

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MEEKER COUNTY
LITCHFIELD, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

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, 2014



**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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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2014**

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Beth Oberg	District 1	January 2015
Board Member	Dale Fenrich	District 2	January 2017
Vice Chair	Bryan Larson	District 3	January 2017
Chair	Mike Housman	District 4	January 2017
Board Member	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
 Appointed			
Assessor	Joe Udermann		Indefinite
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	Paul Virnig		Indefinite
Planning and Zoning Administrator	Kristin Cote		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
Litchfield, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County, Minnesota, as of and for the year ended December 31, 2014, including the Meeker County Housing and Redevelopment Authority as of and for the year ended June 30, 2014, 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 11 percent and 34 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Meeker Memorial Hospital Enterprise Fund and the Meeker County Housing and Redevelopment Authority component unit, is based solely on 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, 2014, including the Meeker County Housing and Redevelopment Authority as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meeker County's basic financial statements. The supplementary information 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 14, 2015, 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 14, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(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, 2014. 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, 2014, by \$106,566,144 (net position). Of this amount, \$47,165,055 (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 \$6,316,230 in 2014. This is attributed primarily to increase in activity.
- As of the close of 2014, Meeker County's governmental funds reported combined ending fund balances of \$19,611,981, an increase of \$1,628,049 in comparison with 2013 combined ending fund balances. Of this fund balance amount, \$17,515,873 was unrestricted by Meeker County, and thus available for spending at the government's discretion.
- At the end of 2014, unassigned fund balance for the General Fund was \$6,460,808, or 62.94 percent, of the total General Fund expenditures for that year.
- Meeker County's total debt decreased by \$1,331,716. The key factors in the decrease were payment on principal and no new debt. This results in a decrease of 4.28 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 88 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 \$106,566,144 at the close of 2014. The largest portion of Meeker County's net position (51.36 percent) reflects the County's net investment in capital assets (for example, land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 23,423,458	\$ 22,291,476	\$ 36,288,936	\$ 31,158,449	\$ 59,712,394	\$ 53,449,925
Capital assets	60,841,296	59,309,307	23,608,823	25,912,674	84,450,119	85,221,981
Total Assets	\$ 84,264,754	\$ 81,600,783	\$ 59,897,759	\$ 57,071,123	\$ 144,162,513	\$ 138,671,906
Liabilities						
Long-term liabilities	\$ 8,028,812	\$ 8,734,120	\$ 24,540,829	\$ 25,070,648	\$ 32,569,641	\$ 33,804,768
Other liabilities	2,125,837	1,875,992	2,900,891	2,741,232	5,026,728	4,617,224
Total Liabilities	\$ 10,154,649	\$ 10,610,112	\$ 27,441,720	\$ 27,811,880	\$ 37,596,369	\$ 38,421,992
Net Position						
Net investment in capital assets	\$ 55,667,346	\$ 53,310,819	\$ (932,006)	\$ 842,026	\$ 54,735,340	\$ 54,152,845
Restricted	2,592,787	1,251,035	2,072,962	2,062,729	4,665,749	3,313,764
Unrestricted	15,849,972	16,428,817	31,315,083	26,354,488	47,165,055	42,783,305
Total Net Position	\$ 74,110,105	\$ 70,990,691	\$ 32,456,039	\$ 29,259,243	\$ 106,566,144	\$ 100,249,914

The unrestricted net position amount of \$47,165,055 as of December 31, 2014, may be used to meet the County's ongoing obligations to citizens and creditors. The business-type activities reported in 2014 are comprised of the Meeker Memorial Hospital, an enterprise fund of the primary government.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 4,930,325	\$ 4,464,754	\$ 31,043,349	\$ 27,629,175	\$ 35,973,674	\$ 32,093,929
Operating grants and contributions	8,474,155	6,451,807	-	-	8,474,155	6,451,807
Capital grants and contributions	353,968	1,987,272	-	-	353,968	1,987,272
General revenues						
Property taxes	12,728,883	12,484,352	-	-	12,728,883	12,484,352
Gravel taxes	87,183	82,647	-	-	87,183	82,647
Mortgage registry taxes	13,244	16,040	-	-	13,244	16,040
Other taxes	122,581	108,407	-	-	122,581	108,407
Grants and contributions not restricted to specific programs	1,193,905	990,134	-	-	1,193,905	990,134
Gifts and contributions	-	-	25,224	16,366	25,224	16,366
Investment income	393,179	(94,848)	306,968	194,349	700,147	99,501
Gain on sale of capital assets	-	-	24,519	28,348	24,519	28,348
Miscellaneous	301,999	338,099	-	-	301,999	338,099
Total Revenues	\$ 28,599,422	\$ 26,828,664	\$ 31,400,060	\$ 27,868,238	\$ 59,999,482	\$ 54,696,902
Expenses						
General government	\$ 5,429,102	\$ 5,281,902	-	-	\$ 5,429,102	\$ 5,281,902
Public safety	5,984,299	5,859,309	-	-	5,984,299	5,859,309
Highways and streets	4,782,585	5,036,572	-	-	4,782,585	5,036,572
Sanitation	296,233	400,629	-	-	296,233	400,629
Human services	6,325,778	6,327,676	-	-	6,325,778	6,327,676
Hospital	-	-	28,203,264	27,436,123	28,203,264	27,436,123
Health	1,613,983	1,478,581	-	-	1,613,983	1,478,581
Culture and recreation	452,812	398,320	-	-	452,812	398,320
Conservation of natural resources	372,967	547,569	-	-	372,967	547,569
Economic development	118,500	272,500	-	-	118,500	272,500
Interest	103,729	174,618	-	-	103,729	174,618
Total Expenses	\$ 25,479,988	\$ 25,777,676	\$ 28,203,264	\$ 27,436,123	\$ 53,683,252	\$ 53,213,799
Increase in Net Position	\$ 3,119,434	\$ 1,050,988	\$ 3,196,796	\$ 432,115	\$ 6,316,230	\$ 1,483,103
Net Position - January 1	70,990,671	69,939,683	29,259,243	28,827,128	100,249,914	98,766,811
Net Position - December 31	\$ 74,110,105	\$ 70,990,671	\$ 32,456,039	\$ 29,259,243	\$ 106,566,144	\$ 100,249,914

Governmental Activities

Meeker County's governmental activities increased the County's net position during 2014 by \$3,119,434.

Business-Type Activities

Business-type activities of the Meeker Memorial Hospital increased Meeker County's net position by \$3,196,796, accounting for 50.61 percent of the total growth in the County's net position. Charges for services increased \$3,414,174, or 12.36 percent, while expenses were up \$767,141, or 2.80 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 \$19,611,981, an increase of \$1,628,049 in comparison with the prior year. Of the ending fund balance, \$6,460,808 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 \$6,460,808, while total fund balance was \$7,441,603. 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 62.94 percent of total General Fund expenditures. The ending fund balance for 2014 in the General Fund decreased by \$285,184 as compared to the 2013 ending balance.

The Road and Bridge Special Revenue Fund's fund balance at the end of the current fiscal year was \$3,423,831. The ending fund balance in the Road and Bridge Special Revenue Fund increased by \$912,958. This is primarily due to increased intergovernmental revenue.

The Human Services Special Revenue Fund's fund balance at the end of the current fiscal year was \$4,418,419. The ending fund balance in the Human Services Special Revenue Fund increased by \$724,488, primarily due to increased revenue.

The Debt Service Fund's fund balance at the end of the current fiscal year was \$709,734. The ending fund balance in the Debt Service Fund increased by \$51,019.

GENERAL FUND BUDGETARY HIGHLIGHTS

There are no differences between the original expenditure budget and the final amended budget. (Meeker County did not amend the 2014 expenditure budget.)

Actual revenues in the General Fund were more than budgeted revenues by \$846,641, 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, 2014, totaled \$60,841,296 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's governmental investment in capital assets increased \$1,531,989, or 2.58 percent, from the previous year. The major capital asset event was infrastructure.

Governmental Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,542,374	\$ 2,560,387	\$ 1,963,928	\$ 1,963,928	\$ 4,506,302	\$ 4,524,315
Land improvements	-	-	695,897	786,310	695,897	786,310
Infrastructure	41,356,380	39,276,093	-	-	41,356,380	39,276,093
Buildings	10,292,701	10,536,423	16,040,659	17,403,880	26,333,360	27,940,303
Buildings improvements	2,713,383	2,682,031	-	-	2,713,383	2,682,031
Machinery, equipment, and office furniture	3,773,505	4,215,198	4,908,339	5,758,556	8,681,844	9,973,754
Construction in progress	162,953	39,175	-	-	162,953	39,175
Total Capital Assets	\$ 60,841,296	\$ 59,309,307	\$ 23,608,823	\$ 25,912,674	\$ 84,450,119	\$ 85,221,981

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 \$29,793,800. 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 3,815,000	\$ 4,325,000	\$ -	\$ -	\$ 3,815,000	\$ 4,325,000
General obligation capital notes	1,310,000	1,620,000	-	-	1,310,000	1,620,000
Gross revenue hospital facilities bonds	-	-	24,315,000	24,835,000	24,315,000	24,835,000
Loan payable	353,800	345,516	-	-	353,800	345,516
Total	\$ 5,478,800	\$ 6,290,516	\$ 24,315,000	\$ 24,835,000	\$ 29,793,800	\$ 31,125,516

The County's debt related to general obligation bonds, gross revenue hospital facilities bonds, capital notes, and loans decreased by \$1,331,716, or 4.28 percent, during the fiscal year.

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

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2014, 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 2014 was 4.5 percent. This compares with the state unemployment rate of 3.6 percent and shows Meeker County's decrease of 1.0 percent from the rate of one year ago.

