

# STATE OF MINNESOTA

## Office of the State Auditor



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

---

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

**YEAR ENDED DECEMBER 31, 2012**

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

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

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

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

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

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

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

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

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

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

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@osa.state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Year Ended December 31, 2012**



**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

This page was left blank intentionally.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		6
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	14
Statement of Activities	2	16
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	18
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position--Governmental Activities	4	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	5	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	6	27
Proprietary Fund		
Meeker Memorial Hospital Enterprise Fund		
Statement of Fund Net Position	7	28
Statement of Revenues, Expenses, and Changes in Fund Net Position	8	30
Statement of Cash Flows	9	31
Fiduciary Funds		
Statement of Fiduciary Net Position	10	33
Discretely Presented Component Units		
Combining Statement of Net Position	11	34
Combining Statement of Activities	12	36
Notes to the Financial Statements		38

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
<b>Financial Section (Continued)</b>		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	88
Road and Bridge Special Revenue Fund	A-2	90
Human Services Special Revenue Fund	A-3	91
Schedule of Funding Progress - Other Postemployment Benefits	A-4	92
Notes to the Required Supplementary Information		93
Supplementary Information		
Budgetary Comparison Schedule		
Debt Service Fund	B-1	94
Nonmajor Governmental Funds		95
Combining Balance Sheet	C-1	97
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	C-2	101
Budgetary Comparison Schedules		
County Parks Special Revenue Fund	C-3	103
Regional Library Special Revenue Fund	C-4	104
County Nurse Special Revenue Fund	C-5	105
Transfer Station Special Revenue Fund	C-6	106
Family Services Building Special Revenue Fund	C-7	107
Fiduciary Funds		108
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	D-1	109
Economic Development Authority		
Statement of Net Position	E-1	111
Statement of Revenues, Expenses, and Changes in Net Position	E-2	113
Statement of Cash Flows	E-3	114
Other Schedules		
Schedule of Intergovernmental Revenue	F-1	116
Schedule of Expenditures of Federal Awards	F-2	118
Notes to the Schedule of Expenditures of Federal Awards		120

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs		122
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		132
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		135

This page was left blank intentionally.





This page was left blank intentionally.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2012

			<u>Term Expires</u>
<b>Elected</b>			
Commissioners			
Chair	Jim Swenson	District 1	January 2013
Board Member	Dave Gabrielson	District 2	January 2013
Board Member	Tim Benoit	District 3	January 2013
Vice Chair	Wallace Strand	District 4	January 2013
Board Member	Roney Kutzke	District 5	January 2013
Attorney	Angella Erickson		January 2015
Auditor	Barbara Loch		January 2015
Treasurer	Sharon Euerle		January 2015
Recorder	Elaine Lenhard		January 2015
Sheriff	Jeff Norlin		January 2015
 <b>Appointed</b>			
Assessor	Robert Anderson		January 2013
Court Administrator	Debra Mueske		Indefinite
Coroner	A. Quinn Strobl, M.D.		Indefinite
Examiner of Titles	Mark Wood		Indefinite
Highway Engineer	Ronald Mortensen		May 2014
Surveyor	Doug Huhn		December 2012
Veterans Service Officer	Donald Dufner		December 2013
Welfare Director	Clark Gustafson		Indefinite
Emergency Management Director Department of Motor Vehicles	Jeff Norlin		Indefinite
Registrar	Sharon Euerle		Indefinite
County Administrator	Paul Virnig		Indefinite
Planning and Zoning Administrator	Kristin Cote		Indefinite

This page was left blank intentionally.



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Meeker County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County, Minnesota, as of and for the year ended December 31, 2012, including the Meeker County Housing and Redevelopment Authority, as of and for the year ended June 30, 2012, 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 represent the amounts shown as the business-type activities and the major proprietary fund; and (2) the Meeker County Housing and Redevelopment Authority, which represents 13 percent, 179 percent, and 30 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial 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 Housing and Redevelopment Authority component unit, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United

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

An audit includes performing procedures to obtain 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, 2012, including the Meeker County Housing and Redevelopment Authority as of June 30, 2012, 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 and Other Schedules*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meeker County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2013, on our consideration of Meeker County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meeker County's internal control over financial reporting and compliance. It does not include the Meeker Memorial Hospital or the Meeker County Housing and Redevelopment Authority, which were audited by other auditors.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 26, 2013

