

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

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

YEAR ENDED DECEMBER 31, 2017

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

Year Ended December 31, 2017



Audit Practice Division
Office of the State Auditor
State of Minnesota

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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LITCHFIELD, MINNESOTA**

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LITCHFIELD, MINNESOTA**

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2017**

			<u>Term Expires</u>
Elected			
Commissioners			
Chair	Beth Oberg	District 1	December 31, 2018
Vice Chair	Mike Huberty	District 5	December 31, 2018
Board Member	Joe Tacheny	District 2	December 31, 2020
Board Member	Bryan Larson	District 3	December 31, 2020
Board Member	Mike Housman	District 4	December 31, 2020
Auditor	Barbara Loch		December 31, 2018
Treasurer	Sharon Euerle		December 31, 2018
Recorder	Christine Paul		December 31, 2018
Sheriff	Brian Cruze		December 31, 2018
Attorney	Brandi Schiefelbein		December 31, 2018
Appointed			
Assessor	Jason Jorgensen		December 31, 2020
Court Administrator	Debra Mueske		Indefinite
Coroner/Medical Examiner	A. Quinn Strobl, M.D.		December 31, 2017
Examiner of Titles	Mark Wood		Indefinite
Highway Engineer	Ronald Mortensen		May 2018
Surveyor	Doug Huhn		December 31, 2018
Veterans Service Officer	Donald Dufner		December 31, 2017
Social Services Director	Paul Bukovich		Indefinite
Emergency Management Director	Dan Miller		Indefinite
County Administrator	Paul Virnig		Indefinite
Planning and Zoning Administrator	Kristin Cote		Indefinite

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**ORGANIZATION SCHEDULE
MEEKER COUNTY ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2017**

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

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REBECCA OTTO
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, 2017, including the Meeker County Housing and Redevelopment Authority as of and for the year ended June 30, 2017, 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 14 percent and 29 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, are 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 from material misstatement. The financial statements of the Meeker Memorial Hospital were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit 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, 2017, including the Meeker County Housing and Redevelopment Authority as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 14, 2018, on our consideration of Meeker County's and the Meeker County Economic Development Authority component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Meeker County's or the Meeker County Economic Development Authority component unit's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meeker County's and the Meeker County Economic Development Authority component unit's internal control over financial reporting and compliance. They do not include the Meeker Memorial Hospital or the Meeker County Housing and Redevelopment Authority, which were audited by other auditors.

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 14, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(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, 2017. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Meeker County exceeded its liabilities and deferred inflows of resources on December 31, 2017, by \$105,928,323 (net position). Of this amount, \$33,652,358 (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 \$5,068,191 in 2017. This is attributed primarily to an increase in activity.
- As of the close of 2017, Meeker County's governmental funds reported combined ending fund balances of \$23,819,379. Of this fund balance amount, \$21,271,639 was unrestricted by Meeker County, and thus available for spending at the government's discretion.
- At the end of 2017, unassigned fund balance for the General Fund was \$7,793,393, or 70.37 percent, of the total General Fund expenditures for that year.
- Meeker County's total debt decreased by \$8,157,668. The key factor in the decrease was payment on principal. This results in a decrease of 30.11 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Meeker County is improving or deteriorating.

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

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

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

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

Fund Level Financial Statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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

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

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

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

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 through 104 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Meeker County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$105,928,323 at the close of 2017. The largest portion of Meeker County's net position (62.43 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	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 29,649,120	\$ 27,793,342	\$ 38,676,354	\$ 41,386,227	\$ 68,325,474	\$ 69,179,569
Capital assets	<u>63,614,802</u>	<u>63,152,731</u>	<u>21,106,680</u>	<u>22,370,629</u>	<u>84,721,482</u>	<u>85,523,360</u>
Total Assets	<u>\$ 93,263,922</u>	<u>\$ 90,946,073</u>	<u>\$ 59,783,034</u>	<u>\$ 63,756,856</u>	<u>\$ 153,046,956</u>	<u>\$ 154,702,929</u>
Deferred Outflows of Resources	<u>\$ 5,351,062</u>	<u>\$ 9,453,635</u>	<u>\$ 2,780,794</u>	<u>\$ 5,614,506</u>	<u>\$ 8,131,856</u>	<u>\$ 15,068,141</u>
Liabilities						
Long-term liabilities	\$ 15,807,905	\$ 23,801,633	\$ 26,839,920	\$ 36,925,166	\$ 42,647,825	\$ 60,726,799
Other liabilities	<u>1,400,496</u>	<u>1,328,293</u>	<u>3,201,774</u>	<u>3,117,761</u>	<u>4,602,270</u>	<u>4,446,054</u>
Total Liabilities	<u>\$ 17,208,401</u>	<u>\$ 25,129,926</u>	<u>\$ 30,041,694</u>	<u>\$ 40,042,927</u>	<u>\$ 47,250,095</u>	<u>\$ 65,172,853</u>
Deferred Inflows of Resources	<u>\$ 5,566,039</u>	<u>\$ 1,950,972</u>	<u>\$ 2,434,355</u>	<u>\$ 1,787,113</u>	<u>\$ 8,000,394</u>	<u>\$ 3,738,085</u>
Net Position						
Net investment in capital assets	\$ 61,024,467	\$ 59,682,857	\$ 5,106,680	\$ 922,399	\$ 66,131,147	\$ 60,605,256
Restricted	5,117,490	2,985,232	1,027,328	1,068,241	6,144,818	4,053,473
Unrestricted	<u>9,698,587</u>	<u>10,650,721</u>	<u>23,953,771</u>	<u>25,550,682</u>	<u>33,652,358</u>	<u>36,201,403</u>
Total Net Position	<u>\$ 75,840,544</u>	<u>\$ 73,318,810</u>	<u>\$ 30,087,779</u>	<u>\$ 27,541,322</u>	<u>\$ 105,928,323</u>	<u>\$ 100,860,132</u>

The unrestricted net position amount of \$33,652,358 as of December 31, 2017, may be used to meet the County's ongoing obligations to citizens and creditors. The business-type activities reported in 2017 are comprised of the Meeker Memorial Hospital, an enterprise fund of the primary government.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 5,211,345	\$ 4,535,001	\$ 35,124,232	\$ 32,394,405	\$ 40,335,577	\$ 36,929,406
Operating grants and contributions	9,705,375	9,475,590	-	-	9,705,375	9,475,590
General revenues						
Property taxes	13,634,275	13,631,618	-	-	13,634,275	13,631,618
Gravel taxes	71,063	57,562	-	-	71,063	57,562
Mortgage registry taxes	20,190	18,757	-	-	20,190	18,757
Other taxes	113,857	119,966	-	-	113,857	119,966
Grants and contributions not restricted to specific programs	1,359,950	1,334,089	-	-	1,359,950	1,334,089
Gifts and contributions	-	-	500	37,673	500	37,673
Investment earnings	316,452	206,274	355,088	367,620	671,540	573,894
Gain on sale of capital assets	-	-	32,725	27,280	32,725	27,280
Miscellaneous	75,612	325,624	-	-	75,612	325,624
Total Revenues	\$ 30,508,119	\$ 29,704,481	\$ 35,512,545	\$ 32,826,978	\$ 66,020,664	\$ 62,531,459
Expenses						
General government	\$ 5,932,058	\$ 6,101,355	-	-	\$ 5,932,058	\$ 6,101,355
Public safety	6,227,059	6,703,702	-	-	6,227,059	6,703,702
Highways and streets	5,893,420	5,331,946	-	-	5,893,420	5,331,946
Sanitation	398,672	391,838	-	-	398,672	391,838
Human services	6,627,305	6,544,455	-	-	6,627,305	6,544,455
Hospital	-	-	32,966,088	32,511,861	32,966,088	32,511,861
Health	1,502,236	1,553,607	-	-	1,502,236	1,553,607
Culture and recreation	474,832	510,164	-	-	474,832	510,164
Conservation of natural resources	752,833	607,226	-	-	752,833	607,226
Economic development	118,500	118,500	-	-	118,500	118,500
Interest	59,470	73,748	-	-	59,470	73,748
Total Expenses	\$ 27,986,385	\$ 27,936,541	\$ 32,966,088	\$ 32,511,861	\$ 60,952,473	\$ 60,448,402
Increase in Net Position	\$ 2,521,734	\$ 1,767,940	\$ 2,546,457	\$ 315,117	\$ 5,068,191	\$ 2,083,057
Net Position - January 1	73,318,810	71,550,870	27,541,322	27,226,205	100,860,132	98,777,075
Net Position - December 31	\$ 75,840,544	\$ 73,318,810	\$ 30,087,779	\$ 27,541,322	\$ 105,928,323	\$ 100,860,132

Governmental Activities

Meeker County's governmental activities increased the County's net position during 2017 by \$2,521,734.

Business-Type Activities

Business-type activities of the Meeker Memorial Hospital increased Meeker County's net position by \$2,546,457, accounting for 50.24 percent of the total increase in the County's net position. Charges for services increased \$2,729,827, or 8.43 percent, while expenses were up \$454,227, or 1.40 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 \$23,819,379, a decrease of \$482,972 in comparison with the prior year. Of the ending fund balance, \$7,674,161 represents unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is not available for new spending because it has already been committed, restricted, assigned, or is in non-spendable form.

The General Fund is the chief operating fund for Meeker County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$7,793,393, while total fund balance was \$9,130,854. 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 70.37 percent of total General Fund expenditures. The ending fund balance for 2017 in the General Fund increased by \$456,701 as compared to the 2016 ending balance.

The Road and Bridge Special Revenue Fund's fund balance at the end of the current fiscal year was \$3,390,053. The ending fund balance in the Road and Bridge Special Revenue Fund decreased by \$1,202,194. This is primarily due to the completion on the CSAH 30 project.

The Human Services Special Revenue Fund's fund balance at the end of the current fiscal year was \$6,750,604. The ending fund balance in the Human Services Special Revenue Fund increased by \$849,903, primarily due to increased revenue.

The Debt Service Fund's fund balance at the end of the current fiscal year was \$772,814. The ending fund balance in the Debt Service Fund increased by \$19,888.

GENERAL FUND BUDGETARY HIGHLIGHTS

There are no differences between the original expenditure budget and the final amended budget. (Meeker County did not amend the 2017 expenditure budget.)

Actual revenues in the General Fund were more than budgeted revenues by \$457,520, 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, 2017, totaled \$63,614,802 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's governmental investment in capital assets increased \$462,071, or 0.73 percent, from the previous year. The major capital asset event was infrastructure.

Governmental Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,043,049	\$ 2,805,903	\$ 1,963,928	\$ 1,963,928	\$ 5,006,977	\$ 4,769,831
Land improvements	-	-	455,879	512,010	455,879	512,010
Infrastructure	45,549,175	44,745,708	-	-	45,549,175	44,745,708
Buildings	9,184,514	9,245,891	14,339,909	15,707,827	23,524,423	24,953,718
Building improvements	2,575,257	2,705,418	-	-	2,575,257	2,705,418
Machinery, equipment, and office furniture	3,040,762	3,347,785	4,346,964	4,177,452	7,387,726	7,525,237
Construction in progress	222,045	302,026	-	9,412	222,045	311,438
Total Capital Assets	\$ 63,614,802	\$ 63,152,731	\$ 21,106,680	\$ 22,370,629	\$ 84,721,482	\$ 85,523,360

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 \$18,934,593. 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 2,215,000	\$ 2,760,000	\$ -	\$ -	\$ 2,215,000	\$ 2,760,000
General obligation capital notes	340,000	670,000	-	-	340,000	670,000
Gross revenue hospital facilities bonds	-	-	16,000,000	23,200,000	16,000,000	23,200,000
Loan payable	379,593	462,261	-	-	379,593	462,261
Total	\$ 2,934,593	\$ 3,892,261	\$ 16,000,000	\$ 23,200,000	\$ 18,934,593	\$ 27,092,261

The County's debt related to general obligation bonds, gross revenue hospital facilities bonds, capital notes, and loans decreased by \$8,157,668, or 30.11 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 2017, 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 2017 was 4.2 percent, which represents a decrease of 1.0 percent from the rate of one year ago. This compares with the state unemployment rate of 3.4 percent.

