<b>Fund Balance - January 1</b>	<b><u>133,385</u></b>	<b><u>59,528</u></b>	<b><u>374,709</u></b>	<b><u>74,431</u></b>
<b>Fund Balance - December 31</b>	<b><u>\$ 176,510</u></b>	<b><u>\$ 83,421</u></b>	<b><u>\$ 319,110</u></b>	<b><u>\$ 114,412</u></b>



**EXHIBIT C-2**

<b>Special Revenue Funds</b>						
<b>Transfer Station</b>	<b>Family Services Building</b>	<b>Septic System Loan Program</b>	<b>Forfeit Property</b>	<b>Sheriff's Contingent</b>	<b>Revolving Loan</b>	<b>Total</b>
\$ -	\$ 63,690	\$ -	\$ -	\$ -	\$ -	\$ 258,367
-	-	42,252	-	-	-	189,632
1,200	5,254	15,664	-	-	-	762,370
133,003	-	-	-	-	-	596,729
-	-	-	50,040	778	-	50,818
-	-	-	-	-	-	1,000
-	-	-	-	-	1,087	1,087
-	329,659	-	2,760	-	107,656	463,104
<b>\$ 134,203</b>	<b>\$ 398,603</b>	<b>\$ 57,916</b>	<b>\$ 52,800</b>	<b>\$ 778</b>	<b>\$ 108,743</b>	<b>\$ 2,323,107</b>
\$ -	\$ 358,329	\$ 54,670	\$ 69,758	\$ -	\$ -	\$ 482,757
534,102	-	-	-	-	-	534,102
-	-	-	-	-	-	1,546,596
-	-	-	-	-	-	421,007
-	-	-	-	-	-	111,219
-	-	-	-	-	177,500	177,500
-	-	19,198	-	-	-	19,198
-	-	4,227	-	-	-	5,718
<b>\$ 534,102</b>	<b>\$ 358,329</b>	<b>\$ 78,095</b>	<b>\$ 69,758</b>	<b>\$ -</b>	<b>\$ 177,500</b>	<b>\$ 3,298,097</b>
<b>\$ (399,899)</b>	<b>\$ 40,274</b>	<b>\$ (20,179)</b>	<b>\$ (16,958)</b>	<b>\$ 778</b>	<b>\$ (68,757)</b>	<b>\$ (974,990)</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 561,649
-	-	39,006	-	-	-	39,006
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 600,655</b>
<b>\$ (399,899)</b>	<b>\$ 40,274</b>	<b>\$ 18,827</b>	<b>\$ (16,958)</b>	<b>\$ 778</b>	<b>\$ (68,757)</b>	<b>\$ (374,335)</b>
<b>1,091,693</b>	<b>295,282</b>	<b>52,075</b>	<b>47,097</b>	<b>22,373</b>	<b>941,429</b>	<b>3,092,002</b>
<b>\$ 691,794</b>	<b>\$ 335,556</b>	<b>\$ 70,902</b>	<b>\$ 30,139</b>	<b>\$ 23,151</b>	<b>\$ 872,672</b>	<b>\$ 2,717,667</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT C-3*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY PARKS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 78,121	\$ 78,121	\$ 75,787	\$ (2,334)
Miscellaneous	5,400	5,400	15,709	10,309
<b>Total Revenues</b>	<b>\$ 83,521</b>	<b>\$ 83,521</b>	<b>\$ 91,496</b>	<b>\$ 7,975</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	246,157	246,157	211,007	35,150
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (162,636)</b>	<b>\$ (162,636)</b>	<b>\$ (119,511)</b>	<b>\$ 43,125</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	162,636	162,636	162,636	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 43,125</b>	<b>\$ 43,125</b>
<b>Fund Balance - January 1</b>	<b>133,385</b>	<b>133,385</b>	<b>133,385</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 133,385</b>	<b>\$ 133,385</b>	<b>\$ 176,510</b>	<b>\$ 43,125</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT C-4*