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

This page was left blank intentionally.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012  
(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, 2012. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of Meeker County exceeded its liabilities on December 31, 2012, by \$99,101,724 (net position). Of this amount, \$41,847,285 (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 \$5,155,764 in 2012. This is attributed primarily to an increase in activity.
- As of the close of 2012, Meeker County's governmental funds reported combined ending fund balances of \$23,433,961, an increase of \$6,451,870 in comparison with 2011 combined ending fund balances. Of this fund balance amount, \$17,294,523 was unrestricted by Meeker County, and thus available for spending at the government's discretion.
- At the end of 2012, unassigned fund balance for the General Fund was \$6,933,938, or 74.15 percent, of the total General Fund expenditures for that year.
- Meeker County's total debt increased by \$2,462,725, or 7.09 percent. The key factor in the increase was the issuance of two refunding bonds. In February 2013, the debt will decrease by \$4,690,000 when the refunded bonds are defeased. This results in a \$2,227,275 or a 6.4 percent decrease in total outstanding debt of the County.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## **Government-Wide Financial Statements**

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

The statement of net position presents information on all of Meeker County's assets and liabilities, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Meeker County is improving or deteriorating.

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

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

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

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

## **Fund Level Financial Statements**

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

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

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

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

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

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

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 38 through 87 of this report.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Meeker County's assets exceeded liabilities by \$99,101,724 at the close of 2012. The largest portion of Meeker County's net position (50.18 percent) reflects the County's investment in capital assets (for example, land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

	<b>Net Position</b>					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and other assets	\$ 27,311,526	\$ 20,167,533	\$ 29,336,847	\$ 27,085,230	\$ 56,648,373	\$ 47,252,763
Capital assets	59,038,948	59,253,566	27,884,413	29,189,167	86,923,361	88,442,733
<b>Total Assets</b>	<b>\$ 86,350,474</b>	<b>\$ 79,421,099</b>	<b>\$ 57,221,260</b>	<b>\$ 56,274,397</b>	<b>\$ 143,571,734</b>	<b>\$ 135,695,496</b>
<b>Liabilities</b>						
Long-term liabilities	\$ 14,220,534	\$ 11,212,696	\$ 25,575,467	\$ 26,056,676	\$ 39,796,001	\$ 37,269,372
Other liabilities	2,190,257	1,890,063	2,483,752	2,590,101	4,674,009	4,480,164
<b>Total Liabilities</b>	<b>\$ 16,410,791</b>	<b>\$ 13,102,759</b>	<b>\$ 28,059,219</b>	<b>\$ 28,646,777</b>	<b>\$ 44,470,010</b>	<b>\$ 41,749,536</b>
<b>Net Position</b>						
Net investment in capital assets	\$ 47,421,699	\$ 50,525,969	\$ 2,308,946	\$ 3,132,491	\$ 49,730,645	\$ 53,658,460
Restricted	5,437,875	1,095,403	2,085,919	2,185,569	7,523,794	3,280,972
Unrestricted	17,080,109	14,696,968	24,767,176	22,309,560	41,847,285	37,006,528
<b>Total Net Position</b>	<b>\$ 69,939,683</b>	<b>\$ 66,318,340</b>	<b>\$ 29,162,041</b>	<b>\$ 27,627,620</b>	<b>\$ 99,101,724</b>	<b>\$ 93,945,960</b>

The unrestricted net position amount of \$41,847,285 as of December 31, 2012, may be used to meet the County's ongoing obligations to citizens and creditors. Business-type activities reported in 2012 are Meeker Memorial Hospital, an enterprise fund of the primary government.



## Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 4,991,332	\$ 4,899,497	\$ 27,282,379	\$ 27,875,562	\$ 32,273,711	\$ 32,775,059
Operating grants and contributions	7,759,071	6,512,139	-	-	7,759,071	6,512,139
Capital grants and contributions	1,945,079	2,348,463	-	-	1,945,079	2,348,463
General revenues						
Property taxes	12,321,003	11,319,295	-	-	12,321,003	11,319,295
Gravel taxes	75,458	68,173	-	-	75,458	68,173
Mortgage registry taxes	17,633	13,765	-	-	17,633	13,765
Other taxes	117,400	98,445	-	-	117,400	98,445
Grants and contributions not restricted to specific programs	994,138	1,496,187	-	-	994,138	1,496,187
Gifts and contributions	-	-	18,204	13,500	18,204	13,500
Investment income	158,904	145,177	273,714	277,171	432,618	422,348
Gain on sale of capital assets	8,791	84,941	29,588	21,168	38,379	106,109
Miscellaneous	2,980	3,185	-	-	2,980	3,185
<b>Total Revenues</b>	<b>\$ 28,391,789</b>	<b>\$ 26,989,267</b>	<b>\$ 27,603,885</b>	<b>\$ 28,187,401</b>	<b>\$ 55,995,674</b>	<b>\$ 55,176,668</b>
<b>Expenses</b>						
General government	\$ 5,462,755	\$ 5,468,426	-	-	\$ 5,462,755	\$ 5,468,426
Public safety	5,122,433	5,079,451	-	-	5,122,433	5,079,451
Highways and streets	4,700,520	4,832,197	-	-	4,700,520	4,832,197
Sanitation	239,297	208,178	-	-	239,297	208,178
Human services	6,313,358	6,311,140	-	-	6,313,358	6,311,140
Hospital	-	-	26,069,464	25,145,346	26,069,464	25,145,346
Health	1,510,542	1,412,363	-	-	1,510,542	1,412,363
Culture and recreation	418,664	409,167	-	-	418,664	409,167
Conservation of natural resources	596,272	348,588	-	-	596,272	348,588
Economic development	137,500	712,552	-	-	137,500	712,552
Interest	269,105	317,281	-	-	269,105	317,281
<b>Total Expenses</b>	<b>\$ 24,770,446</b>	<b>\$ 25,099,343</b>	<b>\$ 26,069,464</b>	<b>\$ 25,145,346</b>	<b>\$ 50,839,910</b>	<b>\$ 50,244,689</b>
<b>Increase in Net Position</b>	<b>\$ 3,621,343</b>	<b>\$ 1,889,924</b>	<b>\$ 1,534,421</b>	<b>\$ 3,042,055</b>	<b>\$ 5,155,764</b>	<b>\$ 4,931,979</b>
Net Position - January 1	66,318,340	64,428,416	27,627,620	24,585,565	93,945,960	89,013,981
Net Position - December 31	<u>\$ 69,939,683</u>	<u>\$ 66,318,340</u>	<u>\$ 29,162,041</u>	<u>\$ 27,627,620</u>	<u>\$ 99,101,724</u>	<u>\$ 93,945,960</u>

### Governmental Activities

Meeker County's governmental activities increased the County's net position during 2012 by \$3,621,343.

### Business-Type Activities

Business-type activities of the Meeker Memorial Hospital increased Meeker County's net position by \$1,534,421, accounting for 29.76 percent of the total growth in the County's net position. Charges for services decreased \$593,183, or 2.13 percent, while expenses were up \$924,118, or 3.68 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 \$23,433,961, an increase of \$6,451,870 in comparison with the prior year. Of the ending fund balance, \$6,933,938 represents unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is not available for new spending because it has already been committed, restricted, assigned, or in non-spendable form.

The General Fund is the chief operating fund for Meeker County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$6,933,938, while total fund balance was \$7,873,571. 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 74.15 percent of total General Fund expenditures. The ending fund balance for 2012 in the General Fund increased by \$1,034,895 as compared to 2011 ending balance.

The Road and Bridge Special Revenue Fund's fund balance at the end of the current fiscal year was \$2,735,578. The ending fund balance in the Road and Bridge Special Revenue Fund increased by \$698,033. This is primarily due to increased tax revenue.

The Human Services Special Revenue Fund's fund balance at the end of the current fiscal year was \$3,737,513. The ending fund balance in the Human Services Special Revenue Fund increased by \$169,741, primarily due to increase in tax revenue.

The Debt Service Special Revenue Fund's fund balance at the end of the current fiscal year was \$4,933,921. The ending fund balance in the Debt Service Special Revenue Fund increased \$4,316,533 due to issuance of refunding bonds when refinancing County debt.

## GENERAL FUND BUDGETARY HIGHLIGHTS

There are no differences between the original expenditure budget and the final amended budget. (Meeker County did not amend the 2012 expenditure budget.)