By the end of 2017, Meeker County approved its balanced 2018 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 Treasurer, 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, 2017**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and pooled investments	\$ 24,184,783	\$ 6,269,140	\$ 30,453,923	\$ 215,346
Petty cash and change funds	2,690	-	2,690	-
Investments	-	-	-	141,000
Taxes receivable				
Delinquent	289,000	-	289,000	-
Special assessments receivable				
Delinquent	40,491	-	40,491	-
Noncurrent	340,001	-	340,001	-
Accounts receivable - net	61,433	4,269,513	4,330,946	4,613
Accrued interest receivable	107,107	-	107,107	1,403
Due from other governments	4,161,307	-	4,161,307	-
Due from primary government	-	-	-	27,500
Notes receivable	15,000	-	15,000	-
Loans receivable	66,527	-	66,527	-
Inventories	232,885	643,733	876,618	-
Prepaid items	147,896	294,598	442,494	44,692
Restricted assets				
Investments	-	25,246,715	25,246,715	-
Restricted by donor	-	126,650	126,650	-
Restricted by interest rate swap agreement	-	900,678	900,678	-
Investment in joint venture	-	671,884	671,884	-
Interest rate swap	-	253,443	253,443	-
Capital assets				
Non-depreciable	3,265,094	1,963,928	5,229,022	219,954
Depreciable - net of accumulated depreciation	60,349,708	19,142,752	79,492,460	2,717,767
Total Assets	\$ 93,263,922	\$ 59,783,034	\$ 153,046,956	\$ 3,372,275
<u>Deferred Outflows of Resources</u>				
Deferred pension outflows	\$ 5,351,062	\$ 2,780,794	\$ 8,131,856	\$ 26,224

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Liabilities</u>				
Accounts payable	\$ 603,625	\$ 1,006,138	\$ 1,609,763	\$ 18,240
Salaries payable	527,822	1,741,602	2,269,424	4,584
Contracts payable	78,880	-	78,880	-
Due to other governments	139,900	-	139,900	4,403
Due to component unit	27,500	-	27,500	-
Accrued interest payable	22,769	20,989	43,758	3,078
Estimated third-party payor settlements	-	433,045	433,045	-
Other accrued liabilities	-	-	-	2,617
Unearned revenue	-	-	-	504
Payables from restricted assets				
Customer deposits	-	-	-	56,566
Long-term liabilities				
Due within one year	1,268,797	715,000	1,983,797	197,523
Due in more than one year	2,823,193	15,285,000	18,108,193	3,171,241
Net pension liability	11,025,791	10,839,920	21,865,711	107,722
Other postemployment benefits	690,124	-	690,124	-
Total Liabilities	\$ 17,208,401	\$ 30,041,694	\$ 47,250,095	\$ 3,566,478
<u>Deferred Inflows of Resources</u>				
Deferred interest rate swap	\$ -	\$ 253,443	\$ 253,443	\$ -
Deferred pension inflows	5,116,495	1,984,002	7,100,497	22,023
Deferred gain on refunding	-	196,910	196,910	-
Prepaid property taxes	449,544	-	449,544	-
Total Deferred Inflows of Resources	\$ 5,566,039	\$ 2,434,355	\$ 8,000,394	\$ 22,023
<u>Net Position</u>				
Net investment in capital assets	\$ 61,024,467	\$ 5,106,680	\$ 66,131,147	\$ (419,590)
Restricted for				
General government	263,627	-	263,627	-
Public safety	178,906	-	178,906	-
Highways and streets	3,154,214	-	3,154,214	-
Human services	27,660	-	27,660	-
Conservation of natural resources	720,269	-	720,269	-
Debt service	772,814	-	772,814	-
Restricted by donor	-	126,650	126,650	-
Restricted by interest rate swap agreement	-	900,678	900,678	-
Restricted for other purposes	-	-	-	9,167
Unrestricted	9,698,587	23,953,771	33,652,358	220,421
Total Net Position	\$ 75,840,544	\$ 30,087,779	\$ 105,928,323	\$ (190,002)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<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	\$ 5,932,058	\$ 886,945	\$ 36,500
Public safety	6,227,059	1,360,184	485,933
Highways and streets	5,893,420	681,340	4,618,774
Sanitation	398,672	413,751	104,828
Human services	6,627,305	1,086,293	3,534,130
Health	1,502,236	373,011	483,099
Culture and recreation	474,832	120,791	5,825
Conservation of natural resources	752,833	286,478	436,286
Economic development	118,500	2,552	-
Interest	59,470	-	-
Total governmental activities	\$ 27,986,385	\$ 5,211,345	\$ 9,705,375
Business-type activities			
Meeker Memorial Hospital	32,966,088	35,124,232	-
Total Primary Government	\$ 60,952,473	\$ 40,335,577	\$ 9,705,375
Discretely Presented Component Units	\$ 1,170,118	\$ 773,734	\$ 330,380

General Revenues

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

Total general revenues

Change in Net Position

Net Position - January 1

Net Position - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Units
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (5,008,613)	\$ -	\$ (5,008,613)	
-	(4,380,942)	-	(4,380,942)	
-	(593,306)	-	(593,306)	
-	119,907	-	119,907	
-	(2,006,882)	-	(2,006,882)	
-	(646,126)	-	(646,126)	
-	(348,216)	-	(348,216)	
-	(30,069)	-	(30,069)	
-	(115,948)	-	(115,948)	
-	(59,470)	-	(59,470)	
\$ -	\$ (13,069,665)	\$ -	\$ (13,069,665)	
-	-	2,158,144	2,158,144	
\$ -	\$ (13,069,665)	\$ 2,158,144	\$ (10,911,521)	
\$ -				\$ (66,004)
	\$ 13,634,275	\$ -	\$ 13,634,275	\$ -
	71,063	-	71,063	-
	20,190	-	20,190	-
	113,857	-	113,857	-
	1,359,950	-	1,359,950	39
	-	500	500	-
	316,452	355,088	671,540	3,027
	-	32,725	32,725	-
	75,612	-	75,612	-
	\$ 15,591,399	\$ 388,313	\$ 15,979,712	\$ 3,066
	\$ 2,521,734	\$ 2,546,457	\$ 5,068,191	\$ (62,938)
	73,318,810	27,541,322	100,860,132	(127,064)
	\$ 75,840,544	\$ 30,087,779	\$ 105,928,323	\$ (190,002)

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 8,997,891	\$ 3,452,588
Petty cash and change funds	2,690	-
Taxes receivable		
Delinquent	161,024	38,033
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable	30,439	-
Accrued interest receivable	107,107	-
Due from other funds	303	1,542
Due from other governments	337,849	3,157,447
Notes receivable	-	-
Loans receivable	-	-
Inventories	-	232,885
Advances to other funds	185,000	-
Prepaid items	145,963	714
	\$ 9,968,266	\$ 6,883,209
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 146,069	\$ 142,322
Salaries payable	269,003	66,420
Contracts payable	-	38,380
Due to other funds	148	1,029
Due to other governments	15,226	870
Due to component unit	-	-
Advances from other funds	-	-
	\$ 430,446	\$ 249,021
Deferred Inflows of Resources		
Unavailable revenue	\$ 145,518	\$ 3,184,403
Prepaid property taxes	261,448	59,732
	\$ 406,966	\$ 3,244,135

EXHIBIT 3

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,754,723	\$ 790,738	\$ 212,073	\$ 3,976,770	\$ 24,184,783
-	-	-	-	2,690
65,372	17,992	50	6,529	289,000
-	-	-	40,491	40,491
-	-	-	340,001	340,001
17,489	-	-	13,505	61,433
-	-	-	-	107,107
1,649	-	-	51	3,545
512,957	-	-	153,054	4,161,307
-	-	-	15,000	15,000
-	-	-	66,527	66,527
-	-	-	-	232,885
-	-	-	-	185,000
-	-	-	1,219	147,896
<u>\$ 7,352,190</u>	<u>\$ 808,730</u>	<u>\$ 212,123</u>	<u>\$ 4,613,147</u>	<u>\$ 29,837,665</u>
\$ 151,325	\$ -	\$ 91,751	\$ 72,158	\$ 603,625
133,459	-	-	58,940	527,822
-	-	40,500	-	78,880
267	-	-	2,101	3,545
49,576	-	-	74,228	139,900
-	-	-	27,500	27,500
-	-	-	185,000	185,000
<u>\$ 334,627</u>	<u>\$ -</u>	<u>\$ 132,251</u>	<u>\$ 419,927</u>	<u>\$ 1,566,272</u>
\$ 171,135	\$ 14,482	\$ 50	\$ 486,882	\$ 4,002,470
95,824	21,434	-	11,106	449,544
<u>\$ 266,959</u>	<u>\$ 35,916</u>	<u>\$ 50</u>	<u>\$ 497,988</u>	<u>\$ 4,452,014</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
(Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 232,885
Prepaid items	145,963	714
Advances to other funds	185,000	-
Notes receivable	-	-
Missing heirs	3,683	-
Restricted for		
Debt service	-	-
Recorder's technology equipment	47,401	-
Recorder's compliance	212,779	-
Prosecutorial purposes	38,116	-
Law enforcement - Sheriff forfeiture	36,184	-
Gravel pit restoration	143,786	-
Law enforcement - Sheriff contingencies	-	-
Aquatic invasive species	426,096	-
Permit to carry administration	95,006	-
Veterans grant	3,447	-
Child protection	-	-
Ditch maintenance and construction	-	-
Committed for		
Regional library	-	-
Assigned to		
General government	-	-
Highways and streets	-	3,156,454
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Economic development	-	-
Capital projects	-	-
Unassigned	7,793,393	-
Total Fund Balances	\$ 9,130,854	\$ 3,390,053
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,968,266	\$ 6,883,209

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 232,885
-	-	-	1,219	147,896
-	-	-	-	185,000
-	-	-	15,000	15,000
-	-	-	-	3,683
-	772,814	-	-	772,814
-	-	-	-	47,401
-	-	-	-	212,779
-	-	-	-	38,116
-	-	-	-	36,184
-	-	-	-	143,786
-	-	-	9,600	9,600
-	-	-	-	426,096
-	-	-	-	95,006
-	-	-	-	3,447
27,660	-	-	-	27,660
-	-	-	150,387	150,387
-	-	-	60,973	60,973
-	-	-	561,076	561,076
-	-	-	-	3,156,454
-	-	-	952,490	952,490
6,722,944	-	-	-	6,722,944
-	-	-	475,595	475,595
-	-	-	197,003	197,003
-	-	-	1,391,121	1,391,121
-	-	79,822	-	79,822
-	-	-	(119,232)	7,674,161
<u>\$ 6,750,604</u>	<u>\$ 772,814</u>	<u>\$ 79,822</u>	<u>\$ 3,695,232</u>	<u>\$ 23,819,379</u>
<u>\$ 7,352,190</u>	<u>\$ 808,730</u>	<u>\$ 212,123</u>	<u>\$ 4,613,147</u>	<u>\$ 29,837,665</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, 2017**

Fund balance - total governmental funds		\$ 23,819,379
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		63,614,802
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.		4,002,470
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds and any related unamortized discounts/premiums	\$ (2,249,004)	
Capital notes payable and any related unamortized discounts/premiums	(341,331)	
Loan payable	(379,593)	
Other postemployment benefits	(690,124)	
Compensated absences	(1,122,062)	
Net pension liability	(11,025,791)	
Accrued interest payable	<u>(22,769)</u>	(15,830,674)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred outflows related to pensions	\$ 5,351,062	
Deferred inflows related to pensions	<u>(5,116,495)</u>	<u>234,567</u>
Net Position of Governmental Activities		<u>\$ 75,840,544</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Road and Bridge
Revenues		
Taxes	\$ 7,803,050	\$ 1,773,315
Special assessments	-	-
Licenses and permits	95,351	-
Intergovernmental	1,966,059	3,093,111
Charges for services	1,722,689	535,595
Fines and forfeitures	26,513	-
Gifts and contributions	3,750	-
Investment earnings	314,995	-
Miscellaneous	405,764	145,745
	\$ 12,338,171	\$ 5,547,766
Expenditures		
Current		
General government	\$ 4,792,410	\$ 91,543
Public safety	5,662,961	-
Highways and streets	-	6,324,221
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	479,922	-
Economic development	91,000	-
Capital outlay		
General government	-	-
Public safety	-	-
Conservation of natural resources	-	-
Intergovernmental		
General government	49,307	-
Highways and streets	-	434,962
Debt service		
Principal	-	-
Interest	-	-
Administrative and fiscal charges	-	-
	\$ 11,075,600	\$ 6,850,726
Excess of Revenues Over (Under) Expenditures	\$ 1,262,571	\$ (1,302,960)

EXHIBIT 5

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,952,841	\$ 779,274	\$ -	\$ 409,196	\$ 13,717,676
-	-	-	331,502	331,502
-	-	-	-	95,351
3,548,390	79,069	8,000	638,365	9,332,994
602,135	-	-	806,480	3,666,899
-	-	-	1,025	27,538
100	-	26,500	5,825	36,175
-	-	-	1,457	316,452
484,158	-	-	355,138	1,390,805
\$ 7,587,624	\$ 858,343	\$ 34,500	\$ 2,548,988	\$ 28,915,392
\$ -	\$ -	\$ -	\$ 390,825	\$ 5,274,778
-	-	-	-	5,662,961
-	-	-	-	6,324,221
-	-	-	365,269	365,269
6,738,315	-	-	-	6,738,315
-	-	-	1,584,787	1,584,787
-	-	-	542,030	542,030
-	-	-	277,221	757,143
-	-	-	27,500	118,500
-	-	342,052	-	342,052
-	-	186,540	-	186,540
-	-	11,274	-	11,274
-	-	-	-	49,307
-	-	-	-	434,962
-	875,000	-	160,009	1,035,009
-	62,105	-	7,296	69,401
-	1,350	-	-	1,350
\$ 6,738,315	\$ 938,455	\$ 539,866	\$ 3,354,937	\$ 29,497,899
\$ 849,309	\$ (80,112)	\$ (505,366)	\$ (805,949)	\$ (582,507)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Road and Bridge</u>
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ 78,572
Transfers out	(805,870)	-
Loans issued	-	-
	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	\$ (805,870)	\$ 78,572
Net Change in Fund Balances	\$ 456,701	\$ (1,224,388)
Fund Balances - January 1	8,674,153	4,592,247
Increase (decrease) in inventories	-	22,194
	<u>-</u>	<u>22,194</u>
Fund Balances - December 31	<u>\$ 9,130,854</u>	<u>\$ 3,390,053</u>

EXHIBIT 5
(Continued)

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 100,000	\$ -	\$ 727,298	\$ 905,870
-	-	(100,000)	-	(905,870)
-	-	-	77,341	77,341
<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ (100,000)</u>	<u>\$ 804,639</u>	<u>\$ 77,341</u>
\$ 849,309	\$ 19,888	\$ (605,366)	\$ (1,310)	\$ (505,166)
5,901,295	752,926	685,188	3,696,542	24,302,351
-	-	-	-	22,194
<u>\$ 6,750,604</u>	<u>\$ 772,814</u>	<u>\$ 79,822</u>	<u>\$ 3,695,232</u>	<u>\$ 23,819,379</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
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (505,166)

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	\$ 4,002,470	
Unavailable revenue - January 1	(2,192,209)	1,810,261

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

Expenditures for general capital assets and infrastructure	\$ 3,032,332	
Net book value of assets disposed	(9,871)	
Current year depreciation expense	(2,560,390)	462,071