By the end of 2014, Meeker County approved its balanced 2015 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, 2014**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 19,193,062	\$ 5,664,833	\$ 24,857,895	\$ 272,650
Petty cash and change funds	2,690	-	2,690	-
Investments	-	-	-	148,672
Taxes receivable				
Prior - net	294,672	-	294,672	-
Special assessments receivable				
Prior - net	1,447	-	1,447	-
Noncurrent - net	245,669	-	245,669	-
Accounts receivable - net	211,151	4,319,811	4,530,962	3,018
Accrued interest receivable	90,134	-	90,134	865
Due from other governments	2,151,287	-	2,151,287	-
Due from primary government	-	-	-	27,500
Notes receivable	309,000	-	309,000	-
Loans receivable	473,345	-	473,345	235,800
Advance to component unit	117,900	-	117,900	-
Inventories	230,716	549,551	780,267	-
Prepaid items	102,385	242,662	345,047	16,440
Restricted assets				
Investments	-	22,601,518	22,601,518	-
Restricted by bond indenture	-	1,993,775	1,993,775	-
Restricted by donor	-	74,193	74,193	-
Investment in joint venture	-	842,593	842,593	-
Capital assets				
Non-depreciable	2,705,327	1,963,928	4,669,255	219,954
Depreciable - net of accumulated depreciation	58,135,969	21,644,895	79,780,864	3,047,467
Total Assets	\$ 84,264,754	\$ 59,897,759	\$ 144,162,513	\$ 3,972,366

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Liabilities</u>				
Accounts payable	\$ 443,344	\$ 887,698	\$ 1,331,042	\$ 10,944
Salaries payable	466,745	1,405,633	1,872,378	4,167
Contracts payable	180,926	-	180,926	-
Due to other governments	221,642	-	221,642	3,807
Due to component unit	27,500	-	27,500	-
Accrued interest payable	40,975	230,735	271,710	3,008
Estimated third-party payor settlements	-	376,825	376,825	-
Other accrued liabilities	-	-	-	3,088
Unearned revenue	744,705	-	744,705	-
Unearned rent income	-	-	-	481
Payables from restricted assets				
Customer deposits	-	-	-	45,123
Tenant security deposits	-	-	-	6,870
Long-term liabilities				
Due within one year	1,691,986	545,000	2,236,986	173,442
Due in more than one year	5,829,220	23,995,829	29,825,049	3,797,325
Other postemployment benefits	507,606	-	507,606	-
Total Liabilities	\$ 10,154,649	\$ 27,441,720	\$ 37,596,369	\$ 4,048,255
<u>Net Position</u>				
Net investment in capital assets	\$ 55,667,346	\$ (932,006)	\$ 54,735,340	\$ (464,229)
Restricted for				
General government	347,876	-	347,876	-
Public safety	106,198	-	106,198	-
Highways and streets	1,155,491	-	1,155,491	-
Sanitation	115,430	-	115,430	-
Conservation of natural resources	154,341	-	154,341	-
Debt service	709,734	-	709,734	-
Restricted by bond indenture	-	1,993,775	1,993,775	-
Restricted by donor	-	79,187	79,187	-
Other purposes	3,717	-	3,717	-
Unrestricted	15,849,972	31,315,083	47,165,055	388,340
Total Net Position	\$ 74,110,105	\$ 32,456,039	\$ 106,566,144	\$ (75,889)

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Primary Government			
Governmental activities			
General government	\$ 5,429,102	\$ 990,300	\$ 13,729
Public safety	5,984,299	1,326,493	466,973
Highways and streets	4,782,585	704,402	3,986,732
Sanitation	296,233	189,773	65,043
Human services	6,325,778	883,515	2,838,544
Health	1,613,983	446,810	820,135
Culture and recreation	452,812	82,411	2,600
Conservation of natural resources	372,967	48,122	280,399
Economic development	118,500	258,499	-
Interest	103,729	-	-
Total governmental activities	\$ 25,479,988	\$ 4,930,325	\$ 8,474,155
Business-type activities			
Meeker Memorial Hospital	28,203,264	31,043,349	-
Total Primary Government	\$ 53,683,252	\$ 35,973,674	\$ 8,474,155
Discretely Presented Component Units	\$ 1,047,034	\$ 693,536	\$ 356,189

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 Note 8.A.)

Net Position - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Units
	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
\$ -	\$ (4,425,073)	\$ -	\$ (4,425,073)	
-	(4,190,833)	-	(4,190,833)	
353,968	262,517	-	262,517	
-	(41,417)	-	(41,417)	
-	(2,603,719)	-	(2,603,719)	
-	(347,038)	-	(347,038)	
-	(367,801)	-	(367,801)	
-	(44,446)	-	(44,446)	
-	139,999	-	139,999	
-	(103,729)	-	(103,729)	
\$ 353,968	\$ (11,721,540)	\$ -	\$ (11,721,540)	
-	-	2,840,085	2,840,085	
\$ 353,968	\$ (11,721,540)	\$ 2,840,085	\$ (8,881,455)	
\$ -				\$ 2,691
	\$ 12,728,883	\$ -	\$ 12,728,883	\$ -
	87,183	-	87,183	-
	13,244	-	13,244	-
	122,581	-	122,581	-
	1,193,905	-	1,193,905	-
	-	25,224	25,224	-
	393,179	306,968	700,147	1,269
	-	24,519	24,519	-
	301,999	-	301,999	-
	\$ 14,840,974	\$ 356,711	\$ 15,197,685	\$ 1,269
	\$ 3,119,434	\$ 3,196,796	\$ 6,316,230	\$ 3,960
	70,990,671	29,259,243	100,249,914	(79,849)
	\$ 74,110,105	\$ 32,456,039	\$ 106,566,144	\$ (75,889)

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 7,030,001	\$ 3,401,836
Petty cash and change funds	2,690	-
Taxes receivable		
Delinquent	161,230	38,092
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable - net	60,946	-
Accrued interest receivable	90,134	-
Due from other funds	3,575	36,437
Due from other governments	260,390	1,248,544
Notes receivable	300,000	-
Loans receivable	-	-
Inventories	-	230,716
Advance to component unit	-	-
Advances to other funds	16,711	-
Prepaid items	97,014	-
	\$ 8,022,691	\$ 4,955,625
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 117,539	\$ 101,931
Salaries payable	236,500	60,119
Contracts payable	-	180,926
Due to other funds	36,255	824
Due to other governments	60,144	1,775
Due to component unit	-	-
Advances from other funds	-	-
Unearned revenue	-	-
	\$ 450,438	\$ 345,575
Deferred Inflows of Resources		
Unavailable revenue	\$ 130,650	\$ 1,186,219

EXHIBIT 3

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,301,912	\$ 705,974	\$ 450,367	\$ 3,302,972	\$ 19,193,062
-	-	-	-	2,690
67,846	20,758	50	6,696	294,672
-	-	-	1,447	1,447
-	-	-	245,669	245,669
136,567	-	-	13,638	211,151
-	-	-	-	90,134
560	-	-	383	40,955
369,994	-	4,630	267,729	2,151,287
-	-	-	9,000	309,000
-	-	-	473,345	473,345
-	-	-	-	230,716
-	-	-	117,900	117,900
-	-	-	-	16,711
-	-	-	5,371	102,385
<u>\$ 4,876,879</u>	<u>\$ 726,732</u>	<u>\$ 455,047</u>	<u>\$ 4,444,150</u>	<u>\$ 23,481,124</u>
\$ 178,776	\$ -	\$ -	\$ 45,098	\$ 443,344
116,454	-	-	53,672	466,745
-	-	-	-	180,926
3,134	-	-	742	40,955
105,098	-	-	54,625	221,642
-	-	-	27,500	27,500
-	-	-	16,711	16,711
-	-	-	744,705	744,705
<u>\$ 403,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 943,053</u>	<u>\$ 2,142,528</u>
<u>\$ 54,998</u>	<u>\$ 16,998</u>	<u>\$ 50</u>	<u>\$ 337,700</u>	<u>\$ 1,726,615</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
(Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 230,716
Prepaid items	97,014	-
Advances to other funds	16,711	-
Notes receivable	300,000	-
Restricted for		
Debt service	-	-
Recorder's technology equipment	124,531	-
Missing heirs	3,717	-
Recorder's compliance	216,714	-
Attorney forfeiture	28,710	-
Gravel tax	115,430	-
Sheriff contingencies	-	-
Permit to carry	71,337	-
Veterans grant	6,631	-
Ditch maintenance and construction	-	-
Committed for		
Regional library	-	-
Assigned to		
General government	-	-
Highways and streets	-	3,193,115
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Economic development	-	-
Capital projects	-	-
Unassigned	6,460,808	-
Total Fund Balances	\$ 7,441,603	\$ 3,423,831
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,022,691	\$ 4,955,625

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>
\$ -	\$ -	\$ -	\$ -	\$ 230,716
-	-	-	5,371	102,385
-	-	-	-	16,711
-	-	-	9,000	309,000
-	709,734	-	-	709,734
-	-	-	-	124,531
-	-	-	-	3,717
-	-	-	-	216,714
-	-	-	-	28,710
-	-	-	-	115,430
-	-	-	6,151	6,151
-	-	-	-	71,337
-	-	-	-	6,631
-	-	-	154,341	154,341
-	-	-	59,773	59,773
-	-	-	463,532	463,532
-	-	-	-	3,193,115
-	-	-	781,942	781,942
4,418,419	-	-	-	4,418,419
-	-	-	408,818	408,818
-	-	-	169,825	169,825
-	-	-	1,104,644	1,104,644
-	-	454,997	-	454,997
-	-	-	-	6,460,808
<u>\$ 4,418,419</u>	<u>\$ 709,734</u>	<u>\$ 454,997</u>	<u>\$ 3,163,397</u>	<u>\$ 19,611,981</u>
<u>\$ 4,876,879</u>	<u>\$ 726,732</u>	<u>\$ 455,047</u>	<u>\$ 4,444,150</u>	<u>\$ 23,481,124</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, 2014**

Fund balance - total governmental funds		\$	19,611,981
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.			60,841,296
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.			1,726,615
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	\$	(3,858,627)	
Capital notes payable and any related unamortized discounts/premiums		(1,315,323)	
Loan payable		(353,800)	
Other postemployment benefits		(507,606)	
Compensated absences		(1,993,456)	
Accrued interest payable		(40,975)	
		<u> </u>	<u>(8,069,787)</u>
Net Position of Governmental Activities		\$	<u>74,110,105</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Road and Bridge
Revenues		
Taxes	\$ 7,215,551	\$ 1,648,109
Special assessments	-	-
Licenses and permits	82,252	-
Intergovernmental	1,584,273	4,883,441
Charges for services	1,792,656	557,398
Fines and forfeitures	21,807	-
Gifts and contributions	200	-
Investment earnings	392,206	-
Miscellaneous	450,963	147,004
	\$ 11,539,908	\$ 7,235,952
Expenditures		
Current		
General government	\$ 4,407,874	\$ -
Public safety	5,314,663	-
Highways and streets	-	6,890,981
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	308,800	-
Economic development	91,000	-
Capital outlay	-	-
Intergovernmental	142,504	404,302
Debt service		
Principal	-	-
Interest	-	-
Administrative and fiscal charges	-	-
	\$ 10,264,841	\$ 7,295,283

EXHIBIT 5

Human Services	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,960,061	\$ 778,118	\$ -	\$ 256,512	\$ 12,858,351
-	-	-	146,388	146,388
-	-	-	-	82,252
3,254,983	98,274	22,602	936,640	10,780,213
613,375	-	-	664,447	3,627,876
-	-	-	186,672	208,479
500	-	-	2,600	3,300
-	-	-	973	393,179
270,140	-	1,518	584,900	1,454,525
\$ 7,099,059	\$ 876,392	\$ 24,120	\$ 2,779,132	\$ 29,554,563
\$ -	\$ -	\$ -	\$ 445,909	\$ 4,853,783
-	-	-	-	5,314,663
-	-	-	-	6,890,981
-	-	-	262,457	262,457
6,374,571	-	-	-	6,374,571
-	-	-	1,609,123	1,609,123
-	-	-	499,237	499,237
-	-	-	44,742	353,542
-	-	-	27,500	118,500
-	-	145,082	-	145,082
-	-	-	-	546,806
-	820,000	-	26,771	846,771
-	104,023	-	8,059	112,082
-	1,350	-	-	1,350
\$ 6,374,571	\$ 925,373	\$ 145,082	\$ 2,923,798	\$ 27,928,948