Actual revenues in the General Fund were more than budgeted revenues by \$770,902, 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, 2012, totaled \$59,038,948 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's governmental investment in capital assets decreased \$214,618, or .36 percent, from the previous year. The major capital asset events were infrastructure.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,522,856	\$ 2,522,856	\$ 1,963,928	\$ 1,963,928	\$ 4,486,784	\$ 4,486,784
Land improvements	-	-	876,755	971,161	876,755	971,161
Infrastructure	38,709,375	36,974,798	-	-	38,709,375	36,974,798
Buildings	10,892,488	11,305,279	18,850,018	20,315,907	29,742,506	31,621,186
Buildings improvements	2,886,105	2,641,632	-	-	2,886,105	2,641,632
Machinery, equipment, and office furniture	4,007,759	4,628,999	6,193,712	5,938,171	10,201,471	10,567,170
Construction in progress	20,365	1,180,002	-	-	20,365	1,180,002
Total Capital Assets	\$ 59,038,948	\$ 59,253,566	\$ 27,884,413	\$ 29,189,167	\$ 86,923,361	\$ 88,442,733

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 \$37,200,708. 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	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 9,615,000	\$ 6,470,000	\$ -	\$ -	9,615,000	6,470,000
General obligation capital notes	1,930,000	2,235,000	-	-	1,930,000	2,235,000
Gross revenue hospital facilities bonds	-	-	25,330,000	25,800,000	25,330,000	25,800,000
Loan payable	325,708	232,983	-	-	325,708	232,983
<b>Total</b>	<b>\$ 11,870,708</b>	<b>\$ 8,937,983</b>	<b>\$ 25,330,000</b>	<b>\$ 25,800,000</b>	<b>\$ 37,200,708</b>	<b>\$ 34,737,983</b>

The County's debt related to general obligation bonds, gross revenue hospital facilities bonds, certificates of participation, capital notes, and loans increased by \$2,462,725, or 7.09 percent, during the fiscal year due to payment on principal and issuance of two refunding bonds. The refunded bonds will be defeased in February 2013. The net effect is that Meeker County had an actual decrease of \$2,227,275 or 6.4 percent, in total debt.

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 2012, 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 2012 was 6.9 percent. This compares with the state unemployment rate of 5.4 percent and shows Meeker County's decrease of 0.60 percent from the rate of one year ago.

By the end of 2012, Meeker County approved its balanced 2013 revenue and expenditure budgets.

## REQUESTS FOR INFORMATION

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

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2012**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and pooled investments	\$ 19,919,802	\$ 4,765,820	\$ 24,685,622	\$ 239,442
Petty cash and change funds	2,690	-	2,690	-
Cash with escrow agent	3,166,676	-	3,166,676	-
Investments	-	-	-	168,078
Taxes receivable				
Prior - net	381,108	-	381,108	-
Special assessments receivable				
Prior - net	6,371	-	6,371	-
Noncurrent - net	307,118	-	307,118	-
Accounts receivable - net	117,791	4,598,933	4,716,724	9,586
Accrued interest receivable	75,741	-	75,741	756
Due from other governments	1,930,537	-	1,930,537	-
Due from primary government	-	-	-	27,500
Due from component unit	617	-	617	-
Notes receivable	300,000	-	300,000	-
Loans receivable	611,623	-	611,623	293,662
Estimated third-party payor settlements	-	117,520	117,520	-
Inventories	239,198	428,613	667,811	-
Prepaid items	92,033	454,643	546,676	14,323
Restricted assets				
Investments	-	15,687,539	15,687,539	-
Restricted by bond indenture	-	1,998,323	1,998,323	-
Restricted by donor	-	23,522	23,522	-
Deferred charges	160,221	-	160,221	50,624
Other assets	-	334,913	334,913	-
Investment in joint venture	-	927,021	927,021	-
Capital assets				
Non-depreciable	2,543,221	1,963,928	4,507,149	219,954
Depreciable - net of accumulated depreciation	56,495,727	25,920,485	82,416,212	3,429,067
<b>Total Assets</b>	<b>\$ 86,350,474</b>	<b>\$ 57,221,260</b>	<b>\$ 143,571,734</b>	<b>\$ 4,452,992</b>