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		(77,341)
---------------------	--	----------

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	\$ 545,000	
Capital notes	330,000	
Loan payable	160,009	1,035,009

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

Change in accrued interest payable	\$ 6,742	
Amortization of discounts/premiums	4,539	
Change in compensated absences	763,282	
Change in inventories	22,194	
Change in other postemployment benefits	(76,383)	
Change in deferred pension outflows	(4,102,573)	
Change in deferred pension inflows	(3,165,523)	
Change in net pension liability	6,344,622	(203,100)

Net Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,521,734

PROPRIETARY FUND

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2017**

Assets

Current assets

Cash and pooled investments	\$ 6,269,140
Accounts receivable - net	4,269,513
Inventories	643,733
Prepaid items	294,598

Total current assets **\$ 11,476,984**

Restricted assets

Investments	\$ 25,246,715
Restricted by donor	126,650
Restricted by interest rate swap agreement	900,678

Total restricted assets **\$ 26,274,043**

Noncurrent assets

Investment in joint venture	\$ 671,884
Interest rate swap	253,443
Capital assets	
Nondepreciable	1,963,928
Depreciable - net	19,142,752

Total noncurrent assets **\$ 22,032,007**

Total Assets **\$ 59,783,034**

Deferred Outflows of Resources

Deferred pension outflows	<u>\$ 2,780,794</u>
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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT 7
(Continued)***

**STATEMENT OF FUND NET POSITION
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2017**

Liabilities

Current liabilities

Accounts payable	\$ 1,006,138
Salaries payable	1,741,602
Accrued interest payable	20,989
Estimated third-party payor settlements	433,045
Bonds payable	715,000

Total current liabilities **\$ 3,916,774**

Noncurrent liabilities

Bonds payable	\$ 15,285,000
Net pension liability	10,839,920

Total noncurrent liabilities **\$ 26,124,920**

Total Liabilities **\$ 30,041,694**

Deferred Inflows of Resources

Deferred interest rate swap	\$ 253,443
Deferred pension inflows	1,984,002
Deferred gain on refunding	196,910

Total Deferred Inflows of Resources **\$ 2,434,355**

Net Position

Net investment in capital assets	\$ 5,106,680
Restricted by donor	126,650
Restricted by interest rate swap agreement	900,678
Unrestricted	23,953,771

Total Net Position **\$ 30,087,779**

**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, 2017**

Operating Revenues	
Patient services revenues	\$ 34,564,776
Miscellaneous	559,456
	<hr/>
Total Operating Revenues	\$ 35,124,232
Operating Expenses	
Professional care of patients	\$ 21,323,327
Administration and fiscal services	6,123,788
Property, housekeeping, and laundry	1,387,784
Dietary	565,263
Depreciation	2,360,445
	<hr/>
Total Operating Expenses	\$ 31,760,607
Operating Income (Loss)	\$ 3,363,625
Nonoperating Revenues (Expenses)	
Noncapital contributions	\$ 500
Investment earnings	355,088
Interest expense	(1,205,481)
Gain (loss) on disposal of assets and other	32,725
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (817,168)
Change in Net Position	\$ 2,546,457
Net Position - January 1	27,541,322
	<hr/>
Net Position - December 31	\$ 30,087,779
	<hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

Cash Flows from Operating Activities	
Receipts from third-party payors and patients	\$ 34,230,259
Other receipts	610,142
Payments to suppliers	(13,481,189)
Payments to employees	<u>(15,410,488)</u>
Net cash provided by (used in) operating activities	<u>\$ 5,948,724</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	\$ (1,096,495)
Proceeds from issuance of debt	16,000,000
Payments on defeasance of long-term debt	(22,595,000)
Contributions received restricted for capital assets	33,225
Principal payments on long-term debt	(605,000)
Interest paid	<u>(1,405,582)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (9,668,852)</u>
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	\$ 25,766,148
Purchase of investments	(24,488,592)
Investment earnings received	<u>355,173</u>
Net cash provided by (used in) investing activities	<u>\$ 1,632,729</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (2,087,399)
Cash and Cash Equivalents, January 1	<u>8,356,539</u>
Cash and Cash Equivalents, December 31	<u>\$ 6,269,140</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT 9
(Continued)***

**STATEMENT OF CASH FLOWS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	<u>\$ 3,363,625</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 2,360,445
Equity in joint venture	(218,454)
Distributions received from joint venture	269,138
Provision for bad debts	726,476
Adjustment to deferred loss on refunding	(9,282)
(Increase) decrease in accounts receivable	(1,364,920)
(Increase) decrease in inventories	(81,666)
(Increase) decrease in prepaid items	(25,288)
(Increase) decrease in accounts payable	(39,262)
Increase (decrease) in salaries payable	19,451
(Increase) decrease in estimated third-party payor settlements	303,927
Increase (decrease) in net pension liability and related deferred inflows and outflows	<u>644,534</u>
Total adjustments	<u>\$ 2,585,099</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 5,948,724</u>

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FIDUCIARY FUNDS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017**

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	<u>\$ 1,076,725</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 1,076,725</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, 2017**

	<u>Economic Development Authority</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 159,620	\$ 55,726	\$ 215,346
Cash and cash equivalents	141,000	-	141,000
Accounts receivable - net	1,096	3,517	4,613
Accrued interest receivable	1,403	-	1,403
Due from primary government	27,500	-	27,500
Prepaid items	34,799	9,893	44,692
	<u>365,418</u>	<u>69,136</u>	<u>434,554</u>
Total current assets	\$ 365,418	\$ 69,136	\$ 434,554
Noncurrent assets			
Capital assets			
Nondepreciable	\$ 155,988	\$ 63,966	\$ 219,954
Depreciable - net	2,368,256	349,511	2,717,767
	<u>2,524,244</u>	<u>413,477</u>	<u>2,937,721</u>
Total noncurrent assets	\$ 2,524,244	\$ 413,477	\$ 2,937,721
Total Assets	\$ 2,889,662	\$ 482,613	\$ 3,372,275
<u>Deferred Outflows of Resources</u>			
Deferred pension outflows	\$ 26,224	\$ -	\$ 26,224
	<u>26,224</u>	<u>-</u>	<u>26,224</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 11
(Continued)**

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2017**

	<u>Economic Development Authority</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 16,348	\$ 1,892	\$ 18,240
Salaries payable	4,584	-	4,584
Due to other governments	-	4,403	4,403
Accrued interest payable	3,078	-	3,078
Other accrued liabilities	-	2,617	2,617
Unearned revenue	-	504	504
Customer deposits	48,204	8,362	56,566
Compensated absences payable - current	4,696	-	4,696
Revenue bonds payable - current	192,827	-	192,827
Total current liabilities	<u>\$ 269,737</u>	<u>\$ 17,778</u>	<u>\$ 287,515</u>
Noncurrent liabilities			
Compensated absences payable - long-term	\$ 6,757	\$ -	\$ 6,757
Revenue bonds payable - long-term	3,002,357	-	3,002,357
Long-term debt - mortgage	-	162,127	162,127
Net pension liability	107,722	-	107,722
Total noncurrent liabilities	<u>\$ 3,116,836</u>	<u>\$ 162,127</u>	<u>\$ 3,278,963</u>
Total Liabilities	<u>\$ 3,386,573</u>	<u>\$ 179,905</u>	<u>\$ 3,566,478</u>
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows	<u>\$ 22,023</u>	<u>\$ -</u>	<u>\$ 22,023</u>
<u>Net Position</u>			
Net investment in capital assets	\$ (670,940)	\$ 251,350	\$ (419,590)
Restricted for other purposes	-	9,167	9,167
Unrestricted	178,230	42,191	220,421
Total Net Position	<u>\$ (492,710)</u>	<u>\$ 302,708</u>	<u>\$ (190,002)</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Economic Development Authority (EDA)	\$ 770,229	\$ 686,944
Housing and Redevelopment Authority (HRA)	399,889	86,790
Total Component Units	\$ 1,170,118	\$ 773,734

General Revenues

Grants and contributions not restricted
to specific programs
Investment earnings

Total general revenues

Change in Net Position

Net Position - January 1

Net Position - December 31

EXHIBIT 12

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	EDA	HRA	Total
\$ 91,000	\$ -	\$ 7,715	\$ -	\$ 7,715
239,380	-	-	(73,719)	(73,719)
\$ 330,380	\$ -	\$ 7,715	\$ (73,719)	\$ (66,004)
		\$ 39	\$ -	\$ 39
		2,965	62	3,027
		\$ 3,004	\$ 62	\$ 3,066
		\$ 10,719	\$ (73,657)	\$ (62,938)
		(503,429)	376,365	(127,064)
		\$ (492,710)	\$ 302,708	\$ (190,002)

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Units

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in several joint ventures described in Note 7.B.

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

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

The County reports the following major governmental funds:

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

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

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2017. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the Meeker Memorial Hospital Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Investment earnings for 2017 were \$314,995.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

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

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

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2012 through 2017 and noncurrent special assessments in 2018 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

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

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

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

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

4. Inventories and Prepaid Items

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences

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

8. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. Currently, the County has five types of deferred inflows in this

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

category: unavailable revenue, prepaid property taxes, deferred pension inflows, deferred interest rate swap, and deferred gain on refunding. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period which it becomes available. Prepaid property taxes arise under both the modified accrual and the full accrual basis of accounting and is reported in both the governmental funds balance sheet and the governmental activities statement of net position. These amounts represent the County's share of 2018 property taxes collected in advance. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amounts were levied. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, pension plan changes in proportionate share, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. Additionally, the County reports a deferred interest rate swap in the major enterprise fund and business-type activities. This deferred inflow of resources is the result of a gain/loss associated with the change in fair value of a derivative instrument. Finally, the County reports a deferred gain on refunding in the major enterprise fund and business-type activities.

9. Long-Term Obligations

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Long-Term Obligations (Continued)

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. Pension Plan

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

11. Classification of Net Position

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

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

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

**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 Net Position (Continued)

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

12. Classification of Fund Balances

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

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

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances (Continued)

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

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

13. Minimum Fund Balance

Meeker County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance in the General Fund (committed, assigned, and unassigned) of no less than five months of operating expenditures based on the previous year, or approximately 35 to 50 percent of fund operating revenues. The fund balance policy was adopted by the County Board on December 8, 2011. At December 31, 2017, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

14. Use of Estimates

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The laws and regulations under which the Medicare and Medicaid programs operate are complex, subject to frequent change, and subject to interpretation. As part of operating under these programs, 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 reimbursements 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 these programs.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

F. Hospital Enterprise Fund - Operating Revenues and Expenses

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

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of \$31,155 as of December 31, 2017, 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:

44 ditches with positive balances	\$	150,387
11 ditches with deficit balances		<u>(119,232)</u>
Net Fund Balance	\$	<u>31,155</u>

B. Excess of Expenditures Over Appropriations

The following nonmajor funds had expenditures in excess of budget for the year ended December 31, 2017:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
County Parks Special Revenue Fund	\$ 314,785	\$ 311,598	\$ 3,187
County Nurse Special Revenue Fund	1,584,787	1,539,144	45,643
Transfer Station Special Revenue Fund	282,428	205,000	77,428

**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	\$ 24,184,783
Petty cash and change funds	2,690
Business-type activities	
Cash and pooled investments	6,269,140
Investments, restricted	26,274,043
Statement of fiduciary net position	
Cash and pooled investments	1,076,725
Total Cash and Investments	\$ 57,807,381
Deposits	\$ 33,258,186
Petty cash and change funds	2,690
Investments	24,546,505
Total Deposits, Cash on Hand, and Investments	\$ 57,807,381

a. Deposits

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to minimize custodial credit risk over deposits by obtaining collateral or bond for all uninsured amounts on deposit, and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2017, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

At December 31, 2017, the County had the following investments:

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>5+ Years</u>
Federal Home Loan Mortgage Corporation Securities	\$ 1,858,984	\$ 796,186	\$ 1,062,798	\$ -
Federal Home Loan Bank Securities	298,782	-	298,782	-
Federal National Mortgage Association Securities	1,089,945	817,852	272,093	-
MAGIC Fund	14,465,263	14,465,263	-	-
Negotiable CDs	6,833,531	2,767,581	4,065,950	-
Total Investments	<u>\$ 24,546,505</u>	<u>\$ 18,846,882</u>	<u>\$ 5,699,623</u>	<u>\$ -</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

The County's exposure to credit risk as of December 31, 2017, is as follows:

	<u>S & P Rating</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation Securities	AA+	\$ 1,858,984
Federal Home Loan Bank Securities	AA+	298,782
Federal National Mortgage Association Securities	AA+	1,089,945
MAGIC Fund	N/R	14,465,263
Negotiable CDs	N/A	6,833,531
Total		<u>\$ 24,546,505</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. It is the County's policy to minimize custodial credit risk over investments by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available, and securities purchased that exceed excess SIPC coverages shall be transferred to the County's custodian. As of December 31, 2017, Meeker County's investments were not subject to custodial credit risk.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

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

<u>Issuer</u>	<u>Percent of Total</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Corporation Securities	7.57%	\$ 1,858,984

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2017, the County had the following recurring fair value measurements:

	December 31, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	\$ 3,247,711	\$ -	\$ 3,247,711	\$ -
Negotiable certificates of deposit	6,833,531	-	6,833,531	-
Interest rate swap	253,443	-	253,443	-
Total Investments Included in the Fair Value Hierarchy	<u>\$ 10,334,685</u>	<u>\$ -</u>	<u>\$ 10,334,685</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 6,504,262			
MAGIC Term	7,961,000			
Total Investments Measured at the NAV	<u>\$ 14,465,262</u>			

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

- U.S. Treasuries: a market approach by utilizing quoted prices for identical securities in markets that are not active;

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices; and
- Interest Rate Swap: prices based on securities with similar characteristics in active markets.