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Road and Bridge
Excess of Revenues Over (Under) Expenditures	\$ 1,275,067	\$ (59,331)
Other Financing Sources (Uses)		
Transfers in	\$ 18,126	\$ 1,000,000
Transfers out	(1,578,377)	-
Loans issued	-	-
Total Other Financing Sources (Uses)	\$ (1,560,251)	\$ 1,000,000
Net Change in Fund Balances	\$ (285,184)	\$ 940,669
Fund Balances - January 1	7,726,787	2,510,873
Increase (decrease) in inventories	-	(27,711)
Fund Balances - December 31	\$ 7,441,603	\$ 3,423,831

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>
\$ 724,488	\$ (48,981)	\$ (120,962)	\$ (144,666)	\$ 1,625,615
\$ -	\$ 100,000	\$ -	\$ 578,377	\$ 1,696,503
-	-	(100,000)	(18,126)	(1,696,503)
-	-	-	30,145	30,145
<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ (100,000)</u>	<u>\$ 590,396</u>	<u>\$ 30,145</u>
\$ 724,488	\$ 51,019	\$ (220,962)	\$ 445,730	\$ 1,655,760
3,693,931	658,715	675,959	2,717,667	17,983,932
-	-	-	-	(27,711)
<u>\$ 4,418,419</u>	<u>\$ 709,734</u>	<u>\$ 454,997</u>	<u>\$ 3,163,397</u>	<u>\$ 19,611,981</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) \$ 1,655,760

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	\$ 1,726,615	
Unavailable revenue - January 1	<u>(2,477,692)</u>	(751,077)

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	\$ 4,516,407	
Net book value of assets sold	(23,995)	
Current year depreciation expense	<u>(2,960,423)</u>	1,531,989

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		(35,055)

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	\$ 510,000	
Capital notes	310,000	
Loan payable	<u>26,771</u>	846,771

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	\$ 5,165	
Amortization of discounts/premiums	4,538	
Change in compensated absences	(61,037)	
Change in inventories	(27,711)	
Change in other postemployment benefits	<u>(49,909)</u>	<u>(128,954)</u>

Net Change in Net Position of Governmental Activities (Exhibit 2) \$ 3,119,434

PROPRIETARY FUND

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2014**

Assets

Current assets

Cash and pooled investments	\$ 5,664,833
Accounts receivable - net	4,319,811
Inventories	549,551
Prepaid items	242,662
	242,662

Total current assets **\$ 10,776,857**

Restricted assets

Investments	\$ 22,601,518
Restricted by bond indenture	1,993,775
Restricted by donor	74,193
	74,193

Total restricted assets **\$ 24,669,486**

Noncurrent assets

Investment in joint venture	\$ 842,593
Capital assets	
Nondepreciable	1,963,928
Depreciable - net	21,644,895
	21,644,895

Total noncurrent assets **\$ 24,451,416**

Total Assets **\$ 59,897,759**

Liabilities

Current liabilities

Accounts payable	\$ 887,698
Salaries payable	1,405,633
Accrued interest payable	230,735
Estimated third-party payor settlements	376,825
Bonds payable	545,000
	545,000

Total current liabilities **\$ 3,445,891**

Noncurrent liabilities

Bonds payable	23,995,829
	23,995,829

Total Liabilities **\$ 27,441,720**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT 7
(Continued)***

**STATEMENT OF FUND NET POSITION
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2014**

Net Position

Net investment in capital assets	\$ (932,006)
Restricted by bond indenture	1,993,775
Restricted by donor	79,187
Unrestricted	<u>31,315,083</u>
Total Net Position	<u>\$ 32,456,039</u>

**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, 2014**

Operating Revenues	
Patient services revenues	\$ 30,660,003
Miscellaneous	383,346
	<hr/>
Total Operating Revenues	\$ 31,043,349
Operating Expenses	
Professional care of patients	\$ 17,747,124
Administration and fiscal services	4,554,545
Property, housekeeping, and laundry	1,473,066
Dietary	444,042
Depreciation	2,584,554
	<hr/>
Total Operating Expenses	\$ 26,803,331
Operating Income (Loss)	\$ 4,240,018
Nonoperating Revenues (Expenses)	
Noncapital contributions	\$ 25,224
Interest income	338,570
Unrealized gain (loss) on investments	(31,602)
Interest expense	(1,399,933)
Gain (loss) on disposal of assets and other	24,519
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (1,043,222)
Change in Net Position	\$ 3,196,796
Net Position - January 1	29,259,243
	<hr/>
Net Position - December 31	\$ 32,456,039
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

Cash Flows from Operating Activities	
Receipts from third-party payors and patients	\$ 31,278,357
Other receipts	419,117
Payments to suppliers	(12,591,708)
Payments to employees	<u>(11,633,350)</u>
Net cash provided by (used in) operating activities	<u>\$ 7,472,416</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	\$ (280,703)
Contributions received restricted for capital assets	13,835
Principal payments on long-term debt	(520,000)
Interest paid	<u>(1,414,083)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (2,200,951)</u>
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	\$ 6,853,526
Purchase of investments	(12,907,848)
Investment earnings received	<u>388,313</u>
Net cash provided by (used in) investing activities	<u>\$ (5,666,009)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (394,544)
Cash and Cash Equivalents, January 1	<u>6,059,377</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 5,664,833</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT 9
(Continued)***

**STATEMENT OF CASH FLOWS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	<u>\$ 4,240,018</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 2,584,554
Equity in joint venture	(244,163)
Distributions received from joint venture	279,934
(Increase) decrease in accounts receivable	369,894
(Increase) decrease in inventories	(55,502)
(Increase) decrease in prepaid items	133,691
Increase (decrease) in accounts payable	(105,495)
Increase (decrease) in salaries payable	21,025
Increase (decrease) in estimated third-party payor settlements	<u>248,460</u>
Total adjustments	<u>\$ 3,232,398</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 7,472,416</u></u>
Noncash Investing, Capital, and Financing Activities	
Loss on disposal of capital assets	\$ (5,462)
Unrealized losses on investments	(31,602)

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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, 2014**

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	\$ <u><u>470,363</u></u>
<u>Liabilities</u>	
Due to other governments	\$ <u><u>470,363</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, 2014**

	Economic Development Authority	Housing and Redevelopment Authority	Total
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 214,346	\$ 58,304	\$ 272,650
Investments	141,000	7,672	148,672
Accounts receivable - net	1,771	1,247	3,018
Accrued interest receivable	865	-	865
Loans receivable	235,800	-	235,800
Due from primary government	27,500	-	27,500
Prepaid items	6,706	9,734	16,440
	\$ 627,988	\$ 76,957	\$ 704,945
Noncurrent assets			
Capital assets			
Nondepreciable	\$ 155,988	\$ 63,966	\$ 219,954
Depreciable - net	2,738,422	309,045	3,047,467
	\$ 2,894,410	\$ 373,011	\$ 3,267,421
Total Assets	\$ 3,522,398	\$ 449,968	\$ 3,972,366
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 5,605	\$ 5,339	\$ 10,944
Salaries payable	4,167	-	4,167
Due to other governments	-	3,807	3,807
Accrued interest payable	3,008	-	3,008
Unearned rent income	-	481	481
Customer deposits	45,123	-	45,123
Tenant security deposits	-	6,870	6,870
Other accrued liabilities	-	3,088	3,088
Compensated absences payable - current	1,360	-	1,360
Revenue bonds payable - current	172,082	-	172,082
	\$ 231,345	\$ 19,585	\$ 250,930

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 11
(Continued)**

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2014**

	<u>Economic Development Authority</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<u>Liabilities (Continued)</u>			
Noncurrent liabilities			
Compensated absences payable - long-term	\$ 1,957	\$ -	\$ 1,957
Advance from primary government	117,900	-	117,900
Advance from contributors	117,900	-	117,900
Revenue bonds payable - long-term	3,559,568	-	3,559,568
Total noncurrent liabilities	<u>\$ 3,797,325</u>	<u>\$ -</u>	<u>\$ 3,797,325</u>
Total Liabilities	<u>\$ 4,028,670</u>	<u>\$ 19,585</u>	<u>\$ 4,048,255</u>
<u>Net Position</u>			
Net investment in capital assets	\$ (837,240)	\$ 373,011	\$ (464,229)
Unrestricted	330,968	57,372	388,340
Total Net Position	<u>\$ (506,272)</u>	<u>\$ 430,383</u>	<u>\$ (75,889)</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Economic Development Authority (EDA)	\$ 636,702	\$ 605,471
Housing and Redevelopment Authority (HRA)	410,332	88,065
Total Component Units	\$ 1,047,034	\$ 693,536
General Revenues		
Investment income		
Change in Net Position		
Net Position - January 1, as restated (See Note 8.A.)		
Net Position - December 31		

EXHIBIT 12

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	EDA	HRA	Total
\$ 91,000	\$ -	\$ 59,769	\$ -	\$ 59,769
265,189	-	-	(57,078)	(57,078)
\$ 356,189	\$ -	\$ 59,769	\$ (57,078)	\$ 2,691
		1,183	86	1,269
		\$ 60,952	\$ (56,992)	\$ 3,960
		(567,224)	487,375	(79,849)
		\$ (506,272)	\$ 430,383	\$ (75,889)

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Meeker County was established February 23, 1856, and is an organized county having the powers, duties, and privileges granted to counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Meeker County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Units

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about Meeker County (the primary government) and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental activities and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

Meeker County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. Meeker County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

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

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in one of the unrestricted fund balance classifications could be used.

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, 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 earnings for 2014 were \$392,206.

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. The investment in the pool is measured at the amortized cost per share provided by the pool which would approximate fair value.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

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

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

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

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.