**BUDGETARY COMPARISON SCHEDULE  
REGIONAL LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 192,903	\$ 192,903	\$ 194,677	\$ 1,774
Intergovernmental	<u>17,097</u>	<u>17,097</u>	<u>39,216</u>	<u>22,119</u>
<b>Total Revenues</b>	<b>\$ 210,000</b>	<b>\$ 210,000</b>	<b>\$ 233,893</b>	<b>\$ 23,893</b>
<b>Expenditures</b>				
<b>Current</b>				
Culture and recreation	<u>210,000</u>	<u>210,000</u>	<u>210,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,893</b>	<b>\$ 23,893</b>
<b>Fund Balance - January 1</b>	<b><u>59,528</u></b>	<b><u>59,528</u></b>	<b><u>59,528</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 59,528</u></u></b>	<b><u><u>\$ 59,528</u></u></b>	<b><u><u>\$ 83,421</u></u></b>	<b><u><u>\$ 23,893</u></u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT C-5*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY NURSE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 794,229	\$ 794,229	\$ 701,036	\$ (93,193)
Charges for services	343,500	343,500	387,939	44,439
Gifts and contributions	-	-	1,000	1,000
Miscellaneous	3,000	3,000	2,009	(991)
<b>Total Revenues</b>	<b>\$ 1,140,729</b>	<b>\$ 1,140,729</b>	<b>\$ 1,091,984</b>	<b>\$ (48,745)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	1,574,742	1,574,742	1,546,596	28,146
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (434,013)</b>	<b>\$ (434,013)</b>	<b>\$ (454,612)</b>	<b>\$ (20,599)</b>
<b>Other Financing Source (Uses)</b>				
Transfers in	399,013	399,013	399,013	-
<b>Net Change in Fund Balance</b>	<b>\$ (35,000)</b>	<b>\$ (35,000)</b>	<b>\$ (55,599)</b>	<b>\$ (20,599)</b>
<b>Fund Balance - January 1</b>	<b>374,709</b>	<b>374,709</b>	<b>374,709</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 339,709</b>	<b>\$ 339,709</b>	<b>\$ 319,110</b>	<b>\$ (20,599)</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT C-6*

**BUDGETARY COMPARISON SCHEDULE  
TRANSFER STATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 1,200	\$ 1,200
Charges for services	<u>90,000</u>	<u>90,000</u>	<u>133,003</u>	<u>43,003</u>
<b>Total Revenues</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>	<b>\$ 134,203</b>	<b>\$ 44,203</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	<u>90,000</u>	<u>90,000</u>	<u>534,102</u>	<u>(444,102)</u>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (399,899)</b>	<b>\$ (399,899)</b>
<b>Fund Balance - January 1</b>	<b><u>1,091,693</u></b>	<b><u>1,091,693</u></b>	<b><u>1,091,693</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>1,091,693</u></u></b>	<b><u><u>1,091,693</u></u></b>	<b><u><u>691,794</u></u></b>	<b><u><u>(399,899)</u></u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT C-7*

**BUDGETARY COMPARISON SCHEDULE  
FAMILY SERVICES BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 61,515	\$ 61,515	\$ 63,690	\$ 2,175
Intergovernmental	6,648	6,648	5,254	(1,394)
Miscellaneous	337,529	337,529	329,659	(7,870)
<b>Total Revenues</b>	<b>\$ 405,692</b>	<b>\$ 405,692</b>	<b>\$ 398,603</b>	<b>\$ (7,089)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Central services	405,692	405,692	358,329	47,363
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40,274</b>	<b>\$ 40,274</b>
<b>Fund Balance - January 1</b>	<b>295,282</b>	<b>295,282</b>	<b>295,282</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 295,282</b>	<b>\$ 295,282</b>	<b>\$ 335,556</b>	<b>\$ 40,274</b>

**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, 2013**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 279,368	\$ 16,008,376	\$ 15,933,255	\$ 354,489
<b><u>Liabilities</u></b>				
Due to other governments	\$ 279,368	\$ 16,008,376	\$ 15,933,255	\$ 354,489
 <b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 154,514	\$ 2,731,381	\$ 2,776,888	\$ 109,007
<b><u>Liabilities</u></b>				
Due to other governments	\$ 154,514	\$ 2,731,381	\$ 2,776,888	\$ 109,007
 <b><u>OTHER AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 22,688	\$ -	\$ -	\$ 22,688
<b><u>Liabilities</u></b>				
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, 2013**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>SELECT ACCOUNT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 104,918</u>	<u>\$ 153,313</u>	<u>\$ 154,041</u>	<u>\$ 104,190</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 104,918</u>	<u>\$ 153,313</u>	<u>\$ 154,041</u>	<u>\$ 104,190</u>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 561,488</u>	<u>\$ 18,893,070</u>	<u>\$ 18,864,184</u>	<u>\$ 590,374</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 561,488</u>	<u>\$ 18,893,070</u>	<u>\$ 18,864,184</u>	<u>\$ 590,374</u>