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Governmental activities had no allowance for doubtful accounts recorded, while the business-type activities had the following in allowance for doubtful accounts:

	Total Receivables
Business-Type Activities	
Accounts	\$ 7,621,453
Allowance for contractual adjustments	(1,991,940)
Allowance for uncollectible accounts	(1,360,000)
Total Business-Type Activities	\$ 4,269,513

The County had no receivables scheduled to be collected beyond one year, except for \$340,001 of noncurrent special assessments and \$45,881 in loans.

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
2018	\$ 22,249
2019	21,113
2020	21,113
2021	5,278
Total	\$ 69,753
Less: interest	(3,226)
Present Value of Loans Receivable	\$ 66,527

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,184,233	\$ 188,917	\$ -	\$ 1,373,150
Right-of-way	1,621,670	48,229	-	1,669,899
Construction in progress	302,026	310,040	390,021	222,045
Total capital assets not depreciated	<u>\$ 3,107,929</u>	<u>\$ 547,186</u>	<u>\$ 390,021</u>	<u>\$ 3,265,094</u>
Capital assets depreciated				
Buildings	\$ 18,879,544	\$ 356,579	\$ -	\$ 19,236,123
Building improvements	3,995,957	27,176	-	4,023,133
Office furniture and equipment	5,952,517	61,683	146,080	5,868,120
Machinery and equipment	9,660,155	452,020	457,402	9,654,773
Infrastructure	62,297,936	1,977,709	-	64,275,645
Total capital assets depreciated	<u>\$ 100,786,109</u>	<u>\$ 2,875,167</u>	<u>\$ 603,482</u>	<u>\$ 103,057,794</u>
Less: accumulated depreciation for				
Buildings	\$ 9,633,653	\$ 417,956	\$ -	\$ 10,051,609
Building improvements	1,290,539	157,337	-	1,447,876
Office furniture and equipment	5,613,852	123,693	146,080	5,591,465
Machinery and equipment	6,651,035	687,162	447,531	6,890,666
Infrastructure	17,552,228	1,174,242	-	18,726,470
Total accumulated depreciation	<u>\$ 40,741,307</u>	<u>\$ 2,560,390</u>	<u>\$ 593,611</u>	<u>\$ 42,708,086</u>
Total capital assets depreciated, net	<u>\$ 60,044,802</u>	<u>\$ 314,777</u>	<u>\$ 9,871</u>	<u>\$ 60,349,708</u>
Governmental Activities Capital Assets, Net	<u>\$ 63,152,731</u>	<u>\$ 861,963</u>	<u>\$ 399,892</u>	<u>\$ 63,614,802</u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,963,928	\$ -	\$ -	\$ 1,963,928
Construction in progress	9,412	-	9,412	-
Total capital assets not depreciated	<u>\$ 1,973,340</u>	<u>\$ -</u>	<u>\$ 9,412</u>	<u>\$ 1,963,928</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Business-Type Activities (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Land improvements	\$ 1,460,195	\$ 34,243	\$ -	\$ 1,494,438
Buildings	29,748,765	-	-	29,748,765
Machinery, furniture, and equipment	<u>20,486,974</u>	<u>1,071,665</u>	<u>-</u>	<u>21,558,639</u>
Total capital assets depreciated	<u>\$ 51,695,934</u>	<u>\$ 1,105,908</u>	<u>\$ -</u>	<u>\$ 52,801,842</u>
Less: accumulated depreciation for				
Land improvements	\$ 948,185	\$ 90,374	\$ -	\$ 1,038,559
Buildings	14,040,938	1,367,918	-	15,408,856
Machinery, furniture, and equipment	<u>16,309,522</u>	<u>902,153</u>	<u>-</u>	<u>17,211,675</u>
Total accumulated depreciation	<u>\$ 31,298,645</u>	<u>\$ 2,360,445</u>	<u>\$ -</u>	<u>\$ 33,659,090</u>
Total capital assets depreciated, net	<u>\$ 20,397,289</u>	<u>\$ (1,254,537)</u>	<u>\$ -</u>	<u>\$ 19,142,752</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 22,370,629</u>	<u>\$ (1,254,537)</u>	<u>\$ 9,412</u>	<u>\$ 21,106,680</u>

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

Governmental Activities	
General government	\$ 561,249
Public safety	194,986
Highways and streets, including depreciation of infrastructure assets	1,712,850
Human services	3,224
Health	2,186
Culture and recreation	51,039
Sanitation	32,761
Conservation of natural resources	<u>2,095</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,560,390</u>
Business-Type Activities	
Hospital	<u>\$ 2,360,445</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 36
	Human Services	267
Total due to General Fund		\$ 303
Road and Bridge	Nonmajor governmental funds	\$ 1,542
Human Services	General	\$ 148
	Road and Bridge	993
	Nonmajor governmental funds	508
Total due to Human Services Fund		\$ 1,649
Nonmajor governmental funds	Nonmajor governmental funds	\$ 51
Total Due To/From Other Funds		\$ 3,545

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 185,000

The 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, 2017, consisted of the following:

Transfer to Road and Bridge Fund from General Fund	\$ 78,572	To fund GIS program
Transfer to Debt Service Fund from Capital Projects Fund	100,000	Debt service requirements
Transfers to nonmajor governmental funds from General Fund	727,298	Annual appropriation
Total Interfund Transfers	\$ 905,870	

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Construction Commitments

The County has no active construction projects as of December 31, 2017.

2. 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, 2017</u>
General obligation bonds					
2012 G.O. Capital Improvement Refunding Bonds	2026	\$200,000 - \$310,000	2.00 - 2.50	\$ 3,175,000	\$ 1,975,000
2012B G.O. Law Enforcement Center Refunding Bonds	2018	\$220,000 - \$240,000	0.30 - 0.75	1,150,000	240,000
Total General Obligation Bonds				<u>\$ 4,325,000</u>	<u>\$ 2,215,000</u>
2010 G.O. Capital Notes	2018	\$265,000 - \$340,000	2.00 - 2.75	\$ 2,500,000	\$ 340,000

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, 2017</u>
2017 Gross Revenue Hospital Facilities Refunding Bonds	2033	\$217,436 - \$1,298,201	2.53	\$ 16,000,000	\$ 16,000,000

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. 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 and was completed during 2017.

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. The total amount received by the County through December 31, 2016, was \$142,214; accumulated interest was \$3,494. Repayment began in 2017.

In 2016, the County entered into another loan agreement with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. These loans are also secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much as \$200,000. As of December 31, 2017, the total amount borrowed was \$143,762.

Repayment schedules are not currently available for the 2016 loan.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2018	\$ 440,000	\$ 41,925	\$ 340,000	\$ 4,675
2019	205,000	36,975	-	-
2020	210,000	32,825	-	-
2021	215,000	28,575	-	-
2022	215,000	24,275	-	-
2023 - 2026	930,000	46,364	-	-
Total	\$ 2,215,000	\$ 210,939	\$ 340,000	\$ 4,675

Year Ending December 31	Septic System Loans	
	Principal	Interest
2018	\$ 28,751	\$ 4,573
2019	29,329	3,996
2020	29,918	3,406
2021	30,519	2,804
2022	31,133	2,191
2022 - 2026	86,181	3,267
Total	\$ 235,831	\$ 20,237

Business-Type Activities

Year Ending December 31	Gross Hospital Facilities Refunding Bonds	
	Principal	Interest
2018	\$ 715,000	\$ 356,467
2019	879,384	368,485
2020	906,131	346,412
2021	933,692	323,667
2022	962,091	300,231
2023 - 2027	5,267,613	1,123,889
2028 - 2032	6,118,947	421,331
2033	217,142	673
Total	\$ 16,000,000	\$ 3,241,155

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 2,760,000	\$ -	\$ 545,000	\$ 2,215,000	\$ 440,000
Capital notes	670,000	-	330,000	340,000	340,000
Add: unamortized premium	41,158	-	5,181	35,977	-
Less: unamortized discounts	(1,284)	-	(642)	(642)	-
Total bonds payable	\$ 3,469,874	\$ -	\$ 879,539	\$ 2,590,335	\$ 780,000
Loans payable	462,261	77,341	160,009	379,593	28,751
Compensated absences	1,885,344	74,506	837,788	1,122,062	460,046
Governmental Activities Long-Term Liabilities	<u>\$ 5,817,479</u>	<u>\$ 151,847</u>	<u>\$ 1,877,336</u>	<u>\$ 4,091,990</u>	<u>\$ 1,268,797</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Long-term liabilities					
Bonds payable					
Gross revenue hospital facilities bonds	\$ 23,200,000	\$ -	\$ 23,200,000	\$ -	\$ -
Refunding gross revenue hospital facilities bonds	-	16,000,000	-	16,000,000	715,000
Add: unamortized premium	216,011	-	216,011	-	-
Business-Type Activities Long-Term Liabilities	<u>\$ 23,416,011</u>	<u>\$ 16,000,000</u>	<u>\$ 23,416,011</u>	<u>\$ 16,000,000</u>	<u>\$ 715,000</u>

For the governmental activities, loans payable are paid by the Septic Loans Special Revenue 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, money from state-aid highway allotments received but not yet earned, other revenues, and prepaid property taxes. Unavailable revenue at December 31, 2017, is summarized by fund:

	Taxes and Special Assessments	Grants	State-Aid Highway Allotments	Other	Prepaid Property Taxes	Total
Major governmental funds						
General	\$ 127,715	\$ 17,803	\$ -	\$ -	\$ 261,448	\$ 406,966
Special Revenue						
Road and Bridge	30,189	-	3,154,214	-	59,732	3,244,135
Human Services	52,224	118,911	-	-	95,824	266,959
Debt Service	14,482	-	-	-	21,434	35,916
Capital Projects	50	-	-	-	-	50
Nonmajor governmental funds						
Regional Library	3,389	-	-	-	6,892	10,281
County Nurse	-	74,258	-	-	-	74,258
Ditch	59,961	-	-	-	-	59,961
Family Services Building	1,702	-	-	-	4,214	5,916
Septic System Loan Program	-	-	-	281,045	-	281,045
Revolving Loan	-	-	-	66,527	-	66,527
Total	<u>\$ 289,712</u>	<u>\$ 210,972</u>	<u>\$ 3,154,214</u>	<u>\$ 347,572</u>	<u>\$ 449,544</u>	<u>\$ 4,452,014</u>

4. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

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

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

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

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Retirement Plan and Public Employees Police and Fire Plan benefit recipients receive a future annual 1.0 percent for the post-retirement benefit increase, while Public Employees Correctional Plan benefit recipients receive 2.5 percent.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, if the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

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

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

For Public Employees Police and Fire Plan and Public Employees Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

Meeker County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	\$	1,473,265
Public Employees Police and Fire Plan		226,557
Public Employees Correctional Plan		60,747

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of \$19,018,544 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.2979 percent. It was 0.2957 percent measured as of June 30, 2016. The County recognized pension expense of \$2,520,830 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$6,907 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The County's proportionate share of the net pension liability	\$	19,018,544
State of Minnesota's proportionate share of the net pension liability associated with the County		239,156
Total	\$	19,257,700

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 627,926	\$ 1,220,942
Changes in actuarial assumptions	3,111,934	1,902,290
Difference between projected and actual investment earnings	151,924	-
Changes in proportion	181,126	429,150
Contributions paid to PERA subsequent to the measurement date	738,045	-
Total	\$ 4,810,955	\$ 3,552,382

The \$738,045 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 505,520
2019	1,110,911
2020	(288,089)
2021	(807,814)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of \$1,849,663 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.137 percent. It was 0.143 percent measured as of June 30, 2016. The County recognized pension expense of \$447,143 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$12,330 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 42,575	\$ 517,248
Changes in actuarial assumptions	2,526,667	2,626,063
Difference between projected and actual investment earnings	53,211	-
Changes in proportion	-	208,234
Contributions paid to PERA subsequent to the measurement date	122,453	-
	\$ 2,744,906	\$ 3,351,545
Total		

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The \$122,453 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2018	\$ 20,771
2019	20,772
2020	(50,497)
2021	(163,298)
2022	(556,840)

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of \$997,504 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.35 percent. It was 0.35 percent measured as of June 30, 2016. The County recognized pension expense of \$377,295 for its proportionate share of the Public Employees Correctional Plan's pension expense.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 668	\$ 16,530
Changes in actuarial assumptions	543,080	173,635
Difference between projected and actual investment earnings	-	4,859
Changes in proportion	565	1,546
Contributions paid to PERA subsequent to the measurement date	31,682	-
Total	\$ 575,995	\$ 196,570

The \$31,682 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 215,021
2019	221,750
2020	(61,266)
2021	(27,762)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was \$3,345,268.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044 and 2064, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016. The experience study for the Public Employees Correctional Plan was dated February 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits to the point of asset depletion and 3.56 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

General Employees Retirement Plan (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

Public Employees Police and Fire Plan

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Police and Fire Plan (Continued)

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Public Employees Correctional Plan

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Correctional Plan (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

8. Pension Liability Sensitivity

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

	General Employees Retirement Plan		Proportionate Share of the Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 29,499,174	6.50%	\$ 3,483,455	4.96%	\$ 1,643,761
Current	7.50	19,018,544	7.50	1,849,663	5.96	997,504
1% Increase	8.50	10,438,244	8.50	500,877	6.96	493,091

9. Pension Plan Fiduciary Net Position

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans (Continued)

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by Meeker County during the year ended December 31, 2017, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,527	\$ 4,527
Percentage of covered payroll	5%	5%

5. Postemployment Health Care Plan

A. Plan Description

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Health Care Plan (Continued)

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the County based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2017, the County contributed \$93,567. As of January 1, 2016, there were four retirees receiving health benefits from the County's health plan.