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences

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

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

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

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

Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

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 it needs to maintain a minimum unrestricted fund balance in the General Fund (committed, assigned, and unassigned) of no less than five months of operating expenditures based on the previous year, or approximately 35 to 50 percent of fund operating revenues. The fund balance policy was adopted by the County Board on December 8, 2011. At December 31, 2014, 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

F. Hospital Enterprise Fund - Operating Revenues and Expenses

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

G. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

2. Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of \$154,341 as of December 31, 2014, 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	\$ 158,150
11 ditches with deficit balances	<u>(3,809)</u>
Net Fund Balance	<u>\$ 154,341</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 19,193,062
Petty cash and change funds	2,690
Business-type activities	
Cash and pooled investments	5,664,833
Investments, restricted	24,669,486
Statement of fiduciary net position	
Cash and pooled investments	470,363
Total Cash and Investments	\$ 50,000,434
Deposits	\$ 29,407,459
Petty cash and change funds	2,690
Investments	20,590,285
Total Deposits, Cash on Hand, and Investments	\$ 50,000,434

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; state and local general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2014, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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, 2014, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
U.S. Treasury Notes	\$ 229,694	\$ -	\$ 229,694	\$ -
Federal Home Loan Mortgage Corporation Securities	967,360	311,660	655,700	-
Federal Home Loan Bank Securities	2,159,257	-	299,961	1,859,296
Federal Farm Credit Bank Securities	1,095,936	-	570,526	525,410
Federal National Mortgage Association Securities	1,376,505	-	1,076,307	300,198
MAGIC Fund	5,004,423	5,004,423	-	-
Negotiable CDs	6,168,246	202,000	5,966,246	-
Money markets	3,588,864	3,588,864	-	-
Total Investments	\$ 20,590,285	\$ 9,106,947	\$ 8,798,434	\$ 2,684,904

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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, 2014, is as follows:

	<u>S & P Rating</u>	<u>Fair Value</u>
U.S. Treasury Notes	AA+	\$ 229,694
Federal Home Loan Mortgage Corporation Securities	AA+	967,360
Federal Home Loan Bank Securities	AA+	2,159,257
Federal Farm Credit Bank Securities	AA+	1,095,936
Federal National Mortgage Association Securities	AA+	1,376,505
MAGIC Fund	N/R	5,004,423
Negotiable CDs	N/A	6,168,246
Money markets	N/R	<u>3,588,864</u>
Total		<u>\$ 20,590,285</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**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Custodial Credit Risk (Continued)

risk. As of December 31, 2014, \$9,682,804 of U.S. government securities and Treasury notes in the County's investment balance of \$20,590,285 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>\$ 9,682,804</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:

Issuer	Percent of Total	Reported Amount
Federal Home Loan Bank	10.49%	\$ 2,159,257
Federal Farm Credit Bank Securities	5.32	1,095,936
Federal National Mortgage Association Securities	6.69	1,376,505

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables at December 31, 2014, 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	\$ 294,672	\$ -
Special assessments	247,116	245,669
Accounts	211,151	-
Accrued interest	90,134	-
Due from other governments	2,151,287	-
Notes	309,000	306,000
Loans	473,345	118,411
Total Governmental Activities	\$ 3,776,705	\$ 670,080
Business-Type Activities		
Accounts receivable - net	\$ 4,319,811	\$ 1,560

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Loans Receivable

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

Year Ended December 31	Loans Receivable
2015	\$ 371,834
2016	29,214
2017	26,903
2018	24,008
2019	21,113
2020 - 2021	26,391
Total	\$ 499,463
Less: interest	(26,118)
Present Value of Loans Receivable	\$ 473,345

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,093,077	\$ -	\$ 18,013	\$ 1,075,064
Right-of-Way	1,467,310	-	-	1,467,310
Construction in progress	39,175	162,953	39,175	162,953
Total capital assets not depreciated	\$ 2,599,562	\$ 162,953	\$ 57,188	\$ 2,705,327

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ 18,532,991	\$ 307,503	\$ -	\$ 18,840,494
Building improvements	3,915,161	40,518	-	3,955,679
Office furniture and equipment	6,112,632	114,327	38,986	6,187,973
Machinery and equipment	8,215,006	714,814	168,713	8,761,107
Infrastructure	53,232,611	3,215,467	-	56,448,078
Total capital assets depreciated	\$ 90,008,401	\$ 4,392,629	\$ 207,699	\$ 94,193,331
Less: accumulated depreciation for				
Buildings	\$ 7,996,568	\$ 551,225	\$ -	\$ 8,547,793
Building improvements	1,233,130	9,166	-	1,242,296
Office furniture and equipment	4,513,625	710,759	38,986	5,185,398
Machinery and equipment	5,598,815	554,093	162,731	5,990,177
Infrastructure	13,956,518	1,135,180	-	15,091,698
Total accumulated depreciation	\$ 33,298,656	\$ 2,960,423	\$ 201,717	\$ 36,057,362
Total capital assets depreciated, net	\$ 56,709,745	\$ 1,432,206	\$ 5,982	\$ 58,135,969
Governmental Activities Capital Assets, Net	\$ 59,309,307	\$ 1,595,159	\$ 63,170	\$ 60,841,296

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	19,691,757	287,165	644,424	19,334,498
Total capital assets depreciated	\$ 48,733,481	\$ 287,165	\$ 644,424	\$ 48,376,222
Less: accumulated depreciation for				
Land improvements	\$ 678,885	\$ 90,413	\$ -	\$ 769,298
Buildings	10,172,649	1,363,221	-	11,535,870
Machinery, furniture, and equipment	13,933,201	1,130,920	637,962	14,426,159
Total accumulated depreciation	\$ 24,784,735	\$ 2,584,554	\$ 637,962	\$ 26,731,327
Total capital assets depreciated, net	\$ 23,948,746	\$ (2,297,389)	\$ 6,462	\$ 21,644,895
Business-Type Activities Capital Assets, Net	\$ 25,912,674	\$ (2,297,389)	\$ 6,462	\$ 23,608,823

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	556,225
Public safety		730,462
Highways and streets, including depreciation of infrastructure assets		1,588,076
Human services		7,751
Health		2,953
Culture and recreation		40,308
Sanitation		33,776
Conservation of natural resources		872
		872
Total Depreciation Expense - Governmental Activities	\$	2,960,423
Business-Type Activities		
Hospital	\$	2,584,554

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2014, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 441
	Human Services	3,134
		\$ 3,575
Total due to General Fund		
Road and Bridge	General	\$ 35,941
	Other governmental funds	496
		\$ 36,437
Total due to Road and Bridge Fund		
Human Services	General	\$ 314
	Other governmental funds	246
		\$ 560
Total due to Human Services Fund		
Other governmental funds	Road and Bridge	\$ 383
		\$ 40,955
Total Due To/From Other Funds		

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 16,711

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

Transfer to General Fund from other governmental funds	\$ 18,126	Unused funds exceeded allowed limit
Transfer to Road and Bridge Fund from General Fund	1,000,000	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	578,377	Annual appropriation
Total Interfund Transfers	\$ 1,696,503	

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2014, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 443,344	\$ 887,698
Salaries	466,745	1,405,633
Contracts	180,926	-
Due to other governments	221,642	-
Due to component unit	27,500	-
Total Payables	\$ 1,340,157	\$ 2,293,331

2. Construction Commitments

The County has active construction projects as of December 31, 2014. The projects include the following:

Governmental Activities

	Spent-to-Date	Remaining Commitment
Road and Bridge Special Revenue Fund		
Roads and bridges	\$ 41,477	\$ 218,252

**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, 2014</u>
General obligation bonds					
2012 G.O. Capital Improvement Refunding Bonds	2026	\$200,000 - \$310,000	2.00 - 2.50	\$ 3,175,000	\$ 2,885,000
2012B G.O. Law Enforcement Center Refunding Bonds	2018	\$220,000 - \$240,000	0.30 - 0.75	1,150,000	930,000
Total General Obligation Bonds				<u>\$ 4,325,000</u>	<u>\$ 3,815,000</u>
2010 G.O. Capital Notes	2018	\$265,000 - \$340,000	2.00 - 2.75	\$ 2,500,000	\$ 1,310,000

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, 2014</u>
2007 Gross Revenue Hospital Facilities Bonds	2037	\$425,000 - \$1,825,000	5.00 - 5.75	\$ 26,675,000	\$ 24,315,000

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Loans Payable

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

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

In 2012, the County entered into another loan agreement with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. These loans are also secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much as \$200,000. As of December 31, 2014, the total amount borrowed was \$30,145. Repayment is estimated to begin in 2015.

Repayment schedules are not currently available for the 2012 loan.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2015	\$ 525,000	\$ 63,070	\$ 315,000	\$ 28,063
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	205,000	36,975	-	-
2020 - 2024	1,090,000	119,913	-	-
2025 - 2026	480,000	15,126	-	-
Total	<u>\$ 3,815,000</u>	<u>\$ 381,687</u>	<u>\$ 1,310,000</u>	<u>\$ 67,469</u>

Year Ending December 31	Septic System Loans	
	Principal	Interest
2015	\$ 34,669	\$ 6,297
2016	35,366	5,600
2017	36,076	4,889
2018	36,801	4,164
2019	37,542	3,424
2020 - 2022	143,201	6,007
Total	<u>\$ 323,655</u>	<u>\$ 30,381</u>

Business-Type Activities

Year Ending December 31	Gross Hospital Facilities Bonds	
	Principal	Interest
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	670,000	1,259,056
2020 - 2024	3,960,000	5,684,488
2025 - 2029	5,230,000	4,414,851
2030 - 2034	6,920,000	2,726,938
2035 - 2037	5,180,000	606,913
Total	<u>\$ 24,315,000</u>	<u>\$ 20,054,416</u>

**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, 2014, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 4,325,000	\$ -	\$ 510,000	\$ 3,815,000	\$ 525,000
Capital notes	1,620,000	-	310,000	1,310,000	315,000
Add: unamortized premium	56,699	-	5,180	51,519	-
Less: deferred discounts	(3,211)	-	(642)	(2,569)	-
Total bonds payable	<u>\$ 5,998,488</u>	<u>\$ -</u>	<u>\$ 824,538</u>	<u>\$ 5,173,950</u>	<u>\$ 840,000</u>
Loans payable	345,516	35,055	26,771	353,800	34,669
Compensated absences	1,932,419	1,078,757	1,017,720	1,993,456	817,317
Governmental Activities Long-Term Liabilities	<u>\$ 8,276,423</u>	<u>\$ 1,113,812</u>	<u>\$ 1,869,029</u>	<u>\$ 7,521,206</u>	<u>\$ 1,691,986</u>

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Long-term liabilities					
Bonds payable					
Gross revenue hospital facilities bonds	\$ 24,835,000	\$ -	\$ 520,000	\$ 24,315,000	\$ 545,000
Add: unamortized premium	235,648	-	9,819	225,829	-
Business-Type Activities Long-Term Liabilities	<u>\$ 25,070,648</u>	<u>\$ -</u>	<u>\$ 529,819</u>	<u>\$ 24,540,829</u>	<u>\$ 545,000</u>

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Deferred Inflows of Resources

Unavailable Revenue

Unavailable revenue consists of taxes and special assessments receivable, state and federal grants not collected soon enough after year-end to pay liabilities of the current period, and money from state-aid highway allotments received but not yet earned. Unavailable revenue at December 31, 2014, is summarized by fund:

	Taxes and Special Assessments	Grants	State-Aid Highway Allotments	Other	Total
Major governmental funds					
General	\$ 130,065	\$ 585	\$ -	\$ -	\$ 130,650
Special Revenue					
Road and Bridge	30,728	-	1,155,491	-	1,186,219
Human Services	54,686	312	-	-	54,998
Capital Project	50	-	-	-	50
Debt Service	16,998	-	-	-	16,998
Nonmajor governmental funds					
Regional Library	3,813	-	-	-	3,813
County Nurse	-	85,129	-	-	85,129
Septic System Loan Program	-	-	-	232,686	232,686
Ditch	14,430	-	-	-	14,430
Family Services Building	1,642	-	-	-	1,642
Total	<u>\$ 252,412</u>	<u>\$ 86,026</u>	<u>\$ 1,155,491</u>	<u>\$ 232,686</u>	<u>\$ 1,726,615</u>

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

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 five years of credited service.