**ECONOMIC DEVELOPMENT AUTHORITY**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT E-1**

**STATEMENT OF NET POSITION  
ECONOMIC DEVELOPMENT AUTHORITY  
DECEMBER 31, 2013**

**Assets**

**Current assets**

Cash and pooled investments	\$	151,371
Investments		141,000
Accounts receivable - net		6,231
Accrued interest receivable		865
Loan receivable		264,164
Due from primary government		27,500
Prepaid items		6,129
		6,129

**Total current assets**

**\$ 597,260**

**Noncurrent assets**

Capital assets		
Nondepreciable	\$	155,988
Depreciable - net		2,911,347
		2,911,347

**Total noncurrent assets**

**\$ 3,067,335**

**Total Assets**

**\$ 3,664,595**

**Liabilities**

**Current liabilities**

Accounts payable	\$	13,923
Salaries payable		5,021
Accrued interest payable		2,884
Customer deposits		45,715
Compensated absences payable - current		1,142
Revenue bonds payable - current		165,676
		165,676

**Total current liabilities**

**\$ 234,361**

**Noncurrent liabilities**

Compensated absences payable - long-term	\$	1,644
Revenue bonds payable - long-term		3,731,650
		3,731,650

**Total noncurrent liabilities**

**\$ 3,733,294**

**Total Liabilities**

**\$ 3,967,655**

**Net Position**

Net investment in capital assets	\$	(829,991)
Unrestricted		526,931
		526,931

**Total Net Position**

**\$ (303,060)**

**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, 2013**

<b>Operating Revenues</b>	
Administrative fees	\$ 27,500
Tenant rents	563,718
Intergovernmental revenue	95,000
Miscellaneous	1,135
	687,353
<b>Total Operating Revenues</b>	<b>\$ 687,353</b>
<b>Operating Expenses</b>	
Personal services	\$ 111,410
Employee benefits and payroll taxes	26,953
General services - repairs and maintenance	65,343
Administration and fiscal services	6,734
Other services and charges	1,287
Supplies	663
Management and caretaking	24,760
Real estate taxes	28,280
Snowplowing	20,990
Telephone	1,139
Utilities	5,127
Water	7,314
Advertising	5,309
Background checks	1,087
Insurance	35,517
Licenses and dues	1,998
Interest	437
Miscellaneous	89
Web site and internet	11
Depreciation	173,922
	518,370
<b>Total Operating Expenses</b>	<b>\$ 518,370</b>
<b>Operating Income (Loss)</b>	<b>\$ 168,983</b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 1,319
Management fees	1,995
Intergovernmental - Meeker County	(14,749)
Repayment to contributors	(14,749)
Interest expense	(151,401)
	(177,585)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (177,585)</b>
<b>Change in Net Position</b>	<b>\$ (8,602)</b>
<b>Net Position - January 1, as restated (See Note 8.A.)</b>	<b>(294,458)</b>
<b>Net Position - December 31</b>	<b>\$ (303,060)</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT E-3**

**STATEMENT OF CASH FLOWS  
ECONOMIC DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2013  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 715,486
Payments to suppliers	(203,274)
Payments to employees	(138,335)
Other nonoperating revenue	<u>1,995</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 375,872</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Repayment to contributors	\$ (14,749)
Intergovernmental expense - Meeker County	<u>(14,749)</u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>\$ (29,498)</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal paid on long-term debt	\$ (159,508)
Interest paid on long-term debt	(151,402)
Purchases of capital assets	<u>(2,898)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (313,808)</u></b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	<u>\$ 1,210</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 33,776</b>
<b>Cash and Cash Equivalents, January 1</b>	<b><u>258,595</u></b>
<b>Cash and Cash Equivalents, December 31</b>	<b><u><u>\$ 292,371</u></u></b>
<b>Cash and Cash Equivalents - Exhibit E-1</b>	
Cash and pooled investments	\$ 151,371
Investments	<u>141,000</u>
<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 292,371</u></u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT E-3  
(Continued)**