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$	181,270
Interest on net OPEB obligation		21,481
Adjustment to ARC		<u>(32,801)</u>
Annual OPEB cost (expense)	\$	169,950
Contributions made		<u>(93,567)</u>
Increase (decrease) in net OPEB obligation	\$	76,383
Net OPEB Obligation - Beginning of Year		<u>613,714</u>
Net OPEB Obligation - End of Year	\$	<u><u>690,124</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Health Care Plan

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

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for 2015, 2016, and 2017, was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2015	\$ 132,231	\$ 106,102	80.2%	\$ 533,735
December 31, 2016	185,099	105,093	56.8	613,741
December 31, 2017	169,950	93,567	55.1	690,124

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

D. Funded Status and Funding Progress

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Health Care Plan (Continued)

E. Actuarial Methods and Assumptions

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

In the January 1, 2016, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 3.5 percent discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust or unfunded. The County currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 6.75 percent initially, reduced incrementally to 5.0 percent after 7 years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2017, was 21 years.

6. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2017 and 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

6. Risk Management (Continued)

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

The Hospital is covered by professional liability insurance on a claims-made basis. Individual and aggregate claims coverage is \$1,000,000 and \$3,000,000, respectively. The Hospital also has an excess liability policy that provides an additional \$2,000,000 in coverage over the individual and aggregate coverages. Hospital management is of the opinion that insurance coverage is adequate to cover anticipated losses, if any. Settled claims have not exceeded commercial coverage in any of the past three years.

7. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

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

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

Swift, and Yellow Medicine Counties; Southwest Health and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties; and Des Moines Valley Health and Human Services (DVHHS), representing Cottonwood and Jackson Counties. The Board is headquartered in Windom, Minnesota, where DVHHS acts as fiscal agent.

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.

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

Meeker-McLeod-Sibley Community Health Services Board

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

PrimeWest Rural Minnesota Health Care Access Initiative (Continued)

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Rural Minnesota Health Care Access Initiative) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to the PrimeWest Rural Minnesota Health Care Access Initiative. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N. In 2017, Meeker County did not make any contributions to the Initiative.

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

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

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

Complete financial information can be obtained from its administrative office at PrimeWest Rural Minnesota Health Care Access Initiative, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Crow River Joint Powers Agreement

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

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

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

Supporting Hands Nurse Family Partnership

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

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2017, Meeker County made \$46,510 in contributions to the partnership.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Supporting Hands Nurse Family Partnership (Continued)

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

Central Minnesota Emergency Services Board

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

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

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

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2017, Meeker County contributed \$12,771 to the Joint Powers Board.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

Complete financial information can be obtained from Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street South, St. Cloud, Minnesota 56301.

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 2017, Meeker County contributed \$34,950 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Putting All Communities Together for Families Collaborative (Continued)

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

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

Coordinated Enforcement Effort (CEE) VI Task Force

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

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

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

Pioneerland Regional Library System

Meeker County, along with 32 cities and 9 other counties, participates in the Pioneerland Regional Library System in order to provide efficient and improved regional library service. The Pioneerland Regional Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties. During the year, Meeker County contributed \$227,245 to the System.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Pioneerland Regional Library System (Continued)

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

Central Minnesota Jobs and Training Services, Inc.

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

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 2017, Meeker County contributed \$160,403 to the CMJTS.

C. Tax Abatements

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

Hilltop Health Care Center, LLC

The County entered into a property tax abatement agreement with Hilltop Health Care Center, LLC, in January 2015, for a period of ten years effective in the years 2016 through 2026. The abatement will equal 60 percent of the County's share of the real estate taxes multiplied by the County's tax rate and multiplied by the percentage of construction completed. Contractual stipulations require County payments to not exceed \$8,900

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Tax Abatements

Hilltop Health Care Center, LLC (Continued)

annually, or an aggregate amount of \$89,000. Meeker County provided a tax abatement in the form of a tax refund in the amount of \$7,354 for 2017. The developer agreed to construct an approximately 30,000 square-foot expansion to an already existing health care facility, consisting of 34 units of assisted living, 12 of which will be available to residents qualifying for waived services. Further, the developer agreed to create at least five new full-time equivalent jobs within six months of June 30, 2015, and maintain these jobs for the term of the agreement.

Mies Outland, Inc.

The County entered into a property tax abatement agreement with Mies Outland, Inc., in an original agreement dated November 18, 2003, and amended on September 17, 2013, for a period of 18 years effective in the years 2003 through 2021. The abatement is contractually set annually at \$6,000 of the County's share of the ad valorem taxes received by the County from the tax abatement property. The County provided a tax abatement in the form of a tax refund in the amount of \$6,383 for 2017. The developer agreed to construct an approximately 18,000 square-foot addition to the company's existing Polaris and John Deere retail sales and service facility, which was amended to include an additional 3,000 square feet to be added to the addition.

First District Association

The County entered into a property tax abatement agreement with the City of Litchfield and First District Association, dated October 6, 2009, for a period of 20 years effective in the years 2011 through 2030. The abatement will equal 60 percent of the County's share of the real estate taxes multiplied by the County's tax rate and multiplied by the percentage of construction completed and adjusted for the removal of the value of land and the existing building. Contractual stipulations require aggregate County payments to not exceed \$190,000. Meeker County provided a tax abatement in the form of a tax refund in the amount of \$9,174 for 2017. The developer agreed to construct an approximately 13,350 square-foot facility to house evaporator equipment to process whey.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entities

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

The Meeker County Housing and Redevelopment Authority (HRA) is governed by a six-member Board appointed by the County Commissioners. The HRA has a year-end of June 30, 2017. Meeker County is obligated for the debt and any operating deficits of the HRA.

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

Measurement Focus and Basis of Accounting

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

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

Cash and Cash Equivalents, Deposits, and Investments

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Cash of the Meeker County HRA is in the custody of the HRA. All checking, savings, certificates of deposit, and cash on hand are cash and cash equivalents. State statutes authorize the HRA to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days. All investments held by the HRA at December 31, 2017, were insured or registered, or securities held by the HRA agent in the HRA's name and, therefore, not subject to custodial credit risk.

Liabilities

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, 2017, for the EDA, and at June 30, 2017, for the HRA, are as follows:

	EDA	HRA	Total Receivables
Accounts	\$ 1,096	\$ 4,493	\$ 5,589
Allowance for uncollectible	-	(976)	(976)
Total accounts - net	\$ 1,096	\$ 3,517	\$ 4,613
Accrued interest	1,403	-	1,403
Due from primary government	27,500	-	27,500
Total Component Units	\$ 29,999	\$ 3,517	\$ 33,516

Capital Assets

Capital assets are defined by the Meeker County EDA as assets with an initial, individual cost of more than \$10,000. Component unit capital asset activity for the year ended December 31, 2017, for the EDA, and for the year ended June 30, 2017, for the HRA, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
EDA	\$ 155,988	\$ -	\$ -	\$ 155,988
HRA	63,966	-	-	63,966
Total capital assets not depreciated	\$ 219,954	\$ -	\$ -	\$ 219,954

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings and equipment				
EDA	\$ 5,071,722	\$ 190,954	\$ -	\$ 5,262,676
HRA	1,423,224	722	5,702	1,418,244
Total capital assets depreciated	\$ 6,494,946	\$ 191,676	\$ 5,702	\$ 6,680,920
Less: accumulated depreciation for				
Buildings and equipment				
EDA	\$ 2,729,247	\$ 165,173	\$ -	\$ 2,894,420
HRA	1,017,097	55,035	3,399	1,068,733
Total accumulated depreciation	\$ 3,746,344	\$ 220,208	\$ 3,399	\$ 3,963,153
Total capital assets depreciated, net	\$ 2,748,602	\$ (28,532)	\$ 2,303	\$ 2,717,767
Total Capital Assets, Net	\$ 2,968,556	\$ (28,532)	\$ 2,303	\$ 2,937,721

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

EDA	\$ 165,173
HRA	55,035
Total Depreciation Expense	\$ 220,208

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

2. Liabilities

Long-Term Debt

Long-term debt outstanding at December 31, 2017, for the EDA consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Monthly Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
1998 Essential Function Housing Development Revenue Bonds	2029	\$ 8,852	3.80	\$ 1,810,000	\$ 976,904
1999 Essential Function Housing Development Revenue Bonds	2030	6,822	3.80	1,400,000	826,217
2001 Essential Function Housing Development Revenue Bonds	2032	5,770	3.80	1,200,000	777,628
2002 Essential Function Housing Development Revenue Bonds	2033	4,465	3.80	930,000	614,435
Totals				<u>\$ 5,340,000</u>	<u>\$ 3,195,184</u>

Long-term debt outstanding at June 30, 2017, for the HRA consists of a deferred forgivable mortgage agreement with the Minnesota Housing Finance Agency (MHFA). If there is no default or transfer of the property and all program requirements are met, the debt listed below will be forgiven on the final maturity date.

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

**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, 2017, for the EDA were as follows:

Year Ending December 31	Principal	Interest
2018	\$ 192,827	\$ 118,081
2019	200,283	110,625
2020	208,028	102,881
2021	216,072	94,836
2022	224,427	86,481
2023 - 2027	1,259,220	295,321
2028 - 2032	889,876	67,915
2033	4,451	14
Total	\$ 3,195,184	\$ 876,154

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, 2017.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Essential Function Housing Development					
Revenue Bonds for					
1998	\$ 1,044,601	\$ -	\$ 67,697	\$ 976,904	\$ 70,315
1999	875,660	-	49,443	826,217	51,355
2001	816,515	-	38,887	777,628	40,391
2002	644,055	-	29,620	614,435	30,766
Total Essential Function Housing Development Revenue Bonds	\$ 3,380,831	\$ -	\$ 185,647	\$ 3,195,184	\$ 192,827
Compensated absences	8,845	2,608	-	11,453	4,696
EDA Long-Term Liabilities	\$ 3,389,676	\$ 2,608	\$ 185,647	\$ 3,206,637	\$ 197,523

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures (Continued)

C. Defined Benefit Pension Plan

1. Plan Description

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

2. Contributions

The EDA's contributions for the General Employees Retirement Plan for the year ended December 31, 2017, were \$8,241. The contributions are equal to the contractually required contributions as set by state statute.

3. Pension Costs

At December 31, 2017, the EDA reported a liability of \$107,722 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The EDA's proportion of the net pension liability was based on the EDA's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Authority's proportion was 0.0017 percent. It was 0.0017 percent measured as of June 30, 2016. The EDA recognized pension expense of \$14,657 for its proportionate share of the General Employees Retirement Plan's pension expense.

The EDA also recognized \$39 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

C. Defined Benefit Pension Plan

3. Pension Costs (Continued)

The EDA's proportionate share of the net pension liability	\$	107,722
State of Minnesota's proportionate share of the net pension liability associated with the EDA		1,354
Total	\$	109,076

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,550	\$ 6,946
Changes in actuarial assumptions	17,780	10,800
Difference between projected and actual investment earnings	768	-
Changes in proportion	-	4,277
Contributions paid to PERA subsequent to the measurement date	4,126	-
Total	\$ 26,224	\$ 22,023

The \$4,126 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 528
2019	5,991
2020	(2,386)
2021	(4,058)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

4. Pension Liability Sensitivity

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

	Proportionate Share of the General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 167,086
Current	7.50	107,722
1% Increase	8.50	59,123

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

D. Subsequent Event

In July 2018, the EDA sold its townhomes for \$4,960,000 which had a net book value of \$2,524,244 and related debt of \$3,195,184 as of December 31, 2017. The net proceeds after commissions and closing costs was \$1,546,094.

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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,833,395	\$ 7,833,395	\$ 7,803,050	\$ (30,345)
Licenses and permits	90,345	90,345	95,351	5,006
Intergovernmental	1,779,611	1,779,611	1,966,059	186,448
Charges for services	1,664,089	1,664,089	1,722,689	58,600
Fines and forfeits	26,381	26,381	26,513	132
Gifts and contributions	200	200	3,750	3,550
Investment earnings	160,000	160,000	314,995	154,995
Miscellaneous	326,630	326,630	405,764	79,134
Total Revenues	\$ 11,880,651	\$ 11,880,651	\$ 12,338,171	\$ 457,520
Expenditures				
Current				
General government				
Commissioners	\$ 209,553	\$ 209,553	\$ 207,553	\$ 2,000
Courts	64,000	64,000	79,824	(15,824)
Law library	24,381	24,381	26,297	(1,916)
County administration	337,315	337,315	297,882	39,433
County auditor	208,944	208,944	218,420	(9,476)
County treasurer	411,591	411,591	403,837	7,754
County assessor	450,628	450,628	458,870	(8,242)
Accounting and auditing	70,000	70,000	65,899	4,101
Data processing	426,417	426,417	504,280	(77,863)
Central services	52,200	52,200	35,679	16,521
Attorney	828,705	828,705	752,094	76,611
Recorder	252,093	252,093	233,306	18,787
Surveyor	7,500	7,500	-	7,500
Planning and zoning	388,058	388,058	375,034	13,024
Maintenance	457,953	457,953	465,289	(7,336)
Veterans service officer	157,169	157,169	154,835	2,334
Appropriations	215,790	215,790	210,313	5,477
Other	339,269	339,269	302,998	36,271
Total general government	\$ 4,901,566	\$ 4,901,566	\$ 4,792,410	\$ 109,156
Public safety				
Sheriff	\$ 4,887,397	\$ 4,887,397	\$ 4,751,679	\$ 135,718
Coroner	65,328	65,328	58,250	7,078
Court services	572,846	572,846	546,715	26,131
E-911 system	145,387	145,387	111,830	33,557
Wireless communication	118,347	118,347	124,158	(5,811)
Emergency management	75,717	75,717	70,329	5,388
Total public safety	\$ 5,865,022	\$ 5,865,022	\$ 5,662,961	\$ 202,061