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.

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 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 for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent for each year of service.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

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; 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. Meeker County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

2. Funding Policy (Continued)

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2014	2013	2012
General Employees Retirement Fund	\$ 1,239,330	\$ 1,229,234	\$ 1,205,433
Public Employees Police and Fire Fund	203,578	176,811	155,942
Public Employees Correctional Fund	55,712	41,745	41,356

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

B. Defined Contribution Plan

Three 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.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

B. Defined Contribution Plan (Continued)

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, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,865	\$ 3,865
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.

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 2014, the County contributed \$83,073. As of January 1, 2014, there were three retirees receiving health benefits from the County's health plan.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Health Care Plan (Continued)

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		20,596
Adjustment to ARC		<u>(27,487)</u>
Annual OPEB cost (expense)		\$ 132,982
Contributions made		<u>(83,073)</u>
Increase in net OPEB obligation		\$ 49,909
Net OPEB Obligation - Beginning of Year		<u>457,697</u>
Net OPEB Obligation - End of Year		<u><u>\$ 507,606</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2013, and 2014, was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	\$ 108,083	\$ 44,877	41.5%	\$ 387,755
December 31, 2013	133,273	63,331	47.5	457,697
December 31, 2014	132,982	83,073	62.5	507,606

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Health Care Plan (Continued)

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.

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 the County's general assets). The County currently

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Health Care Plan

E. Actuarial Methods and Assumptions (Continued)

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 \$480,000 per claim in 2014 and \$490,000 in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

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

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

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

PrimeWest Health System

In December 1998, Meeker County became a member of the PrimeWest Central County-Based Purchasing Initiative Joint Powers Board (since renamed PrimeWest Health System) with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to the PrimeWest 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. In 2014, Meeker County contributed \$9,851 to the System.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

PrimeWest Health System (Continued)

Control of PrimeWest 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 PrimeWest 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 PrimeWest Health, 2209 Jefferson Street, Suite 101, Alexandria, Minnesota 56308.

Crow River Joint Powers Agreement

In April 1999, the County entered into a joint powers agreement with Carver, Hennepin, Kandiyohi, McLeod, Meeker, 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Crow River Joint Powers Agreement (Continued)

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

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Stevens, Swift, Traverse, and Yellow Medicine. 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 2014, Meeker County made \$45,797 in contributions to the partnership.

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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 2014, Meeker County contributed \$75 to the Joint Powers Board.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Central Minnesota Diagnostics, Inc.

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

Putting All Communities Together for Families Collaborative

Putting All Communities Together for Families Collaborative (PACT) was established in 1996 by a joint powers agreement among Kandiyohi, Meeker, Renville, and Yellow Medicine Counties. Effective January 1, 2011, an additional joint powers agreement was entered into to add McLeod County as a fifth county partner to PACT. As a result, the name was changed from PACT 4 Families Collaborative to PACT for Families Collaborative. The joint powers agreements were established to provide coordinated services to children and families. Meeker County has no operational or financial control over the Collaborative. In 2014, Meeker County contributed \$23,236 to the Collaborative.

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Putting All Communities Together for Families Collaborative (Continued)

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, Benson, Clara, Cosmos, 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 \$103,685 in funds to the Task Force.

Pioneerland Regional Library System

Meeker County, along with 32 cities and 9 other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional library service. The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties. During the year the County contributed \$216,300 to the System.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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 Minnesota Statutes ch. 268 and 471.59, consisting of 11 counties in central Minnesota, including Chisago, Isanti, Kanabec, Kandiyohi, McLeod, Meeker, Mille Lacs, Pine, Renville, Sherburne, and Wright Counties, and is also a partner of Workforce Service Area 5.

CMJTS's mission is to match job seekers, youth, businesses, and those seeking training with the resources available to them. Funding is to be provided through block grants from the U.S. Department of Labor. One County Commissioner from each participating county is appointed to the Joint Powers Board. During 2014, Meeker County contributed \$159,953 to the System.

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, 2014. Meeker County is obligated for the debt and any operating deficits of the HRA.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

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

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

Restatement of Beginning Net Position

On the Meeker County EDA's Statement of Revenues, Expenses, and Changes in Net Position, the net position as of January 1, 2014, has been restated to reflect adjustments for an advance from primary government and advance from contributors.

Net Position, January 1, 2014, as previously reported	\$ (303,060)
Adjustment to increase advances from primary government and contributors	<u>(264,164)</u>
Net Position, January 1, 2014, as restated	<u><u>\$ (567,224)</u></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, 2014, 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**

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

Cash and Cash Equivalents, Deposits, and Investments (Continued)

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**

8. Discretely Presented Component Unit Disclosures (Continued)

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables at December 31, 2014, for the EDA, and at June 30, 2014, for the HRA, including the applicable allowances for uncollectible accounts, are as follows:

	EDA	HRA	Total Receivables
Accounts	\$ 1,771	\$ 1,247	\$ 3,018
Accrued interest	865	-	865
Loan	235,800	-	235,800
Due from primary government	27,500	-	27,500
Total Component Units	\$ 265,936	\$ 1,247	\$ 267,183

Loans Receivable

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

The annual payments to the EDA for the loans are as follows:

Year Ended December 31	Loans Receivable
2015	\$ 43,512
2016	206,660
Total	\$ 250,172
Less: interest	(14,372)
Present Value of Loans Receivable	\$ 235,800

**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, 2014, for the EDA, and for the year ended June 30, 2014, 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	\$ 5,196,191	\$ 740	\$ -	\$ 5,196,931
HRA	1,242,957	-	-	1,242,957
Total capital assets depreciated - buildings and equipment	<u>\$ 6,439,148</u>	<u>\$ 740</u>	<u>\$ -</u>	<u>\$ 6,439,888</u>
Less: accumulated depreciation for Buildings and equipment				
EDA	\$ 2,284,844	\$ 173,665	\$ -	\$ 2,458,509
HRA	886,300	47,612	-	933,912
Total accumulated depreciation	<u>\$ 3,171,144</u>	<u>\$ 221,277</u>	<u>\$ -</u>	<u>\$ 3,392,421</u>
Total capital assets depreciated, net	<u>\$ 3,268,004</u>	<u>\$ (220,537)</u>	<u>\$ -</u>	<u>\$ 3,047,467</u>
Total Capital Assets, Net	<u>\$ 3,487,958</u>	<u>\$ (220,537)</u>	<u>\$ -</u>	<u>\$ 3,267,421</u>

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

EDA	\$ 173,665
HRA	<u>47,612</u>
Total Depreciation Expense	<u>\$ 221,277</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, 2014, for the EDA, and at June 30, 2014, for the HRA were as follows:

	EDA	HRA	Total Payables
Accounts	\$ 5,605	\$ 5,339	\$ 10,944
Salaries	4,167	-	4,167
Due to other governments	-	3,807	3,807
Total Payables	\$ 9,772	\$ 9,146	\$ 18,918

Long-Term Debt

Long-term debt outstanding at December 31, 2014, 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	\$ 1,172,528
1999 Essential Function Housing Development Revenue Bonds	2030	6,822	3.80	1,400,000	969,093
2001 Essential Function Housing Development Revenue Bonds	2032	5,770	3.80	1,200,000	890,000
2002 Essential Function Housing Development Revenue Bonds	2033	4,465	3.80	930,000	700,029
Totals				\$ 5,340,000	\$ 3,731,650

**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, 2014, for the EDA were as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 172,083	\$ 138,826
2016	178,737	132,171
2017	185,648	125,260
2018	192,826	118,081
2019	200,283	110,625
2020 - 2024	1,123,751	430,790
2025 - 2029	1,286,884	196,843
2030 - 2033	391,439	19,816
Total	<u>\$ 3,731,651</u>	<u>\$ 1,272,412</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, 2014.

	<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	\$ 1,232,942	\$ -	\$ 60,414	\$ 1,172,528	\$ 62,750
1999	1,013,217	-	44,124	969,093	45,830
2001	924,704	-	34,704	890,000	36,046
2002	726,463	-	26,434	700,029	27,456
Total Essential Function Housing Development Revenue Bonds	<u>\$ 3,897,326</u>	<u>\$ -</u>	<u>\$ 165,676</u>	<u>\$ 3,731,650</u>	<u>\$ 172,082</u>
Compensated absences	2,786	531	-	3,317	1,360
EDA Long-Term Liabilities	<u>\$ 3,900,112</u>	<u>\$ 531</u>	<u>\$ 165,676</u>	<u>\$ 3,734,967</u>	<u>\$ 173,442</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,198,013	\$ 7,198,013	\$ 7,215,551	\$ 17,538
Licenses and permits	75,235	75,235	82,252	7,017
Intergovernmental	1,391,519	1,391,519	1,584,273	192,754
Charges for services	1,513,450	1,513,450	1,792,656	279,206
Fines and forfeits	24,050	24,050	21,807	(2,243)
Gifts and contributions	400	400	200	(200)
Investment earnings	150,000	150,000	392,206	242,206
Miscellaneous	340,600	340,600	450,963	110,363
Total Revenues	\$ 10,693,267	\$ 10,693,267	\$ 11,539,908	\$ 846,641
Expenditures				
Current				
General government				
Commissioners	\$ 216,783	\$ 216,783	\$ 199,544	\$ 17,239
Courts	40,000	40,000	58,004	(18,004)
Law library	24,000	24,000	24,213	(213)
County administration	196,732	196,732	185,409	11,323
County auditor	359,832	359,832	365,297	(5,465)
County treasurer	366,182	366,182	354,861	11,321
County assessor	358,351	358,351	389,062	(30,711)
Accounting and auditing	50,000	50,000	84,209	(34,209)
Data processing	321,392	321,392	315,520	5,872
Central services	64,700	64,700	68,211	(3,511)
Attorney	681,909	681,909	679,997	1,912
Recorder	243,859	243,859	246,474	(2,615)
Surveyor	7,500	7,500	-	7,500
Planning and zoning	338,054	338,054	321,198	16,856
Maintenance	415,348	415,348	429,157	(13,809)
Veterans service officer	139,549	139,549	146,496	(6,947)
Appropriations	230,790	230,790	204,904	25,886
Other	266,189	266,189	335,318	(69,129)
Total general government	\$ 4,321,170	\$ 4,321,170	\$ 4,407,874	\$ (86,704)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,403,313	\$ 4,403,313	\$ 4,427,554	\$ (24,241)
Coroner	64,000	64,000	60,252	3,748
Court services	482,392	482,392	473,057	9,335
E-911 system	151,335	151,335	162,901	(11,566)
Wireless communication	126,507	126,507	115,111	11,396
Emergency management	111,443	111,443	75,788	35,655
Total public safety	\$ 5,338,990	\$ 5,338,990	\$ 5,314,663	\$ 24,327
Conservation of natural resources				
Planning and zoning	\$ 117,500	\$ 117,500	\$ 124,523	\$ (7,023)
County extension	173,385	173,385	176,860	(3,475)
Extension committee	2,845	2,845	2,417	428
Agricultural inspections	5,000	5,000	5,000	-
Total conservation of natural resources	\$ 298,730	\$ 298,730	\$ 308,800	\$ (10,070)
Economic development				
Community development	\$ 91,000	\$ 91,000	\$ 91,000	\$ -
Intergovernmental				
General government	\$ 65,000	\$ 65,000	\$ 142,504	\$ (77,504)
Total Expenditures	\$ 10,114,890	\$ 10,114,890	\$ 10,264,841	\$ (149,951)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT A-1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ <u>578,377</u>	\$ <u>578,377</u>	\$ <u>1,275,067</u>	\$ <u>696,690</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 18,126	\$ 18,126
Transfers out	<u>(578,377)</u>	<u>(578,377)</u>	<u>(1,578,377)</u>	<u>(1,000,000)</u>
Total Other Financing Sources (Uses)	\$ <u>(578,377)</u>	\$ <u>(578,377)</u>	\$ <u>(1,560,251)</u>	\$ <u>(981,874)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ (285,184)	\$ (285,184)
Fund Balance - January 1	<u>7,726,787</u>	<u>7,726,787</u>	<u>7,726,787</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 7,726,787</u>	<u>\$ 7,726,787</u>	<u>\$ 7,441,603</u>	<u>\$ (285,184)</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,635,806	\$ 1,635,806	\$ 1,648,109	\$ 12,303
Intergovernmental	3,950,251	3,950,251	4,883,441	933,190
Charges for services	537,000	537,000	557,398	20,398
Miscellaneous	65,000	65,000	147,004	82,004
Total Revenues	\$ 6,188,057	\$ 6,188,057	\$ 7,235,952	\$ 1,047,895
Expenditures				
Current				
Highways and streets				
Administration	\$ 350,833	\$ 350,833	\$ 328,665	\$ 22,168
Maintenance	1,695,379	1,695,379	1,752,142	(56,763)
Engineering/construction	2,419,869	2,419,869	3,316,182	(896,313)
Equipment, maintenance, and shop	1,331,976	1,331,976	1,493,992	(162,016)
Total highways and streets	\$ 5,798,057	\$ 5,798,057	\$ 6,890,981	\$ (1,092,924)
Intergovernmental				
Highways and streets	390,000	390,000	404,302	(14,302)
Total Expenditures	\$ 6,188,057	\$ 6,188,057	\$ 7,295,283	\$ (1,107,226)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (59,331)	\$ (59,331)
Other Financing Sources (Uses)				
Transfers in	-	-	1,000,000	1,000,000
Net Change in Fund Balance	\$ -	\$ -	\$ 940,669	\$ 940,669
Fund Balance - January 1	2,510,873	2,510,873	2,510,873	-
Increase (decrease) in inventories	-	-	(27,711)	(27,711)
Fund Balance - December 31	\$ 2,510,873	\$ 2,510,873	\$ 3,423,831	\$ 912,958