**STATEMENT OF CASH FLOWS  
ECONOMIC DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2013  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss)</b>	<b><u>\$ 168,983</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 173,922
Other nonoperating revenue	1,995
(Increase) decrease in accounts receivable	(1,830)
(Increase) decrease in prepaid items	1,027
(Increase) decrease in loans receivable	29,498
Increase (decrease) in customer deposits	465
Increase (decrease) in accounts payable	2,398
Increase (decrease) in salaries payable	68
Increase (decrease) in due to primary government	(617)
Increase (decrease) in compensated absences payable	<u>(37)</u>
<b>Total adjustments</b>	<b><u>\$ 206,889</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u><u>\$ 375,872</u></u></b>



## **OTHER SCHEDULES**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT F-1*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Shared Revenue**

**State**

Highway users tax	\$	3,339,411
County program aid		778,394
Market value credit - agricultural		172,343
PERA rate reimbursement		24,144
Disparity reduction aid		15,253
Police aid		141,753
E-911		98,333
		98,333

**Total shared revenue** **\$ 4,569,631**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	525,844
		525,844

**Local**

Local contributions	\$	48,873
Payments in lieu of taxes		108,407
		108,407

**Total local** **\$ 157,280**

**Grants**

**State**

Minnesota Department/Board of		
Corrections	\$	110,642
Public Safety		45,042
Health		156,731
Natural Resources		172,759
Human Services		873,326
Water and Soil Resources		108,711
Veterans Affairs		10,000
Peace Officer Standards and Training		7,860
Pollution Control Agency		58,888
		58,888

**Total state** **\$ 1,543,959**

**Federal**

Department of		
Agriculture	\$	244,249
Transportation		180,683
Health and Human Services		1,409,767
		1,409,767

**Total federal** **\$ 1,834,699**

**Total state and federal grants** **\$ 3,378,658**

**Total Intergovernmental Revenue** **\$ 8,631,413**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT F-2**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 149,927
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>123,286</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 273,213</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	\$ 47,167
Recreational Trails Program	20.219	126,490
Passed Through City of Hutchinson State and Community Highway Safety	20.600	<u>8,138</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 181,795</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Meeker-McLeod-Sibley Community Health Services Universal Newborn Hearing Screening	93.251	\$ 450
Immunization Cooperative Agreements	93.268	1,800
Drug-Free Communities Support Program Grants	93.276	2,046
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	23,461
Temporary Assistance for Needy Families Cluster Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$193,690)	93.558	26,119
Medical Assistance Program (Total Medical Assistance Program 93.778 \$582,017)	93.778	28,094
Block Grants for Prevention and Treatment of Substance Abuse (Total Block Grants for Prevention and Treatment of Substance Abuse 93.959 \$253,684)	93.959	66,016
Maternal and Child Health Services Block Grant to the States	93.994	20,019
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	4,000

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT F-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	1,899
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families	93.558	167,571
(Total Temporary Assistance for Needy Families 93.558 \$193,690)		
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF)		
State Program - ARRA	93.714	654
Child Support Enforcement	93.563	317,815
Refugee and Entrant Assistance - State-Administered Programs	93.566	333
Child Care and Development Block Grant	93.575	7,037
Community-Based Child Abuse Prevention Grants	93.590	2,623
Stephanie Tubbs Jones Child Welfare Services Program	93.645	950
Foster Care - Title IV-E	93.658	78,265
Social Services Block Grant	93.667	129,003
Chafee Foster Care Independence Program	93.674	2,860
Children's Health Insurance Program	93.767	61
Medical Assistance Program	93.778	553,923
(Total Medical Assistance Program 93.778 \$582,017)		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	187,668
(Total Block Grants for Prevention and Treatment of Substance Abuse 93.959 \$253,684)		
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 1,622,667</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	\$ 21,561
<b>Total Federal Awards</b>		<b>\$ 2,099,236</b>

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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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 \$262,099 in federal awards during the year ended June 30, 2013, 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, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Highway Planning and Construction Cluster	\$	173,657
Temporary Assistance for Needy Families Cluster		194,344

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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5. Subrecipients

During 2013, the County did not pass any federal money to subrecipients.