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Planning and zoning	\$ 328,172	\$ 328,172	\$ 278,131	\$ 50,041
County extension	199,747	199,747	194,499	5,248
Extension committee	2,950	2,950	2,292	658
Agricultural inspections	5,000	5,000	5,000	-
Total conservation of natural resources	\$ 535,869	\$ 535,869	\$ 479,922	\$ 55,947
Economic development				
Community development	\$ 91,000	\$ 91,000	\$ 91,000	\$ -
Intergovernmental				
General government	\$ 80,000	\$ 80,000	\$ 49,307	\$ 30,693
Total Expenditures	\$ 11,473,457	\$ 11,473,457	\$ 11,075,600	\$ 397,857
Excess of Revenues Over (Under) Expenditures	\$ 407,194	\$ 407,194	\$ 1,262,571	\$ 855,377
Other Financing Sources (Uses)				
Transfers out	(767,478)	(767,478)	(805,870)	(38,392)
Net Change in Fund Balance	\$ (360,284)	\$ (360,284)	\$ 456,701	\$ 816,985
Fund Balance - January 1	8,674,153	8,674,153	8,674,153	-
Fund Balance - December 31	\$ 8,313,869	\$ 8,313,869	\$ 9,130,854	\$ 816,985

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,787,744	\$ 1,787,744	\$ 1,773,315	\$ (14,429)
Intergovernmental	4,399,198	4,399,198	3,093,111	(1,306,087)
Charges for services	525,000	525,000	535,595	10,595
Miscellaneous	84,000	84,000	145,745	61,745
Total Revenues	\$ 6,795,942	\$ 6,795,942	\$ 5,547,766	\$ (1,248,176)
Expenditures				
Current				
General government				
GIS	\$ 97,361	\$ 97,361	\$ 91,543	\$ 5,818
Highways and streets				
Administration	\$ 371,192	\$ 371,192	\$ 334,075	\$ 37,117
Maintenance	1,929,496	1,929,496	2,130,964	(201,468)
Engineering/construction	2,844,370	2,844,370	2,538,274	306,096
Equipment, maintenance, and shop	1,313,523	1,313,523	1,320,908	(7,385)
Total highways and streets	\$ 6,458,581	\$ 6,458,581	\$ 6,324,221	\$ 134,360
Intergovernmental				
Highways and streets	430,000	430,000	434,962	(4,962)
Total Expenditures	\$ 6,985,942	\$ 6,985,942	\$ 6,850,726	\$ 135,216
Excess of Revenues Over (Under)				
Expenditures	\$ (190,000)	\$ (190,000)	\$ (1,302,960)	\$ (1,112,960)
Other Financing Sources (Uses)				
Transfers in	40,000	40,000	78,572	38,572
Net Change in Fund Balance	\$ (150,000)	\$ (150,000)	\$ (1,224,388)	\$ (1,074,388)
Fund Balance - January 1	4,592,247	4,592,247	4,592,247	-
Increase (decrease) in inventories	-	-	22,194	22,194
Fund Balance - December 31	\$ 4,442,247	\$ 4,442,247	\$ 3,390,053	\$ (1,052,194)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,028,435	\$ 3,028,435	\$ 2,952,841	\$ (75,594)
Intergovernmental	3,385,748	3,385,748	3,548,390	162,642
Charges for services	638,959	638,959	602,135	(36,824)
Gifts and contributions	-	-	100	100
Miscellaneous	135,445	135,445	484,158	348,713
Total Revenues	\$ 7,188,587	\$ 7,188,587	\$ 7,587,624	\$ 399,037
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,114,167	\$ 2,114,167	\$ 1,957,569	\$ 156,598
Social services	5,224,420	5,224,420	4,780,746	443,674
Total Expenditures	\$ 7,338,587	\$ 7,338,587	\$ 6,738,315	\$ 600,272
Net Change in Fund Balance	\$ (150,000)	\$ (150,000)	\$ 849,309	\$ 999,309
Fund Balance - January 1	5,901,295	5,901,295	5,901,295	-
Fund Balance - December 31	\$ 5,751,295	\$ 5,751,295	\$ 6,750,604	\$ 999,309

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2010	\$ -	\$ 776,300	\$ 776,300	0.00%	\$ 8,692,073	8.93%
January 1, 2013	-	1,086,913	1,086,913	0.00	8,610,793	12.62
January 1, 2016	-	1,028,340	1,028,340	0.00	9,731,748	10.57

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Meeker County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.2979%	\$ 19,018,544	\$ 239,156	\$ 19,257,700	\$ 19,166,313	99.23%	75.90%
2016	0.2957	23,871,949	311,817	24,183,766	18,245,701	130.84	68.91
2015	0.2972	15,400,185	N/A	15,400,185	17,440,521	88.30	78.19

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	\$ 1,473,265	\$ 1,473,265	\$ -	\$ 19,662,219	7.49%
2016	1,396,804	1,396,804	-	18,654,843	7.49
2015	1,327,077	1,327,077	-	17,807,137	7.45

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

The notes to the required supplementary information are an integral part of these schedules.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
ECONOMIC DEVELOPMENT AUTHORITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Meeker County EDA (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.0017%	\$ 107,722	\$ 1,354	\$ 109,076	\$ 108,283	99.48%	75.90%
2016	0.0017	137,424	1,795	139,219	104,589	131.39	68.91
2015	0.0017	90,364	N/A	90,364	100,223	90.16	78.19

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
ECONOMIC DEVELOPMENT AUTHORITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	\$ 8,241	\$ 8,241	\$ -	\$ 109,885	7.50%
2016	7,998	7,998	-	106,643	7.50
2015	7,658	7,658	-	102,111	7.50

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

The notes to the required supplementary information are an integral part of these schedules.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.137%	\$ 1,849,663	\$ 1,411,033	131.09%	85.43%
2016	0.143	5,738,839	1,381,373	415.44	63.88
2015	0.144	1,636,177	1,449,107	112.91	86.61

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	\$ 226,557	\$ 226,557	\$ -	\$ 1,399,201	16.19%
2016	231,561	231,561	-	1,429,392	16.20
2015	223,220	223,220	-	1,465,493	15.23

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.35%	\$ 997,504	\$ 693,823	143.77%	67.89%
2016	0.35	1,278,599	654,007	195.50	58.16
2015	0.37	57,202	707,121	8.09	96.95

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-12

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	\$ 60,747	\$ 60,747	\$ -	\$ 702,633	8.65%
2016	58,951	58,951	-	673,727	8.75
2015	60,136	60,136	-	693,592	8.67

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

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 appropriations--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, 2017:

	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
General government			
Courts	\$ 79,824	\$ 64,000	\$ 15,824
Law library	26,297	24,381	1,916
County auditor	218,420	208,944	9,476
County assessor	458,870	450,628	8,242
Data processing	504,280	426,417	77,863
Maintenance	465,289	457,953	7,336
Public safety			
Wireless communication	124,158	118,347	5,811
Road and Bridge Special Fund Revenue			
Highways and streets			
Maintenance	2,130,964	1,929,496	201,468
Equipment, maintenance, and shop	1,320,908	1,313,523	7,385
Intergovernmental			
Highways and streets	434,962	430,000	4,962

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

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

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

2016

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

Public Employees Police and Fire Plan

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

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

Public Employees Correctional Plan

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

Public Employees Correctional Plan (Continued)

2016

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

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SUPPLEMENTARY INFORMATION

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 778,943	\$ 778,943	\$ 779,274	\$ 331
Intergovernmental	61,162	61,162	79,069	17,907
Total Revenues	\$ 840,105	\$ 840,105	\$ 858,343	\$ 18,238
Expenditures				
Debt service				
Principal	\$ 875,000	\$ 875,000	\$ 875,000	\$ -
Interest	62,105	62,105	62,105	-
Administrative and fiscal charges	3,000	3,000	1,350	1,650
Total Expenditures	\$ 940,105	\$ 940,105	\$ 938,455	\$ 1,650
Excess of Revenues Over (Under)				
Expenditures	\$ (100,000)	\$ (100,000)	\$ (80,112)	\$ 19,888
Other Financing Sources (Uses)				
Transfers in	100,000	100,000	100,000	-
Net Change in Fund Balance	\$ -	\$ -	\$ 19,888	\$ 19,888
Fund Balance - January 1	752,926	752,926	752,926	-
Fund Balance - December 31	\$ 752,926	\$ 752,926	\$ 772,814	\$ 19,888

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS
(Continued)

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<u>Assets</u>				
Cash and pooled investments	\$ 192,023	\$ 66,927	\$ 484,865	\$ 187,374
Taxes receivable				
Delinquent	-	4,327	-	-
Special assessments receivable				
Delinquent	-	-	-	40,491
Noncurrent	-	-	-	58,956
Accounts receivable	-	-	358	-
Due from other funds	-	-	-	51
Due from other governments	10,470	-	118,283	23,051
Notes receivable	15,000	-	-	-
Loans receivable	-	-	-	-
Prepaid items	-	-	-	-
Total Assets	\$ 217,493	\$ 71,254	\$ 603,506	\$ 309,923
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 1,804	\$ -	\$ 4,870	\$ 30,886
Salaries payable	2,460	-	45,861	2,569
Due to other funds	13	-	495	352
Due to other governments	1,213	-	2,427	-
Due to component unit	-	-	-	-
Advances from other funds	-	-	-	185,000
Total Liabilities	\$ 5,490	\$ -	\$ 53,653	\$ 218,807
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ 3,389	\$ 74,258	\$ 59,961
Prepaid taxes	-	6,892	-	-
Total Deferred Inflows of Resources	\$ -	\$ 10,281	\$ 74,258	\$ 59,961

EXHIBIT C-1

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Revolving Loan	Total
\$ 912,867	\$ 479,748	\$ 66,202	\$ 158,593	\$ 9,550	\$ 1,418,621	\$ 3,976,770
-	2,202	-	-	-	-	6,529
-	-	-	-	-	-	40,491
-	-	281,045	-	-	-	340,001
13,147	-	-	-	-	-	13,505
-	-	-	-	-	-	51
1,200	-	-	-	50	-	153,054
-	-	-	-	-	-	15,000
-	-	-	-	-	66,527	66,527
-	1,219	-	-	-	-	1,219
\$ 927,214	\$ 483,169	\$ 347,247	\$ 158,593	\$ 9,600	\$ 1,485,148	\$ 4,613,147
\$ 8,682	\$ 25,916	\$ -	\$ -	\$ -	\$ -	\$ 72,158
2,837	5,213	-	-	-	-	58,940
1,241	-	-	-	-	-	2,101
28,166	5,115	-	37,307	-	-	74,228
-	-	-	-	-	27,500	27,500
-	-	-	-	-	-	185,000
\$ 40,926	\$ 36,244	\$ -	\$ 37,307	\$ -	\$ 27,500	\$ 419,927
\$ -	\$ 1,702	\$ 281,045	\$ -	\$ -	\$ 66,527	\$ 486,882
-	4,214	-	-	-	-	11,106
\$ -	\$ 5,916	\$ 281,045	\$ -	\$ -	\$ 66,527	\$ 497,988

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
(Continued)				
Fund Balances				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Notes receivable	15,000	-	-	-
Restricted for				
Law enforcement - Sheriff contingencies	-	-	-	-
Ditch maintenance and construction	-	-	-	150,387
Committed for				
Regional library	-	60,973	-	-
Assigned to				
General government	-	-	-	-
Sanitation	-	-	-	-
Health	-	-	475,595	-
Culture and recreation	197,003	-	-	-
Economic development	-	-	-	-
Unassigned	-	-	-	(119,232)
Total Fund Balances	\$ 212,003	\$ 60,973	\$ 475,595	\$ 31,155
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 217,493	\$ 71,254	\$ 603,506	\$ 309,923

EXHIBIT C-1
(Continued)

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Revolving Loan	Total
\$ -	\$ 1,219	\$ -	\$ -	\$ -	\$ -	\$ 1,219
-	-	-	-	-	-	15,000
-	-	-	-	9,600	-	9,600
-	-	-	-	-	-	150,387
-	-	-	-	-	-	60,973
-	439,790	-	121,286	-	-	561,076
886,288	-	66,202	-	-	-	952,490
-	-	-	-	-	-	475,595
-	-	-	-	-	-	197,003
-	-	-	-	-	1,391,121	1,391,121
-	-	-	-	-	-	(119,232)
\$ 886,288	\$ 441,009	\$ 66,202	\$ 121,286	\$ 9,600	\$ 1,391,121	\$ 3,695,232
\$ 927,214	\$ 483,169	\$ 347,247	\$ 158,593	\$ 9,600	\$ 1,485,148	\$ 4,613,147

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
Revenues				
Taxes	\$ -	\$ 205,596	\$ -	\$ -
Special assessments	-	-	-	254,847
Intergovernmental	-	21,737	529,426	-
Charges for services	103,066	-	372,706	-
Fines and forfeits	-	-	-	-
Gifts and contributions	5,825	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	20,151	-	305	-
Total Revenues	<u>\$ 129,042</u>	<u>\$ 227,333</u>	<u>\$ 902,437</u>	<u>\$ 254,847</u>
Expenditures				
Current				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Health	-	-	1,584,787	-
Culture and recreation	314,785	227,245	-	-
Conservation of natural resources	-	-	-	277,221
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	82
Total Expenditures	<u>\$ 314,785</u>	<u>\$ 227,245</u>	<u>\$ 1,584,787</u>	<u>\$ 277,303</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (185,743)</u>	<u>\$ 88</u>	<u>\$ (682,350)</u>	<u>\$ (22,456)</u>
Other Financing Sources (Uses)				
Transfers in	\$ 184,317	\$ -	\$ 542,981	\$ -
Loans issued	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 184,317</u>	<u>\$ -</u>	<u>\$ 542,981</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (1,426)</u>	<u>\$ 88</u>	<u>\$ (139,369)</u>	<u>\$ (22,456)</u>
Fund Balance - January 1	<u>213,429</u>	<u>60,885</u>	<u>614,964</u>	<u>53,611</u>
Fund Balance - December 31	<u>\$ 212,003</u>	<u>\$ 60,973</u>	<u>\$ 475,595</u>	<u>\$ 31,155</u>