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,996,367	\$ 2,996,367	\$ 2,960,061	\$ (36,306)
Intergovernmental	3,112,320	3,112,320	3,254,983	142,663
Charges for services	574,093	574,093	613,375	39,282
Gifts and contributions	-	-	500	500
Miscellaneous	234,537	234,537	270,140	35,603
Total Revenues	\$ 6,917,317	\$ 6,917,317	\$ 7,099,059	\$ 181,742
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,973,004	\$ 1,973,004	\$ 1,975,429	\$ (2,425)
Social services	4,944,313	4,944,313	4,399,142	545,171
Total Expenditures	\$ 6,917,317	\$ 6,917,317	\$ 6,374,571	\$ 542,746
Net Change in Fund Balance	\$ -	\$ -	\$ 724,488	\$ 724,488
Fund Balance - January 1	3,693,931	3,693,931	3,693,931	-
Fund Balance - December 31	\$ 3,693,931	\$ 3,693,931	\$ 4,418,419	\$ 724,488

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014**

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Budgetary Information

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

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

2. Excess of Expenditures Over Budget

The following funds and departments had expenditures in excess of budget for the year ended December 31, 2014:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Major governmental funds			
General Fund			
General government			
Courts	\$ 58,004	\$ 40,000	\$ 18,004
Law library	24,213	24,000	213
County auditor	365,297	359,832	5,465
County assessor	389,062	358,351	30,711
Accounting and auditing	84,209	50,000	34,209
Central services	68,211	64,700	3,511
Recorder	246,474	243,859	2,615
Maintenance	429,157	415,348	13,809
Veterans service officer	146,496	139,549	6,947
Other	335,318	266,189	69,129
Public safety			
Sheriff	4,427,554	4,403,313	24,241
E-911 system	162,901	151,335	11,566

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

2. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Major governmental funds			
General Fund (Continued)			
Conservation of natural resources			
Planning and zoning	124,523	117,500	7,023
County extension	176,860	173,385	3,475
Intergovernmental	142,504	65,000	77,504
Road and Bridge Special Revenue Fund			
Highways and streets			
Maintenance	1,752,142	1,695,379	56,763
Engineering/construction	3,316,182	2,419,869	896,313
Equipment, maintenance, and shop	1,493,992	1,331,976	162,016
Intergovernmental	404,302	390,000	14,302
Human Services Special Revenue Fund			
Human services			
Income maintenance	1,975,429	1,973,004	2,425

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 768,184	\$ 768,184	\$ 778,118	\$ 9,934
Intergovernmental	58,839	58,839	98,274	39,435
Total Revenues	\$ 827,023	\$ 827,023	\$ 876,392	\$ 49,369
Expenditures				
Debt service				
Principal	\$ 820,000	\$ 820,000	\$ 820,000	\$ -
Interest	104,023	104,023	104,023	-
Administrative and fiscal charges	3,000	3,000	1,350	1,650
Total Expenditures	\$ 927,023	\$ 927,023	\$ 925,373	\$ 1,650
Excess of Revenues Over (Under)				
Expenditures	\$ (100,000)	\$ (100,000)	\$ (48,981)	\$ 51,019
Other Financing Sources (Uses)				
Transfers in	100,000	100,000	100,000	-
Net Change in Fund Balance	\$ -	\$ -	\$ 51,019	\$ 51,019
Fund Balance - January 1	658,715	658,715	658,715	-
Fund Balance - December 31	\$ 658,715	\$ 658,715	\$ 709,734	\$ 51,019

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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, 2014**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<u>Assets</u>				
Cash and pooled investments	\$ 172,144	\$ 58,844	\$ 597,365	\$ 154,881
Taxes receivable				
Delinquent	-	4,742	-	-
Special assessments receivable				
Delinquent	-	-	-	1,447
Noncurrent	-	-	-	12,983
Accounts receivable - net	-	-	389	3,503
Due from other funds	-	-	-	383
Due from other governments	11,919	-	242,676	13,046
Notes receivable	9,000	-	-	-
Loans receivable	-	-	-	-
Advance to component unit	-	-	-	-
Prepaid items	-	-	4,313	-
Total Assets	<u>\$ 193,063</u>	<u>\$ 63,586</u>	<u>\$ 844,743</u>	<u>\$ 186,243</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 10,342	\$ -	\$ 4,807	\$ 461
Salaries payable	2,169	-	43,528	-
Due to other funds	5	-	241	300
Due to other governments	1,722	-	26,547	-
Due to component unit	-	-	-	-
Advance from other funds	-	-	-	16,711
Unearned revenue	-	-	271,360	-
Total Liabilities	<u>\$ 14,238</u>	<u>\$ -</u>	<u>\$ 346,483</u>	<u>\$ 17,472</u>
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ 3,813	\$ 85,129	\$ 14,430

EXHIBIT C-1

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Revolving Loan	Total
\$ 716,917	\$ 322,854	\$ 97,789	\$ 161,871	\$ 6,063	\$ 1,014,244	\$ 3,302,972
-	1,954	-	-	-	-	6,696
-	-	-	-	-	-	1,447
-	-	232,686	-	-	-	245,669
9,746	-	-	-	-	-	13,638
-	-	-	-	-	-	383
-	-	-	-	88	-	267,729
-	-	-	-	-	-	9,000
-	-	-	-	-	473,345	473,345
-	-	-	-	-	117,900	117,900
-	1,058	-	-	-	-	5,371
\$ 726,663	\$ 325,866	\$ 330,475	\$ 161,871	\$ 6,151	\$ 1,605,489	\$ 4,444,150
\$ 18,709	\$ 10,489	\$ -	\$ 290	\$ -	\$ -	\$ 45,098
2,473	5,502	-	-	-	-	53,672
196	-	-	-	-	-	742
21,132	5,117	-	107	-	-	54,625
-	-	-	-	-	27,500	27,500
-	-	-	-	-	-	16,711
-	-	-	-	-	473,345	744,705
\$ 42,510	\$ 21,108	\$ -	\$ 397	\$ -	\$ 500,845	\$ 943,053
\$ -	\$ 1,642	\$ 232,686	\$ -	\$ -	\$ -	\$ 337,700

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)				
Fund Balances				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ 4,313	\$ -
Notes receivable	9,000	-	-	-
Restricted for				
Sheriff contingencies	-	-	-	-
Conservation of natural resources	-	-	-	154,341
Committed for				
Regional library	-	59,773	-	-
Assigned to				
General government	-	-	-	-
Sanitation	-	-	-	-
Health	-	-	408,818	-
Culture and recreation	169,825	-	-	-
Economic development	-	-	-	-
Total Fund Balances	<u>\$ 178,825</u>	<u>\$ 59,773</u>	<u>\$ 413,131</u>	<u>\$ 154,341</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 193,063</u>	<u>\$ 63,586</u>	<u>\$ 844,743</u>	<u>\$ 186,243</u>

EXHIBIT C-1
(Continued)

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Revolving Loan	Total
\$ -	\$ 1,058	\$ -	\$ -	\$ -	\$ -	\$ 5,371
-	-	-	-	-	-	9,000
-	-	-	-	6,151	-	6,151
-	-	-	-	-	-	154,341
-	-	-	-	-	-	59,773
-	302,058	-	161,474	-	-	463,532
684,153	-	97,789	-	-	-	781,942
-	-	-	-	-	-	408,818
-	-	-	-	-	-	169,825
-	-	-	-	-	1,104,644	1,104,644
\$ 684,153	\$ 303,116	\$ 97,789	\$ 161,474	\$ 6,151	\$ 1,104,644	\$ 3,163,397
\$ 726,663	\$ 325,866	\$ 330,475	\$ 161,871	\$ 6,151	\$ 1,605,489	\$ 4,444,150