6. Reconciliation

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,834,699
Grants received more than 60 days after year-end, unavailable in 2013	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	28,964
State and Community Highway Safety	1,112
Centers for Disease Control and Prevention - Investigations and Technical Assistance	7,916
Temporary Assistance for Needy Families	24,931
Child Support Enforcement	42,510
Child Care and Development Block Grant	378
Foster Care - Title IV-E	6,969
Medical Assistance Program	102,380
Block Grants for Prevention and Treatment of Substance Abuse	52,132
Maternal and Child Health Services Block Grant to the States	5,005
Emergency Management Performance Grants	21,561
Unavailable in 2012, recognized as revenue in 2013	
Block Grants for Prevention and Treatment of Substance Abuse	<u>(29,321)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 2,099,236</u>

7. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.





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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: **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 programs? **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major 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 \$300,000.

Meeker County qualified as a low-risk auditee? **Yes**

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 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; and recording journal entries without review of those journal entries before they are posted to the system.

**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.

#### Client's Response:

*Meeker County's management is aware that various county offices may lack segregation of accounting duties and responsibilities. Important factors to consider are the workload of various departments, economic resources, and the size of the County. The County utilizes staff to accommodate internal controls as much as possible and continues to implement updated procedures.*

Finding 2006-001

Accounting Policies and Procedures

**Criteria:** Management is responsible for establishing and implementing internal controls over the accounting cycles and the system used for financial reporting. Management is also responsible for assessing risks related to internal controls and monitoring the internal controls for compliance.

**Condition:** The County does not have Board-approved written procedures covering receipt and deposit of funds, approval and payment of bills, payroll activities, accounting for capital assets including the inventory process, and annual financial reporting. In addition, no formal risk assessment of the County's internal controls or monitoring of the internal controls is being performed.

**Context:** Written policies and procedures over significant financial operations help in providing consistency over time and guidance to new officials and staff. A formal risk assessment and monitoring of the established internal controls will help determine if controls are still effective or if changes are needed to maintain a sound internal control structure.

**Effect:** The County's practices may not be followed as intended by management, employees may not understand the purpose of internal controls, and circumstances may have changed within the organization structure that require changes to the controls.

**Cause:** The County has documented some processes in draft form but has not finalized the policies and presented them to the County Board for approval. The County has also not developed a formal internal control risk assessment plan to monitor the controls.

**Recommendation:** We recommend the County continue to formalize the documentation of its policies and procedures related to receipt and deposit of funds, approval and payment of bills, payroll activities, accounting for capital assets including the inventory process, and annual financial reporting for inclusion in its comprehensive manual. We also recommend the County develop a formal risk assessment process over internal controls and begin to document its monitoring of those internal controls.

Client's Response:

*The County continues to make progress on a formalized Comprehensive Accounting Policies and Procedures Manual. When finalized, this manual will include a formal risk assessment process.*

## ITEM ARISING THIS YEAR

Finding 2013-001

### Approval of Disbursements

**Criteria:** Management is responsible for establishing and maintaining internal control over the various accounting cycles, including the processing of disbursements. Management is also responsible for the accuracy and completeness of all financial records and related information, including but not limited to, the controls over initiating, authorizing, recording, and processing disbursements in the general ledger system.

**Condition:** During our testing of internal control over general Social Services disbursements, we noted 6 out of 25 disbursements tested did not have documentation to indicate that they were reviewed and approved by a supervisor or the Director in the Social Services Department.

**Context:** The approval of disbursements by a supervisor or the Director is an important function ensuring that amounts paid by the County are accurate and proper.

**Effect:** As a result of this condition, the Social Services Department lacks proper internal controls over the disbursements process, increasing the risk of fraudulent disbursements.

**Cause:** There was not a process in place for approval of all disbursements.

**Recommendation:** We recommend the County establish and implement procedures where a Social Services supervisor or the Director document their review and approval for each disbursement.