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Revolving Loan	Total
\$ -	\$ 115,765	\$ -	\$ 87,835	\$ -	\$ -	\$ 409,196
-	-	76,655	-	-	-	331,502
75,201	12,001	-	-	-	-	638,365
330,708	-	-	-	-	-	806,480
-	-	-	-	1,025	-	1,025
-	-	-	-	-	-	5,825
-	-	-	-	-	1,457	1,457
-	306,020	-	-	-	28,662	355,138
\$ 405,909	\$ 433,786	\$ 76,655	\$ 87,835	\$ 1,025	\$ 30,119	\$ 2,548,988
\$ -	\$ 384,145	\$ -	\$ 6,680	\$ -	\$ -	\$ 390,825
282,428	-	82,841	-	-	-	365,269
-	-	-	-	-	-	1,584,787
-	-	-	-	-	-	542,030
-	-	-	-	-	-	277,221
-	-	-	-	-	27,500	27,500
-	-	160,009	-	-	-	160,009
-	-	7,214	-	-	-	7,296
\$ 282,428	\$ 384,145	\$ 250,064	\$ 6,680	\$ -	\$ 27,500	\$ 3,354,937
\$ 123,481	\$ 49,641	\$ (173,409)	\$ 81,155	\$ 1,025	\$ 2,619	\$ (805,949)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 727,298
-	-	77,341	-	-	-	77,341
\$ -	\$ -	\$ 77,341	\$ -	\$ -	\$ -	\$ 804,639
\$ 123,481	\$ 49,641	\$ (96,068)	\$ 81,155	\$ 1,025	\$ 2,619	\$ (1,310)
762,807	391,368	162,270	40,131	8,575	1,388,502	3,696,542
\$ 886,288	\$ 441,009	\$ 66,202	\$ 121,286	\$ 9,600	\$ 1,391,121	\$ 3,695,232

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 99,681	\$ 99,681	\$ 103,066	\$ 3,385
Gifts and contributions	-	-	5,825	5,825
Miscellaneous	5,100	5,100	20,151	15,051
Total Revenues	\$ 104,781	\$ 104,781	\$ 129,042	\$ 24,261
Expenditures				
Current				
Culture and recreation				
Parks	311,598	311,598	314,785	(3,187)
Excess of Revenues Over (Under) Expenditures	\$ (206,817)	\$ (206,817)	\$ (185,743)	\$ 21,074
Other Financing Sources (Uses)				
Transfers in	184,317	184,317	184,317	-
Net Change in Fund Balance	\$ (22,500)	\$ (22,500)	\$ (1,426)	\$ 21,074
Fund Balance - January 1	213,429	213,429	213,429	-
Fund Balance - December 31	\$ 190,929	\$ 190,929	\$ 212,003	\$ 21,074

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-4

**BUDGETARY COMPARISON SCHEDULE
REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 206,634	\$ 206,634	\$ 205,596	\$ (1,038)
Intergovernmental	<u>20,611</u>	<u>20,611</u>	<u>21,737</u>	<u>1,126</u>
Total Revenues	\$ 227,245	\$ 227,245	\$ 227,333	\$ 88
Expenditures				
Current				
Culture and recreation	<u>227,245</u>	<u>227,245</u>	<u>227,245</u>	<u>-</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 88	\$ 88
Fund Balance - January 1	<u>60,885</u>	<u>60,885</u>	<u>60,885</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 60,885</u></u>	<u><u>\$ 60,885</u></u>	<u><u>\$ 60,973</u></u>	<u><u>\$ 88</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-5

**BUDGETARY COMPARISON SCHEDULE
COUNTY NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 587,663	\$ 587,663	\$ 529,426	\$ (58,237)
Charges for services	313,500	313,500	372,706	59,206
Miscellaneous	95,000	95,000	305	(94,695)
Total Revenues	\$ 996,163	\$ 996,163	\$ 902,437	\$ (93,726)
Expenditures				
Current				
Health				
Nursing service	1,539,144	1,539,144	1,584,787	(45,643)
Excess of Revenues Over (Under)				
Expenditures	\$ (542,981)	\$ (542,981)	\$ (682,350)	\$ (139,369)
Other Financing Sources (Uses)				
Transfers in	542,981	542,981	542,981	-
Net Change in Fund Balance	\$ -	\$ -	\$ (139,369)	\$ (139,369)
Fund Balance - January 1	614,964	614,964	614,964	-
Fund Balance - December 31	\$ 614,964	\$ 614,964	\$ 475,595	\$ (139,369)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-6

**BUDGETARY COMPARISON SCHEDULE
TRANSFER STATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 75,201	\$ 5,201
Charges for services	<u>135,000</u>	<u>135,000</u>	<u>330,708</u>	<u>195,708</u>
Total Revenues	\$ 205,000	\$ 205,000	\$ 405,909	\$ 200,909
Expenditures				
Current				
Sanitation				
Solid waste	<u>205,000</u>	<u>205,000</u>	<u>282,428</u>	<u>(77,428)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 123,481	\$ 123,481
Fund Balance - January 1	<u>762,807</u>	<u>762,807</u>	<u>762,807</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 762,807</u></u>	<u><u>\$ 762,807</u></u>	<u><u>\$ 886,288</u></u>	<u><u>\$ 123,481</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-7

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 117,281	\$ 117,281	\$ 115,765	\$ (1,516)
Intergovernmental	10,194	10,194	12,001	1,807
Miscellaneous	323,010	323,010	306,020	(16,990)
Total Revenues	\$ 450,485	\$ 450,485	\$ 433,786	\$ (16,699)
Expenditures				
Current				
General government				
Central services	450,485	450,485	384,145	66,340
Net Change in Fund Balance	\$ -	\$ -	\$ 49,641	\$ 49,641
Fund Balance - January 1	391,368	391,368	391,368	-
Fund Balance - December 31	\$ 391,368	\$ 391,368	\$ 441,009	\$ 49,641

**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, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 372,121</u>	<u>\$ 18,012,231</u>	<u>\$ 17,554,224</u>	<u>\$ 830,128</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 372,121</u>	<u>\$ 18,012,231</u>	<u>\$ 17,554,224</u>	<u>\$ 830,128</u>
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 129,940</u>	<u>\$ 2,760,557</u>	<u>\$ 2,761,637</u>	<u>\$ 128,860</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 129,940</u>	<u>\$ 2,760,557</u>	<u>\$ 2,761,637</u>	<u>\$ 128,860</u>
 <u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 22,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,688</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 22,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,688</u>

**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, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 82,615	\$ 105,522	\$ 93,088	\$ 95,049
<u>Liabilities</u>				
Due to other governments	\$ 82,615	\$ 105,522	\$ 93,088	\$ 95,049
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 607,364	\$ 20,878,310	\$ 20,408,949	\$ 1,076,725
<u>Liabilities</u>				
Due to other governments	\$ 607,364	\$ 20,878,310	\$ 20,408,949	\$ 1,076,725

ECONOMIC DEVELOPMENT AUTHORITY

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT E-1

**STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2017**

Assets

Current assets

Cash and pooled investments	\$ 159,620
Cash and cash equivalents	141,000
Accounts receivable	1,096
Accrued interest receivable	1,403
Due from primary government	27,500
Prepaid items	34,799

Total current assets **\$ 365,418**

Noncurrent assets

Capital assets	
Nondepreciable	\$ 155,988
Depreciable - net	2,368,256

Total noncurrent assets **\$ 2,524,244**

Total Assets **\$ 2,889,662**

Deferred Outflows of Resources

Deferred pension outflows	<u>\$ 26,224</u>
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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT E-1
(Continued)**

**STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2017**

Liabilities

Current liabilities

Accounts payable	\$ 16,348
Salaries payable	4,584
Accrued interest payable	3,078
Customer deposits	48,204
Compensated absences payable - current	4,696
Revenue bonds payable - current	192,827

Total current liabilities **\$ 269,737**

Noncurrent liabilities

Compensated absences payable - long-term	\$ 6,757
Revenue bonds payable - long-term	3,002,357
Net pension liability	107,722

Total noncurrent liabilities **\$ 3,116,836**

Total Liabilities **\$ 3,386,573**

Deferred Inflows of Resources

Deferred pension inflows	\$ 22,023
--------------------------	------------------

Net Position

Net investment in capital assets	\$ (670,940)
Unrestricted	178,230

Total Net Position **\$ (492,710)**

**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, 2017**

Operating Revenues	
Administrative fees	\$ 27,500
Tenant rents	624,761
Intergovernmental revenue	91,000
Miscellaneous	1,385
	<hr/>
Total Operating Revenues	\$ 744,646
Operating Expenses	
Personal services	\$ 122,913
Employee benefits and payroll taxes	39,492
General services - repairs and maintenance	163,289
Administration and fiscal services	5,941
Other services and charges	1,078
Supplies	3,504
Management and caretaking	29,504
Real estate taxes	30,868
Snowplowing	13,120
Telephone	2,827
Utilities	3,304
Water	6,364
Advertising	2,774
Background checks	256
Insurance	48,217
Licenses and dues	3,084
Interest	478
Miscellaneous	648
Web site and internet	2,135
Depreciation	165,173
	<hr/>
Total Operating Expenses	\$ 644,969
Operating Income (Loss)	\$ 99,677
Nonoperating Revenues (Expenses)	
Investment earnings	\$ 2,965
Management fees	2,400
Intergovernmental	39
Other income	30,898
Interest expense	(125,260)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (88,958)
Change in Net Position	\$ 10,719
Net Position - January 1	(503,429)
	<hr/>
Net Position - December 31	\$ (492,710)
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT E-3

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2017
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 759,469
Payments to suppliers	(399,734)
Payments to employees	(152,023)
Other nonoperating revenue	<u>33,337</u>
Net cash provided by (used in) operating activities	<u>\$ 241,049</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (185,647)
Interest paid on long-term debt	(125,285)
Purchases of capital assets	<u>(190,954)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (501,886)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 2,415</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (258,422)
Cash and Cash Equivalents, January 1	<u>559,042</u>
Cash and Cash Equivalents, December 31	<u>\$ 300,620</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT E-3
(Continued)**

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2017
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ 99,677
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 165,173
Other nonoperating revenue	33,337
(Increase) decrease in accounts receivable	14,672
(Increase) decrease in prepaid items	(3,295)
Increase (decrease) in customer deposits	151
Increase (decrease) in accounts payable	(79,048)
Increase (decrease) in salaries payable	1,398
Increase (decrease) in compensated absences payable	2,608
Increase (decrease) in net pension liability	(29,702)
Increase (decrease) in deferred outflows	30,960
Increase (decrease) in deferred inflows	5,118
Total adjustments	\$ 141,372
Net Cash Provided by (Used in) Operating Activities	\$ 241,049

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OTHER SCHEDULES

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT F-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017**

Appropriations and Shared Revenue

State

Highway users tax	\$ 2,868,057
County program aid	1,003,310
Market value credit - agricultural	302,301
PERA rate reimbursement	24,144
Disparity reduction aid	14,895
Police aid	160,248
Aquatic invasive species	232,172
Riparian Protection Aid	95,797
E-911	98,333
	<u>98,333</u>

Total appropriations and shared revenue **\$ 4,799,257**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 1,067,683
Minnesota Department of Transportation	40,659
	<u>40,659</u>

Total reimbursement for services **\$ 1,108,342**

Local

Local contributions	\$ 206,439
Payments in lieu of taxes	113,857
	<u>113,857</u>

Total local **\$ 320,296**

Grants

State

Minnesota Department/Board of	
Corrections	\$ 145,432
Public Safety	26,255
Health	128,262
Natural Resources	51,948
Human Services	768,042
Water and Soil Resources	56,369
Veterans Affairs	10,000
Peace Officer Standards and Training	7,312
Pollution Control Agency	104,828
	<u>104,828</u>

Total state **\$ 1,298,448**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT F-1
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017**

Grants (Continued)

Federal

Department of Agriculture	\$ 185,644
Commerce	156
Justice	26,473
Transportation	1,903
Education	1,933
Health and Human Services	1,563,384
Homeland Security	38,984
Social Security Administration	1,114

Total federal **\$ 1,819,591**

Total state and federal grants **\$ 3,118,039**

Total Intergovernmental Revenue **\$ 9,345,934**

Intergovernmental Revenue

Governmental funds	\$ 9,332,994
Proprietary fund	12,940

Total Intergovernmental Revenue **\$ 9,345,934**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT F-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	\$ 117,880
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	<u>179,602</u>
Total U.S. Department of Agriculture			<u>\$ 297,482</u>
U.S. Department of Commerce			
Passed Through Central Minnesota Emergency Services Board State and Local Implementation Grant Program	11.549	A-SLIGP-2013-CRRB-0001	<u>\$ 156</u>
U.S. Department of Justice			
Direct Bulletproof Vest Partnership Program	16.607		\$ 2,821
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2017-MEEKERAO-00036	<u>23,652</u>
Total U.S. Department of Justice			<u>\$ 26,473</u>
U.S. Department of Transportation			
Passed Through City of Glencoe, Minnesota Highway Safety Cluster State and Community Highway Safety	20.600	A-ENFRC16-2016- GLENCOPD-0052	<u>\$ 827</u>
U.S. Department of Education			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Education - Grants for Infants and Families	84.181	Not Provided	<u>\$ 1,450</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT F-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Meeker-McLeod-Sibley Community Health Services			
Public Health Emergency Preparedness	93.069	Not Provided	\$ 7,894
Universal Newborn Hearing Screening	93.251	Not Provided	1,500
Immunization Cooperative Agreements	93.268	68583	2,800
TANF Cluster			
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 \$208,224)	93.558	Not Provided	18,785
Block Grants for Prevention and Treatment of Substance Abuse			
Abuse	93.959	Not Provided	25,587
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	14,825
Passed Through Countryside Public Health			
Environmental Public Health and Emergency Response	93.070	Not Provided	2,203
Passed Through Minnesota Department of Health			
Small Rural Hospital Improvement Grant Program	93.301	Not Provided	8,325
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	Not Provided	157
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	Not Provided	1,726
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families TANF Cluster	93.556	G-1601MNFSS	5,322
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 \$208,224)	93.558	1601MNTANF	189,439
Child Support Enforcement	93.563	1704MNCSES	357,386
Refugee and Entrant Assistance - State Administered Programs	93.566	1701MNRMA	434
CCDF Cluster			
Child Care and Development Block Grant	93.575	G1701MNCCDF	4,915
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	2,945
Basic Health Program (Affordable Care Act)	93.640	Not Provided	1,231
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	3,409
Foster Care - Title IV-E	93.658	1601MNFOST	122,660
Social Services Block Grant	93.667	G-1701MNSOSR	119,274
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	1,062
Children's Health Insurance Program	93.767	1605MN5021	608
Medicaid Cluster			
Medical Assistance Program	93.778	05-1705MN5MAP	80,668
Medical Assistance Program (Total Medical Assistance Program CFDA 93.778 \$711,636)	93.778	05-1705MN5ADM	630,968
Total U.S. Department of Health and Human Services			\$ 1,604,123