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
Revenues				
Taxes	\$ -	\$ 198,151	\$ -	\$ -
Special assessments	-	-	-	87,306
Intergovernmental	-	19,222	846,762	-
Charges for services	79,033	-	440,786	-
Fines and forfeits	-	-	-	-
Gifts and contributions	2,600	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	10,093	-	6,024	-
Total Revenues	\$ 91,726	\$ 217,373	\$ 1,293,572	\$ 87,306
Expenditures				
Current				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Health	-	-	1,609,123	-
Culture and recreation	258,216	241,021	-	-
Conservation of natural resources	-	-	-	44,742
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	2,635
Total Expenditures	\$ 258,216	\$ 241,021	\$ 1,609,123	\$ 47,377
Excess of Revenues Over (Under) Expenditures	\$ (166,490)	\$ (23,648)	\$ (315,551)	\$ 39,929
Other Financing Sources (Uses)				
Transfers in	\$ 168,805	\$ -	\$ 409,572	\$ -
Transfers out	-	-	-	-
Loans issued	-	-	-	-
Total Other Financing Sources (Uses)	\$ 168,805	\$ -	\$ 409,572	\$ -
Net Change in Fund Balance	\$ 2,315	\$ (23,648)	\$ 94,021	\$ 39,929
Fund Balance - January 1	176,510	83,421	319,110	114,412
Fund Balance - December 31	\$ 178,825	\$ 59,773	\$ 413,131	\$ 154,341

EXHIBIT C-2

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Revolving Loan	Total
\$ -	\$ 58,361	\$ -	\$ -	\$ -	\$ -	\$ 256,512
-	-	59,082	-	-	-	146,388
65,043	5,613	-	-	-	-	936,640
144,628	-	-	-	-	-	664,447
-	-	-	185,546	1,126	-	186,672
-	-	-	-	-	-	2,600
-	-	-	-	-	973	973
15,000	295,284	-	-	-	258,499	584,900
\$ 224,671	\$ 359,258	\$ 59,082	\$ 185,546	\$ 1,126	\$ 259,472	\$ 2,779,132
\$ -	\$ 391,698	\$ -	\$ 54,211	\$ -	\$ -	\$ 445,909
232,312	-	30,145	-	-	-	262,457
-	-	-	-	-	-	1,609,123
-	-	-	-	-	-	499,237
-	-	-	-	-	-	44,742
-	-	-	-	-	27,500	27,500
-	-	26,771	-	-	-	26,771
-	-	5,424	-	-	-	8,059
\$ 232,312	\$ 391,698	\$ 62,340	\$ 54,211	\$ -	\$ 27,500	\$ 2,923,798
\$ (7,641)	\$ (32,440)	\$ (3,258)	\$ 131,335	\$ 1,126	\$ 231,972	\$ (144,666)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 578,377
-	-	-	-	(18,126)	-	(18,126)
-	-	30,145	-	-	-	30,145
\$ -	\$ -	\$ 30,145	\$ -	\$ (18,126)	\$ -	\$ 590,396
\$ (7,641)	\$ (32,440)	\$ 26,887	\$ 131,335	\$ (17,000)	\$ 231,972	\$ 445,730
691,794	335,556	70,902	30,139	23,151	872,672	2,717,667
\$ 684,153	\$ 303,116	\$ 97,789	\$ 161,474	\$ 6,151	\$ 1,104,644	\$ 3,163,397

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 84,666	\$ 84,666	\$ 79,033	\$ (5,633)
Gifts and contributions	-	-	2,600	2,600
Miscellaneous	5,450	5,450	10,093	4,643
Total Revenues	\$ 90,116	\$ 90,116	\$ 91,726	\$ 1,610
Expenditures				
Current				
Culture and recreation				
Parks	263,171	263,171	258,216	4,955
Excess of Revenues Over (Under)				
Expenditures	\$ (173,055)	\$ (173,055)	\$ (166,490)	\$ 6,565
Other Financing Sources (Uses)				
Transfers in	168,805	168,805	168,805	-
Net Change in Fund Balance	\$ (4,250)	\$ (4,250)	\$ 2,315	\$ 6,565
Fund Balance - January 1	176,510	176,510	176,510	-
Fund Balance - December 31	\$ 172,260	\$ 172,260	\$ 178,825	\$ 6,565

FIDUCIARY FUNDS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-4

**BUDGETARY COMPARISON SCHEDULE
REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 196,989	\$ 196,989	\$ 198,151	\$ 1,162
Intergovernmental	19,311	19,311	19,222	(89)
Total Revenues	\$ 216,300	\$ 216,300	\$ 217,373	\$ 1,073
Expenditures				
Current				
Culture and recreation	216,300	216,300	241,021	(24,721)
Net Change in Fund Balance	\$ -	\$ -	\$ (23,648)	\$ (23,648)
Fund Balance - January 1	83,421	83,421	83,421	-
Fund Balance - December 31	\$ 83,421	\$ 83,421	\$ 59,773	\$ (23,648)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-5

**BUDGETARY COMPARISON SCHEDULE
COUNTY NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 664,564	\$ 664,564	\$ 846,762	\$ 182,198
Charges for services	464,300	464,300	440,786	(23,514)
Miscellaneous	1,500	1,500	6,024	4,524
Total Revenues	\$ 1,130,364	\$ 1,130,364	\$ 1,293,572	\$ 163,208
Expenditures				
Current				
Health				
Nursing service	1,614,936	1,614,936	1,609,123	5,813
Excess of Revenues Over (Under)				
Expenditures	\$ (484,572)	\$ (484,572)	\$ (315,551)	\$ 169,021
Other Financing Source (Uses)				
Transfers in	409,572	409,572	409,572	-
Net Change in Fund Balance	\$ (75,000)	\$ (75,000)	\$ 94,021	\$ 169,021
Fund Balance - January 1	319,110	319,110	319,110	-
Fund Balance - December 31	\$ 244,110	\$ 244,110	\$ 413,131	\$ 169,021

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-6

**BUDGETARY COMPARISON SCHEDULE
TRANSFER STATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 59,000	\$ 59,000	\$ 65,043	\$ 6,043
Charges for services	133,526	133,526	144,628	11,102
Miscellaneous	15,000	15,000	15,000	-
Total Revenues	\$ 207,526	\$ 207,526	\$ 224,671	\$ 17,145
Expenditures				
Current				
Sanitation				
Solid waste	207,526	207,526	232,312	(24,786)
Net Change in Fund Balance	\$ -	\$ -	\$ (7,641)	\$ (7,641)
Fund Balance - January 1	691,794	691,794	691,794	-
Fund Balance - December 31	\$ 691,794	\$ 691,794	\$ 684,153	\$ (7,641)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-7

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 57,174	\$ 57,174	\$ 58,361	\$ 1,187
Intergovernmental	6,020	6,020	5,613	(407)
Miscellaneous	331,628	331,628	295,284	(36,344)
Total Revenues	\$ 394,822	\$ 394,822	\$ 359,258	\$ (35,564)
Expenditures				
Current				
General government				
Central services	415,822	415,822	391,698	24,124
Net Change in Fund Balance	\$ (21,000)	\$ (21,000)	\$ (32,440)	\$ (11,440)
Fund Balance - January 1	335,556	335,556	335,556	-
Fund Balance - December 31	\$ 314,556	\$ 314,556	\$ 303,116	\$ (11,440)

**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, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 354,489	\$ 15,462,360	\$ 15,582,175	\$ 234,674
<u>Liabilities</u>				
Due to other governments	\$ 354,489	\$ 15,462,360	\$ 15,582,175	\$ 234,674
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 109,007	\$ 2,713,414	\$ 2,707,974	\$ 114,447
<u>Liabilities</u>				
Due to other governments	\$ 109,007	\$ 2,713,414	\$ 2,707,974	\$ 114,447
 <u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 22,688	\$ -	\$ -	\$ 22,688
<u>Liabilities</u>				
Due to other governments	\$ 22,688	\$ -	\$ -	\$ 22,688

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 104,190</u>	<u>\$ 118,588</u>	<u>\$ 124,224</u>	<u>\$ 98,554</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 104,190</u>	<u>\$ 118,588</u>	<u>\$ 124,224</u>	<u>\$ 98,554</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 590,374</u>	<u>\$ 18,294,362</u>	<u>\$ 18,414,373</u>	<u>\$ 470,363</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 590,374</u>	<u>\$ 18,294,362</u>	<u>\$ 18,414,373</u>	<u>\$ 470,363</u>

ECONOMIC DEVELOPMENT AUTHORITY

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT E-1

**STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2014**

Assets

Current assets

Cash and pooled investments	\$	214,346
Investments		141,000
Accounts receivable - net		1,771
Accrued interest receivable		865
Loan receivable		235,800
Due from primary government		27,500
Prepaid items		6,706
		6,706

Total current assets **\$ 627,988**

Noncurrent assets

Capital assets		
Nondepreciable	\$	155,988
Depreciable - net		2,738,422
		2,738,422

Total noncurrent assets **\$ 2,894,410**

Total Assets **\$ 3,522,398**

Liabilities

Current liabilities

Accounts payable	\$	5,605
Salaries payable		4,167
Accrued interest payable		3,008
Customer deposits		45,123
Compensated absences payable - current		1,360
Revenue bonds payable - current		172,082
		172,082

Total current liabilities **\$ 231,345**

Noncurrent liabilities

Compensated absences payable - long-term	\$	1,957
Advance from primary government		117,900
Advance from contributors		117,900
Revenue bonds payable - long-term		3,559,568
		3,559,568

Total noncurrent liabilities **\$ 3,797,325**

Total Liabilities **\$ 4,028,670**

Net Position

Net investment in capital assets	\$	(837,240)
Unrestricted		330,968
		330,968

Total Net Position **\$ (506,272)**

**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, 2014**

Operating Revenues	
Administrative fees	\$ 27,500
Tenant rents	574,738
Intergovernmental revenue	91,000
Miscellaneous	1,553
	<hr/>
Total Operating Revenues	\$ 694,791
	<hr/>
Operating Expenses	
Personal services	\$ 99,196
Employee benefits and payroll taxes	22,020
General services - repairs and maintenance	57,905
Administration and fiscal services	6,176
Other services and charges	115
Supplies	1,245
Management and caretaking	25,540
Real estate taxes	28,280
Snowplowing	20,920
Telephone	831
Utilities	4,540
Water	4,991
Advertising	4,926
Background checks	867
Insurance	34,405
Licenses and dues	2,267
Interest	458
Miscellaneous	192
Web site and internet	2,930
Depreciation	173,665
	<hr/>
Total Operating Expenses	\$ 491,469
	<hr/>
Operating Income (Loss)	\$ 203,322
	<hr/>
Nonoperating Revenues (Expenses)	
Interest income	\$ 1,183
Management fees	1,680
Interest expense	(145,233)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (142,370)
	<hr/>
Change in Net Position	\$ 60,952
	<hr/>
Net Position - January 1, as restated (See Note 8.A.)	(567,224)
	<hr/>
Net Position - December 31	\$ (506,272)
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT E-3

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2014
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 727,023
Payments to suppliers	(205,483)
Payments to employees	(121,539)
Other nonoperating revenue	<u>1,680</u>
Net cash provided by (used in) operating activities	<u>\$ 401,681</u>
Cash Flows from Noncapital Financing Activities	
Repayment to contributors	\$ (14,182)
Intergovernmental expense - Meeker County	<u>(14,182)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ (28,364)</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (165,676)
Interest paid on long-term debt	(145,109)
Purchases of capital assets	<u>(740)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (311,525)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 1,183</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 62,975
Cash and Cash Equivalents, January 1	<u>292,371</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 355,346</u></u>
Cash and Cash Equivalents - Exhibit E-1	
Cash and pooled investments	\$ 214,346
Investments	<u>141,000</u>
Total Cash and Cash Equivalents	<u><u>\$ 355,346</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT E-3
(Continued)***