### Client's Response:

*Meeker County Social Service Department has already implemented a corrected procedure whereby all disbursements show documentation that a review and approval was made by a Social Service Supervisor or Social Service Director.*

## PREVIOUSLY REPORTED ITEMS RESOLVED

### **Audit Adjustments (2012-001)**

During our previous audit, we proposed an audit adjustment to record the proceeds and related cash held with escrow agent, premium, and administrative and fiscal charges from the issuance of the \$3,175,000 2012 G.O. Capital Improvement Refunding Bonds.

### **Resolution**

No significant audit adjustments were necessary in order for Meeker County's financial statements to be fairly presented for the year ended December 31, 2013.

### **Reconciliation of Inmate Accounts (2012-002)**

During our previous audit, we noted that no reconciliation between the check register and the inmate system's total of account balances was being performed.

### **Resolution**

A new process for reconciling inmate accounts was established in which a reconciliation between the check register and the total account balance is occurring.

## **III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2012-003

#### Supervisory Review over Eligibility - Intake Function

**Programs:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778); Temporary Assistance for Needy Families Cluster: Temporary Assistance for Needy Families (CFDA No. 93.558) and Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs - ARRA (CFDA No. 93.714)

**Pass-Through Agencies:** Minnesota Department of Human Services and Meeker-McLeod-Sibley Community Health Services

**Criteria:** OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

**Condition:** The state maintains the MAXIS computer system, which is used by the County to support the eligibility determination process. During our testing of controls over the Medical Assistance Program and Temporary Assistance for Needy Families case files, we noted the County has no documented review process of case files by a supervisor.

**Questioned Costs:** None.

**Context:** The State of Minnesota contracts with the County Social Services Department to perform the “intake function” (meeting with the social services client 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.

**Effect:** The lack of case file reviews increases the risk that clients will receive benefits when they are not eligible.

**Cause:** A process was not in place previous to 2013, and a new supervisor began during the year.

**Recommendation:** We recommend the County establish and implement procedures for periodic supervisor case file reviews and documentation of those reviews.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*LoAnn Shepard, Eligibility Worker Supervisor*

Corrective Action Planned:

*MA/TANF cases are reviewed by the supervisor when a client calls questioning the eligibility results, when covering for an absent worker, or when a case is transferred to another worker or county. The supervisor also performs random reviews. Any findings are documented in case notes.*

*Monthly unit meetings are held for the entire Financial Staff. In addition, small group meetings for adult and family workers are held monthly to discuss policies and procedural changes specific to their group.*

Anticipated Completion Date:

*Effective immediately*



## ITEMS ARISING THIS YEAR

Finding 2013-002

### Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Approval of Disbursements

**Programs:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778) and Child Support Enforcement (CFDA No. 93.563)

**Pass-Through Agencies:** Minnesota Department of Human Services and Meeker-McLeod-Sibley Community Health Services

**Criteria:** OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs.

**Condition:** During our testing of internal control over disbursements, we noted the following instances where there was no documentation to indicate that Social Services disbursements processed in the Social Services Department were reviewed and approved by a supervisor or the Director:

- 9 out of 59 Medical Assistance Program disbursements
- 6 out of 55 Child Support Enforcement disbursements

**Context:** The approval of disbursements by a supervisor or the Director is an important function ensuring that amounts paid by the County are accurate and proper.

**Effect:** As a result of this condition, the Social Services Department lacks proper internal controls over the disbursements process, increasing the risk of fraudulent disbursements.

**Cause:** There was not a process in place for approval of all disbursements.

**Recommendation:** We recommend the County establish and implement procedures where a Social Services supervisor or the Director document their review and approval for each disbursement.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Marlene Remmel, Fiscal Supervisor*

Corrective Action Planned:

*Meeker County Social Service Department has already implemented a corrected procedure whereby all disbursements show documentation that a review and approval was made by a Social Service Supervisor or Social Service Director.*

Anticipated Completion Date:

*Effectively immediately*

Finding 2013-003

Eligibility Testing

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778)

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs.