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2012**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Liabilities</b>				
Accounts payable	\$ 680,766	\$ 912,782	\$ 1,593,548	\$ 15,820
Salaries payable	597,914	1,331,779	1,929,693	4,953
Contracts payable	55,830	-	55,830	-
Due to other governments	99,779	-	99,779	6,333
Due to primary government	-	-	-	617
Due to component unit	27,500	-	27,500	-
Accrued interest payable	97,666	239,191	336,857	2,885
Unearned revenue	630,802	-	630,802	-
Deferred rent income	-	-	-	568
Payable from restricted assets				
Customer deposits	-	-	-	45,250
Tenant security deposits	-	-	-	8,763
Long-term liabilities				
Due within one year	6,394,121	495,000	6,889,121	160,665
Due in more than one year	7,826,413	25,080,467	32,906,880	3,898,992
<b>Total Liabilities</b>	<b>\$ 16,410,791</b>	<b>\$ 28,059,219</b>	<b>\$ 44,470,010</b>	<b>\$ 4,144,846</b>
<b>Net Position</b>				
Net investment in capital assets	\$ 47,421,699	\$ 2,308,946	\$ 49,730,645	\$ (407,813)
Restricted for				
General government	390,917	-	390,917	-
Public safety	22,373	-	22,373	-
Sanitation	90,664	-	90,664	574,641
Debt service	4,933,921	-	4,933,921	-
Restricted by bond indenture	-	1,998,323	1,998,323	-
Restricted by donor	-	87,596	87,596	-
Other purposes	-	-	-	13,239
Unrestricted	17,080,109	24,767,176	41,847,285	128,079
<b>Total Net Position</b>	<b>\$ 69,939,683</b>	<b>\$ 29,162,041</b>	<b>\$ 99,101,724</b>	<b>\$ 308,146</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Functions/Programs</b>			
<b>Primary government</b>			
<b>Governmental activities</b>			
General government	\$ 5,462,755	\$ 1,571,971	\$ 2,448
Public safety	5,122,433	1,058,659	1,308,947
Highways and streets	4,700,520	612,856	2,470,954
Sanitation	239,297	219,355	-
Human services	6,313,358	919,752	2,608,259
Health	1,510,542	375,410	1,134,570
Culture and recreation	418,664	49,897	-
Conservation of natural resources	596,272	78,748	233,893
Economic development	137,500	104,684	-
Interest	269,105	-	-
<b>Total governmental activities</b>	<b>\$ 24,770,446</b>	<b>\$ 4,991,332</b>	<b>\$ 7,759,071</b>
<b>Business-type activities</b>			
Hospital	26,069,464	27,282,379	-
<b>Total Primary Government</b>	<b>\$ 50,839,910</b>	<b>\$ 32,273,711</b>	<b>\$ 7,759,071</b>
<b>Discretely Presented Component Units</b>	<b>\$ 1,153,027</b>	<b>\$ 658,181</b>	<b>\$ 328,924</b>

**General Revenues**

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

**Total general revenues**

**Change in Net Position**

**Net Position - January 1, restated (see Note 8.A)**

**Net Position - December 31**

**EXHIBIT 2**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (3,888,336)	\$ -	\$ (3,888,336)	
-	(2,754,827)	-	(2,754,827)	
1,945,079	328,369	-	328,369	
-	(19,942)	-	(19,942)	
-	(2,785,347)	-	(2,785,347)	
-	(562)	-	(562)	
-	(368,767)	-	(368,767)	
-	(283,631)	-	(283,631)	
-	(32,816)	-	(32,816)	
-	(269,105)	-	(269,105)	
<b>\$ 1,945,079</b>	<b>\$ (10,074,964)</b>	<b>\$ -</b>	<b>\$ (10,074,964)</b>	
-	-	1,212,915	1,212,915	
<b>\$ 1,945,079</b>	<b>\$ (10,074,964)</b>	<b>\$ 1,212,915</b>	<b>\$ (8,862,049)</b>	
<b>\$ 2,376</b>				<b>\$ (163,546)</b>
	\$ 12,321,003	\$ -	\$ 12,321,003	\$ -
	75,458	-	75,458	-
	17,633	-	17,633	-
	117,400	-	117,400	-
	994,138	-	994,138	-
	-	18,204	18,204	-
	158,904	273,714	432,618	1,952
	8,791	29,588	38,379	-
	2,980	-	2,980	-
	<b>\$ 13,696,307</b>	<b>\$ 321,506</b>	<b>\$ 14,017,813</b>	<b>\$ 1,952</b>
	<b>\$ 3,621,343</b>	<b>\$ 1,534,421</b>	<b>\$ 5,155,764</b>	<b>\$ (161,594)</b>
	<b>66,318,340</b>	<b>27,627,620</b>	<b>93,945,960</b>	<b>469,740</b>
	<b>\$ 69,939,683</b>	<b>\$ 29,162,041</b>	<b>\$ 99,101,724</b>	<b>\$ 308,146</b>