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT F-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Social Security Administration			
Passed Through Minnesota Department of Employment and Economic Development Disability Insurance/SSI Cluster Social Security - Disability Insurance	96.001	Not Provided	\$ 1,114
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	Not Provided	\$ 16,154
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	 97.042	 F-EMPG-2017- MEEKERCO-049	 21,157
Passed Through City of Saint Cloud, Minnesota Homeland Security Grant Program	97.067	Not Provided	<u>234</u>
Total U.S. Department of Homeland Security			\$ 37,545
Total Federal Awards			\$ 1,969,170
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 179,602
Total expenditures for Highway Safety Cluster			827
Total expenditures for TANF Cluster			208,224
Total expenditures for CCDF Cluster			4,915
Total expenditures for Medicaid Cluster			711,636
Total expenditures for Disability Insurance/SSI Cluster			1,114

Meeker County did not pass any federal awards through to subrecipients during the year ended December 31, 2017.

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 \$236,380 in federal awards during the year ended June 30, 2017, 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, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Meeker County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Meeker County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Meeker County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,819,591
Grants received more than 60 days after year-end, unavailable in 2017	
Special Supplemental Nutrition Program for Women, Infants, and Children	72,054
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	39,784
Environmental Public Health and Emergency Response	2,203
Promoting Safe and Stable Families	1,499
Temporary Assistance for Needy Families	43,302
Child Support Enforcement	50,715
Community-Based Child Abuse Prevention Grants	631
Stephanie Tubbs Jones Child Welfare Services Program	783
Unavailable in 2016, recognized as revenue in 2017	
State and Community Highway Safety	(1,076)
Special Education - Grants for Infants and Families	(483)
Promoting Safe and Stable Families	(481)
Temporary Assistance for Needy Families	(45,610)
Child Care and Development Block Grant	(368)
Community-Based Child Abuse Prevention Grants	(491)
Stephanie Tubbs Jones Child Welfare Services Program	(375)
Chafee Foster Care Independence Program	(963)
Block Grants for Prevention and Treatment of Substance Abuse	(4,652)
Maternal and Child Health Services Block Grant to the States	(5,454)
Emergency Management Performance Grants	(1,439)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 1,969,170

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MEEKER COUNTY

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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

Independent Auditor's Report

Board of County Commissioners
Meeker County
Litchfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County, Minnesota, as of and for the year ended December 31, 2017, including the Meeker County Housing and Redevelopment Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 14, 2018. Our report includes a reference to other auditors who audited the financial statements of the Meeker Memorial Hospital, an enterprise fund of Meeker County, and the Meeker County Housing and Redevelopment Authority, a discretely presented component unit of Meeker County, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Meeker Memorial Hospital were not audited in accordance with *Government Auditing Standards*. The results of our testing of the Meeker County Economic Development Authority component unit's internal control over financial reporting and on compliance and other matters are reported on separately within the Management and Compliance Section.

Internal Control Over Financial Reporting

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

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

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 an item that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a material weakness and item 1996-002 to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Meeker County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as items 1996-001, 2017-002, 2017-003, and 2017-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Meeker County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 14, 2018

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

Independent Auditor's Report

Board of County Commissioners
Meeker County
Litchfield, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Meeker County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. Meeker County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Meeker County's basic financial statements include the operations of the Meeker County Housing and Redevelopment Authority (HRA) component unit, which expended \$236,380 in federal awards during the year ended June 30, 2017, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Meeker County HRA because it was audited by other auditors.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, Meeker County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 14, 2018

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **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? **None reported**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal programs are:

State Administrative Matching Grants for the	
Supplemental Nutrition Assistance Program	CFDA No. 10.561
Child Support Enforcement	CFDA No. 93.563

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

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 ITEM NOT RESOLVED

Finding Number 1996-002

Segregation of Duties

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

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

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

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

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

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

View of Responsible Official: Concur

ITEM ARISING THIS YEAR

Finding Number 2017-001

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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: A material audit adjustment was identified that resulted in significant changes to the County's financial statements.

Context: The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustment was found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The following audit adjustment was reviewed and approved by the appropriate County staff and is reflected in the financial statements: in the Road and Bridge Special Revenue Fund, due from other governments was decreased by \$1,770,926, unavailable revenue was decreased by \$326,770, and state intergovernmental revenue was decreased by \$1,444,156 to properly account for highway allotments. This adjustment also affected the government-wide financial statements.

Cause: This activity was incorrectly recorded when the financial statement information was prepared.

Recommendation: We recommend County staff implement additional procedures over financial reporting that include a comprehensive review of balances, disclosures, and supporting documentation by a qualified individual to ensure the information is complete and accurate so the County's financial statements are fairly presented in accordance with generally accepted accounting principles.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1996-001

Ditch Special Revenue Fund - Cash and Equity Balances

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

Condition: Sixteen of the 53 individual drainage systems had deficit cash balances totaling \$76,052, a decrease of \$27,276 from the \$103,328 deficit reported in the prior year. Eleven of the 53 individual drainage systems had deficit equity balances totaling \$119,232, an increase of \$40,192 from the \$79,040 deficit reported in the prior year.

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

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

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

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

View of Responsible Official: Concur

ITEMS ARISING THIS YEAR

Finding Number 2017-002

Prompt Payment of Invoices

Criteria: As stated in Minn. Stat. § 471.425, the 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: Four of the 25 invoices tested for compliance with Minn. Stat. § 471.425 were not paid within 35 days.

Context: The processing of payments originates with County departments.

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: The County informed us that the invoices first go to the departments which must approve the invoices for payment before providing them to the Treasurer's Office for payment.

Recommendation: We recommend the County implement procedures to ensure payments are made in accordance with Minn. Stat. § 471.425.

View of Responsible Official: Concur

Finding Number 2017-003

Electronic Funds Transfer Policy

Criteria: The County Board is required by Minn. Stat. §§ 471.381, subd. 3, and 385.071 to establish policies and procedures for investment and expenditure transactions via electronic funds transfers, that include the policy controls required by Minn. Stat. § 471.38, subd. 3a.

Condition: The County Board has not established written policies and procedures regarding the use of electronic funds transfers.

Context: The County Treasurer utilizes electronic funds transfers for various transactions such as paying sales tax, payroll tax, mortgage deed tax, or to transfer money to and from investments.

Effect: The County is not in compliance with Minn. Stat. §§ 471.381, subd. 3, 385.071, and 471.38, subd. 3a.

Cause: The County has not taken the time to develop a formal written policy, although informal procedures are in place.

Recommendation: We recommend the County Board establish written policies and procedures for electronic funds transfers as required by Minn. Stat. §§ 471.381, subd. 3, and 385.071.

View of Responsible Official: Concur

Finding Number 2017-004

Collateral Assignments

Criteria: Minnesota Statutes, section 118A.03 states, in part, that, “[a]ny collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.”

Condition: Meeker County has deposits with Center National Bank, Eden Valley Bank, Home State Bank, Farmers State of Watkins, and Wells Fargo. Each bank pledged collateral to cover deposits in excess of FDIC coverage to Meeker County, except for Eden Valley Bank, which did not require collateral. The pledge agreements provided by Center National Bank and Home State Bank did not contain the language required by Minn. Stat. § 118A.03, subd. 4; only Farmers State of Watkins’ pledge agreement contained the language required by Minn. Stat. § 118A.03, subd. 4.

Context: Current collateral assignments are advisable to ensure that proper statutory language is included in the collateral assignments so that the County’s interests are properly protected. Amounts exceeding FDIC coverage at these depositories were \$6,828,936 at December 31, 2017, which were properly covered by the depositories.

Effect: Without an approved written assignment of the pledged collateral that includes the language required by Minn. Stat. § 118A.03, subd. 4, the County is out of compliance with state law. Deposits held in excess of federal deposit insurance are at risk of loss should a depository fail.

Cause: The County relied on the depositories to monitor compliance with Minnesota statutes.

Recommendation: We recommend the County continue to require that its depositories provide written assignments for all collateral pledged and current written assignments be revised to include the statutory language required by Minn. Stat. § 118A.03, subd. 4. The County should be monitoring compliance with the applicable statutes and maintaining documentation of compliance.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEM RESOLVED

2013-003 Eligibility Testing (CFDA No. 93.778)

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MEEKER COUNTY TREASURER

325 Sibley Avenue North
Litchfield, MN 55355-2155
Phone: (320) 693-5345 Fax: (320) 693-5217

SHARON M EUERLE
County Treasurer

KATA DAHLMAN
Finance & Accounting Specialist

**REPRESENTATION OF MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017**

Finding Number: 1996-002
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Departments Heads and/or Supervisors

Corrective Action Planned:

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

Anticipated Completion Date: On-going

Finding Number: 2017-001
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Sharon Euerle, Meeker County Treasurer or Suz Pater, Senior Account Technician

Corrective Action Planned:

Will utilize the Highway Funding Classifications flowchart provided by the State Auditors to ensure funding is accounted for properly based on the SAAS Status Report from DOT. This flowchart will help us clarify the difference between Encumbrance and Unexpended Balance for the State Park funding.

Anticipated Completion Date: December 31, 2018

Finding Number: 1996-001

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

Name of Contact Person Responsible for Corrective Action:

Barbara Loch, County Auditor

Corrective Action Planned:

The county has taken a more aggressive approach to increase individual ditch repair fund balances. Two of the eleven systems make up for 65.4% of the total negative balance. These systems are in the final stages of redetermination of benefit and will be assessed. The county has also pre-billed assessments to the ditch systems for the full time inspector's salary.

Anticipated Completion Date: On-going

Finding Number: 2017-002

Finding Title: Prompt Payment of Invoices

Name of Contact Person Responsible for Corrective Action:

Sharon Euerle, County Treasurer

Corrective Action Planned:

Meeker County has already implemented a corrected procedure, it is two departments and discussion has been done with them. All other departments do pay promptly.

Anticipated Completion Date: Corrective action is in current use.

Finding Number: 2017-003

Finding Title: Electronic Funds Transfer Policy

Name of Contact Person Responsible for Corrective Action:

Sharon Euerle, County Treasurer

Corrective Action Planned:

To comply with new law, will establish and get County Board approval of written policies and procedures regarding use of electronic funds transfers.

Anticipated Completion Date: December 31, 2018

Finding Number: 2017-004

Finding Title: Collateral Assignments

Name of Contact Person Responsible for Corrective Action:

Sharon Euerle, County Treasurer

Corrective Action Planned:

Have requested from bank to add one line of verbiage to the currently held Pledge Collateral Agreement, to be in compliance with MN Statute.

Anticipated Completion Date: December 31, 2018

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MEEKER COUNTY TREASURER

325 Sibley Avenue North
Litchfield, MN 55355-2155
Phone: (320) 693-5345 Fax: (320) 693-5217

SHARON M EUERLE
County Treasurer

KATA DAHLMAN
Finance & Accounting Specialist

**REPRESENTATION OF MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Finding Number: 1996-002
Finding Title: Segregation of Duties

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

Summary of Corrective Action Previously Reported: Meeker County’s management is aware that various County offices may lack segregation of accounting duties and responsibilities. The County continues to evaluate to ensure segregation of duties to the accounting functions and has implemented more oversight procedures.

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

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

Finding Number: 1996-001
Finding Title: Ditch Special Revenue Fund - Cash and Equity Balances

Summary of Condition: Twenty of the 57 individual drainage systems had deficit cash balances totaling \$103,328. Fifteen of the 57 individual drainage systems had deficit equity balances totaling \$79,040.

Summary of Corrective Action Previously Reported: Management is aware of the provision in Minn. Stat. § 103E.735 to establish repair fund balances. The County Auditor and Ditch Inspector will be more aggressive in determining the future needs of the individual ditch accounts and attempt to accumulate a surplus balance.

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

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

Yes _____ No X

Finding Number: 2013-003

Finding Title: Eligibility Testing

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: A sample of 40 Medical Assistance Program case files were selected for testing controls over, and compliance with, the eligibility requirements of the program. Of the 40 case files selected, there was one case file where assets listed in the application were not verified, nor was the asset information input into MAXIS and one case file that included a bank statement that did not match the amount in MAXIS.

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

Status: Corrected. Corrective action was taken.

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

Yes _____ No X

**MEEKER COUNTY
ECONOMIC DEVELOPMENT AUTHORITY**

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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SAINT PAUL, MN 55103-2139

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Meeker County, Minnesota, which include as supplementary information, the financial statements of the Meeker County Economic Development Authority (EDA), a discretely presented component unit, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 14, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 14, 2018