**Condition:** The state maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. Documentation was not available to support all participant eligibility requirements. Specifically, we noted two individuals who were receiving benefits without proof of U.S. citizenship in the case files.

**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 client 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.

**Effect:** The improper input of information into MAXIS and lack of follow-up of issues increases the risk that clients will receive benefits when they are not eligible.

**Cause:** Program personnel entering case information into MAXIS did not ensure all required information was obtained and retained.

**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 and issues are followed up on in a timely manner. In addition, consideration should be given to providing additional training to program personnel.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*LoAnn Shepard, Eligibility Worker Supervisor*

Corrective Action Planned:

*Supervisor will address the need for client provided or system generated verification of U.S. citizenship in the case record at the next unit meeting for staff. Supervisor will do random reviews to insure compliance.*

Anticipated Completion Date:

*Effective immediately*

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 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:** Twelve of the 57 individual drainage systems had deficit cash balances totaling \$31,509, an increase of \$9,164 from the \$22,345 deficit reported in the prior year. Eleven of the 57 individual drainage systems had deficit equity balances totaling \$30,888, a decrease of \$39,022 from the \$69,910 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.

**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 loans were formally made between ditches or other County funds.

**Recommendation:** We recommend the County re-evaluate 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.

Client's Response:

*Management is aware of the provision in Minn. Stat. § 103E.735 to establish repair fund balances. Meeker County analyzes the individual ditch accounts monthly. Annually, in November, landowner assessments are determined and collection notices are mailed. The 12 individual drainage systems with deficit cash balances of \$31,509.00 on December 31, 2013, have collections of \$47,617.08 in early 2014. The deficit equity balances have decreased as a result of more aggressive assessment for repair funds.*

Finding 2012-004

Driver Awareness Class

**Criteria:** As stated in Minn. Stat. § 169.022, in part, “. . . Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalties provided for in this chapter for the same offense.”

In 2009, the Minnesota Legislature enacted a new statute, Minn. Stat. § 169.999, to authorize the issuance of administrative citations and prescribe criteria for them. *See* 2009 Minn. Laws, ch. 158. Among other provisions, the statute states that a governing body resolution must be passed to authorize issuance of administrative citations. The resolution must bar peace officers from issuing administrative citations in violation of Minn. Stat. § 169.999. The statute specifies the offenses for which an administrative citation may be used. The authority requires the use of a uniform administrative citation prescribed by the Commissioner of Public Safety and specifies that the fine for an administrative violation must be \$60, two-thirds of which must be credited to the general revenue fund of the local unit of government, and one-third of which must be transferred to the Commissioner of Minnesota Management & Budget for deposit in the state's General Fund. A local unit of government receiving administrative fine proceeds must use one-half of the funds for law enforcement purposes. Each local unit of government must follow these and other criteria specified in the statute.

**Condition:** Meeker County has established a Driver Awareness Class option in lieu of issuance or court filing of a state uniform traffic ticket. Sheriff's Deputies have the discretion to offer traffic violators the option of attending the Driver Awareness Class in lieu of a citation. The course is two hours long and costs \$75, which is payable to the Meeker County Sheriff.

**Context:** In a letter to State Representative Steve Smith on December 1, 2003, the Minnesota Attorney General specifically addressed the issue of a driver improvement course or clinic in lieu of a ticket or other penalty. After reviewing the state law, the Attorney General concluded: "All such programs, however, require that a *trial court* make the determination as to whether attendance at such a [driver's] clinic is appropriate. We are aware of no express authority for local officials to create a *pretrial* diversion program." (Emphasis is that of the Attorney General.)

The Minnesota Supreme Court has stated, "[a]s a creature of the state deriving its sovereignty from the state, the county should play a leadership role in carrying out legislative policy." *Kasch v. Clearwater County*, 289 N.W. 2d 148, 152 (Minn. 1980), quoting *County of Freeborn v. Bryson*, 243 N.W. 2d 316, 321 (Minn. 1976).

In January 2014, a judge in the Minnesota Third Judicial District issued a permanent injunction against a similar driver diversion program operated by another Minnesota county. The judge, like the Minnesota Attorney General, concluded that the driver diversion program was not authorized under Minnesota law. The involved county has discontinued its program and has not appealed the decision.