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2014
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ 203,322</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 173,665
Other nonoperating revenue	1,680
(Increase) decrease in accounts receivable	4,460
(Increase) decrease in prepaid items	(577)
(Increase) decrease in loans receivable	28,364
Increase (decrease) in customer deposits	(592)
Increase (decrease) in accounts payable	(8,318)
Increase (decrease) in salaries payable	(854)
Increase (decrease) in compensated absences payable	<u>531</u>
Total adjustments	<u>\$ 198,359</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 401,681</u></u>

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, 2014**

Shared Revenue

State

Highway users tax	\$	4,369,943
County program aid		984,281
Market value credit - agricultural		170,660
PERA rate reimbursement		24,144
Disparity reduction aid		14,820
Police aid		143,434
Aquatic invasive species		111,547
E-911		100,225
		100,225

Total shared revenue **\$ 5,919,054**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	562,657
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Local

Local contributions	\$	153,771
Payments in lieu of taxes		122,581

Total local **\$ 276,352**

Grants

State

Minnesota Department/Board of		
Corrections	\$	133,832
Public Safety		46,640
Health		193,954
Natural Resources		73,569
Human Services		936,245
Water and Soil Resources		84,612
Veterans Affairs		10,000
Revenue		3,529
Peace Officer Standards and Training		9,332
Pollution Control Agency		65,043

Total state **\$ 1,556,756**

Grants (Continued)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT F-1
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal	
Department of Agriculture	\$ 349,728
Transportation	368,492
Education	2,288
Health and Human Services	1,693,141
Homeland Security	<u>51,745</u>
Total federal	<u>\$ 2,465,394</u>
Total state and federal grants	<u>\$ 4,022,150</u>
Total Intergovernmental Revenue	<u><u>\$ 10,780,213</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT F-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 153,754
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>167,010</u>
Total U.S. Department of Agriculture		<u>\$ 320,764</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	\$ 353,968
Recreational Trails Program	20.219	10,671
Passed Through City of Hutchinson State and Community Highway Safety	20.600	<u>3,326</u>
Total U.S. Department of Transportation		<u>\$ 367,965</u>
U.S. Department of Education		
Passed Through Meeker-McLeod-Sibley Community Health Services Special Education - Grants for Infants and Families	84.181	<u>\$ 2,288</u>
U.S. Department of Health and Human Services		
Passed Through Meeker-McLeod-Sibley Community Health Services Public Health Emergency Preparedness	93.069	25,149
Universal Newborn Hearing Screening	93.251	\$ 450
Immunization Cooperative Agreements	93.268	600
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$198,155)	93.558	25,047
Block Grants for Prevention and Treatment of Substance Abuse (Total Block Grants for Prevention and Treatment of Substance Abuse 93.959 \$220,793)	93.959	65,784
Maternal and Child Health Services Block Grant to the States	93.994	17,207
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	3,500

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT F-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	1,892
Temporary Assistance for Needy Families	93.558	173,108
(Total Temporary Assistance for Needy Families 93.558 \$198,155)		
Child Support Enforcement	93.563	294,402
Refugee and Entrant Assistance - State-Administered Programs	93.566	871
Child Care and Development Block Grant	93.575	4,808
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,247
Foster Care - Title IV-E	93.658	45,753
Social Services Block Grant	93.667	116,929
Chafee Foster Care Independence Program	93.674	1,103
Children's Health Insurance Program	93.767	84
Medical Assistance Program	93.778	539,623
Block Grants for Prevention and Treatment of Substance Abuse	93.959	155,009
(Total Block Grants for Prevention and Treatment of Substance Abuse 93.959 \$220,793)		
Total U.S. Department of Health and Human Services		\$ 1,472,566
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	\$ 8,564
Emergency Management Performance Grants	97.042	21,620
Total U.S. Department of Homeland Security		\$ 30,184
Total Federal Awards		\$ 2,193,767

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 \$265,189 in federal awards during the year ended June 30, 2014, 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, 2014. 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	\$	364,639
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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Subrecipients

During 2014, the County did not pass any federal money to subrecipients.

6. Reconciliation

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,465,394
Grants received more than 60 days after year-end, unavailable in 2014	
State and Community Highway Safety	585
Centers for Disease Control and Prevention - Investigations and Technical Assistance	10,089
Child Care and Development Block Grant	312
Block Grants for Prevention and Treatment of Substance Abuse	11,245
Unavailable in 2013, recognized as revenue in 2014	
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)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 2,193,767

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- 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:

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA No. 20.205
Recreational Trails Program	CFDA No. 20.219
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. The County continues to evaluate to ensure segregation of duties is in place as much as possible and feasible with the staffing available.

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 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 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 the Comprehensive Accounting Policies and Procedures Manual with a draft anticipated to be presented to the County Board in October 2015. When finalized, this manual will also include a formal risk assessment process.

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 12 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 Social Services disbursements until October 2014.

Recommendation: We recommend the County continue to document disbursement approvals as was established by the County in October 2014.

Client's Response:

Meeker County Social Services implemented a process that was finalized in October 2014 to ensure that all disbursements have the proper Supervisor or Director approval and this process is appropriately documented. State Auditor review acknowledges the testing deficiencies were prior to October.

ITEM ARISING THIS YEAR

Finding 2014-001

Audit Adjustment

Criteria: 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 of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Meeker County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified a material adjustment that resulted in significant changes to Meeker County's financial statements.

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: An audit adjustment was made to County Nurse Special Revenue Fund to increase unearned revenue by \$271,360 and decrease charges for services revenue by the same amount for an expenditure-driven local grant the County had received for which no expenditures had yet been made.

Cause: The County Auditor was unaware of the grant being received prior to expenditures being incurred; therefore, the proper coding was not completed at year-end.

Recommendation: We recommend Meeker County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements in a timely manner.

Client's Response:

Meeker County Public Health received grant funding in the amount of \$271,360 in December 2014 that is to be used over a three-year period. The County has implemented improved internal controls to ensure the County Auditor's Office is aware of unearned revenue and advances received by the County to ensure proper coding is completed prior to preparing the County's financial statements.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS 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), and Temporary Assistance for Needy Families (CFDA No. 93.558)

Pass-Through Agencies: 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 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 recipient to determine income and categorical eligibility), while the state maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

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

Cause: Supervisory staff indicated that they had been performing reviews; however, there was no documentation of that review. A process was not started in 2014 as it was unclear to the supervisor the form and content of what should be documented and retained.

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 Shephard, Eligibility Worker Supervisor

Corrective Action Planned:

The Eligibility Supervisor has implemented a review of one case file per worker per month. Additional audits will be done for each worker if deficiencies are identified. These reviews and any findings are documented.

Regular unit meetings are held for the entire Financial Staff to discuss updated policies and procedural changes specific to their work.

Anticipated Completion Date:

The quality review process has begun and is ongoing.

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 out of 41 items selected for testing, 17 did not have documentation to indicate that they were reviewed and approved by a supervisor or the Director:

Questioned Costs: None.

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 until October 2014.

Recommendation: We recommend the County continue to document disbursement approvals as was established by the County in October 2014.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Marlene Remmel, Fiscal Supervisor

Corrective Action Planned:

Meeker County Social Services Department has already implemented a corrected procedure whereby all disbursements show documentation that a review and approval was made by a Social Services Supervisor or Social Services Director. State Auditor review acknowledges the testing deficiencies were prior to October 2014 implementation of corrected procedure.

Anticipated Completion Date:

The review process has begun and is ongoing.

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. In a sample of 40 case files tested, we noted an individual who was receiving benefits that may have had other insurance options; however, there was no evidence of analysis to determine the cost effectiveness of this other insurance, nor was there documentation of why the analysis was not performed. Additionally, in this case file, there were assets listed in the application that were not verified, nor was the asset information input into MAXIS.

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

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

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 Shephard, Eligibility Worker Supervisor

Corrective Action Planned:

The Eligibility Supervisor discussed correction action with the staff member responsible for the case cited in this finding. The Supervisor will perform targeted audits of cases focusing on assets and insurance availability. Documentation to support eligibility determinations will be properly entered into MAXIS.

Regular unit meetings are held for the entire Financial Staff to discuss updated policies and procedural changes specific to their work.

Anticipated Completion Date:

Review and targeted auditing of cases has begun and is ongoing.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. 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: Thirteen of the 57 individual drainage systems had deficit cash balances totaling \$8,409, a decrease of \$23,100 from the \$31,509 deficit reported in the prior year. Eleven of the 57 individual drainage systems had deficit equity balances totaling \$3,809, a decrease of \$27,079 from the \$30,888 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 additional loans were formally made between ditches or other County funds.

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

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 annually, and in November, landowner assessments are determined. A significant decrease in deficit cash balances was achieved in 2014. The County continues to be more aggressive to accumulate a surplus balance to provide for repair and maintenance costs of the ditch system.

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: Six of 25 Social Services invoices tested for compliance with this statute were not paid within 35 days.

Context: The County has indicated, as part of its review of the disbursement process, it has implemented procedures in October 2014 to resolve the occurrence of late payments.

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. Meeker County Social Services implemented a process that was finalized in October 2014 to ensure all invoices are paid within the 35-day requirement. State Auditor review acknowledges the testing deficiencies were prior to October 2014 implementation of corrected procedure.

PREVIOUSLY REPORTED ITEM RESOLVED

Traffic Safety Course (2012-004)

Meeker County established a Traffic Safety Course option in lieu of issuance or court filing of a state uniform traffic ticket. The Traffic Safety Course established by the County did not comply with the criteria prescribed by Minn. Stat. § 169.999.

Resolution

Meeker County discontinued the practice of allowing traffic violators the option of attending the Traffic Safety Course in lieu of a state uniform traffic ticket.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Meeker County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.

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

Independent Auditor's Report

Board of County Commissioners
Meeker County
Litchfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County as of and for the year ended December 31, 2014, including the Meeker County Housing and Redevelopment Authority as of and for the year ended June 30, 2014, 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 14, 2015. Our report includes a reference to other auditors who audited the financial statements of the Meeker Memorial Hospital, an enterprise fund of Meeker County, and the Meeker County Housing and Redevelopment Authority, a discretely presented component unit of Meeker County, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Meeker Memorial Hospital were not audited in accordance with *Government Auditing Standards*.

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.

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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a material weakness.

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 attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 1996-002, 2006-001, and 2013-001 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 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.

Other Matters

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and we are reporting it for that purpose.

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 14, 2015

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

Independent Auditor's Report

Board of County Commissioners
Meeker County
Litchfield, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Meeker County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *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, 2014. 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 \$265,189 in federal awards during the year ended June 30, 2014, 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, 2014.

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 14, 2015

/s/Greg Hierlinger

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