**Effect:** The County's Driver Awareness Class is unauthorized and in violation of Minn. Stat. § 169.022.

**Cause:** We were informed by the County Sheriff that this diversion program was approved by both the former County Attorney and former District Court Judge.

**Recommendation:** We recommend the County comply with Minn. Stat. ch. 169, including Minn. Stat. § 169.999 (2009) or any subsequent legislation, by not offering a Driver Awareness Class in lieu of issuance or court filing of a state uniform traffic ticket.

Client's Response:

*It is the opinion of the County Sheriff and the County Attorney that the State Auditor's Office misconstrues the facts and policies of the Meeker County Driver Awareness Class.*

*Since 2005, the Meeker County Sheriff's Office, in conjunction with the Meeker County Attorney's Office and with the approval of the Meeker County Board of Commissioners and the Meeker County District Court, has operated a Driver Awareness class. The impetus was to create a truly pre-court diversion program that addresses low level, minor driving behavior offenders, thereby freeing valuable court time for the more serious offenses and offenders.*

*The Meeker County Driver Awareness Class is not based upon the issuance of an administrative citation or an administrative citation program. The authority for this class is rooted in law enforcement and prosecutorial discretion as well as the County Attorney's decision - where appropriate - to prefer driver education over in-court prosecution. The County Sheriff's Office and the County Attorney's Office do not require permission from the State Auditor to direct a traffic matter to this Class. Whether or not to pursue criminal charges is entirely within the County Attorney's discretion.*

*The Meeker County Driver Awareness Class has proven to be popular with participants as well as our criminal justice partners. The Class operates without the use of state or local funding. The objective of this program is to educate drivers on traffic safety and traffic laws with the overall goal of enhancing public safety on our roadways.*

*The January 2014 ruling in Minnesota's Third Judicial District does not apply to Meeker County because they are distinctly different diversion programs.*

*The Meeker County Sheriff's Office, the Meeker County Attorney's Office and the District Court in Meeker County have reviewed the Driver Awareness Class and the parameters under which it is held. Our conclusions differ from those reached in the State Auditor's report, and we respectfully disagree with the report's findings and recommendations.*

ITEM ARISING THIS YEAR

Finding 2013-004

Prompt Payment of Invoices

**Criteria:** Pursuant to Minn. Stat. § 471.425, Meeker County is required to make payment on vendor invoices according to the terms of the contract, or within 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later.

**Condition:** Two of 25 invoices tested for compliance with this statute were not paid within 35 days.

**Context:** Payments not being made timely could also be an indicator of other problems, such as poor procedural controls, poor internal controls, or cash flow problems.

**Effect:** Making payment on invoices after 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later, is in noncompliance with Minnesota law.

**Cause:** Oversight by employees of the County.

**Recommendation:** We recommend the County make payments on vendor invoices in accordance with Minn. Stat. § 471.425.

Client's Response:

*Meeker County is aware of Minn. Stat. § 471.425 regarding prompt payment of local government obligations. The above referenced invoices were an oversight. Additional training has been provided to make all supervisors aware of the importance of prompt payment requirement.*

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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

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 as of and for the year ended December 31, 2013, including the Meeker County Housing and Redevelopment Authority as of and for the year ended June 30, 2013, 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 18, 2014. Other auditors 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 Meeker 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*.

### **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 certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-002, 2006-001, and 2013-001, that we consider to be significant deficiencies.

### **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 Political Subdivisions*, 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 does not have any tax increment financing districts of its own.

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 Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 1996-001, 2012-004, and 2013-004. 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 have been included in the Schedule of Findings and Questioned Costs. 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 Political Subdivisions* 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

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 18, 2014

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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

### **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) *Circular A-133 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, 2013. 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), a discretely presented component unit, which expended \$262,099 in federal awards during the year ended June 30, 2013, 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 the requirements of laws, regulations, contracts, and grants applicable to each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 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 Schedule of Findings and Questioned Costs as a 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 OMB Circular A-133, 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 certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2012-003, 2013-002, and 2013-003, that we consider to be significant deficiencies.

Meeker County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Meeker County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

### **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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 18, 2014

*/s/Greg Hierlinger*

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DEPUTY STATE AUDITOR