This page was left blank intentionally.

**FUND FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENTAL FUNDS**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 7,520,682	\$ 2,841,065
Petty cash and change funds	2,690	-
Cash with escrow agent	-	-
Taxes receivable		
Delinquent	207,422	47,618
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable - net	30,115	386
Accrued interest receivable	75,741	-
Due from other funds	31,288	-
Due from other governments	267,491	956,698
Due from component unit	-	-
Notes receivable	300,000	-
Loans receivable	-	-
Inventories	-	239,198
Advances to other funds	13,778	-
Prepaid items	87,191	-
	<b>\$ 8,536,398</b>	<b>\$ 4,084,965</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 113,212	\$ 235,892
Salaries payable	304,600	76,829
Contracts payable	-	42,405
Due to other funds	1,446	1,974
Due to other governments	41,881	4,140
Due to component unit	-	-
Deferred revenue - unavailable	182,509	988,147
Advances from other funds - governmental	-	-
Deferred revenue - unearned	19,179	-
	<b>\$ 662,827</b>	<b>\$ 1,349,387</b>



**EXHIBIT 3**

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,645,047	\$ 1,763,396	\$ 1,110,691	\$ 3,038,921	\$ 19,919,802
-	-	-	-	2,690
-	3,166,676	-	-	3,166,676
84,121	33,271	62	8,614	381,108
-	-	-	6,371	6,371
-	-	-	307,118	307,118
58,092	-	-	29,198	117,791
-	-	-	-	75,741
712	-	-	10,039	42,039
447,256	-	-	259,092	1,930,537
-	-	-	617	617
-	-	-	-	300,000
-	-	-	611,623	611,623
-	-	-	-	239,198
-	-	-	-	13,778
-	-	-	4,842	92,033
<u>\$ 4,235,228</u>	<u>\$ 4,963,343</u>	<u>\$ 1,110,753</u>	<u>\$ 4,276,435</u>	<u>\$ 27,207,122</u>
\$ 204,423	\$ -	\$ 35,890	\$ 91,349	\$ 680,766
152,268	-	-	64,217	597,914
-	-	13,425	-	55,830
38,229	-	-	390	42,039
28,606	-	-	25,152	99,779
-	-	-	27,500	27,500
74,189	29,422	62	350,424	1,624,753
-	-	-	13,778	13,778
-	-	-	611,623	630,802
<u>\$ 497,715</u>	<u>\$ 29,422</u>	<u>\$ 49,377</u>	<u>\$ 1,184,433</u>	<u>\$ 3,773,161</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>(Continued)</b>		
<b>Fund Balances</b>		
Nonspendable		
Inventories	\$ -	\$ 239,198
Prepaid items	87,191	-
Advances to other funds	13,778	-
Notes receivable	300,000	-
Restricted for		
Debt service	-	-
Recorder's technology equipment	71,721	-
Missing heirs	3,684	-
Recorder's compliance	279,641	-
Attorney forfeiture	35,871	-
Gravel tax	90,664	-
Sheriff contingencies	-	-
Extension	883	-
Permit to carry	56,200	-
Committed for		
Regional library	-	-
Assigned to		
General government	-	-
Highways and streets	-	2,496,380
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	-	-
Economic development	-	-
Capital projects	-	-
Unassigned in		
General Fund	6,933,938	-
<b>Total Fund Balances</b>	<b>\$ 7,873,571</b>	<b>\$ 2,735,578</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,536,398</b>	<b>\$ 4,084,965</b>

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

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 239,198
-	-	-	4,313	91,504
-	-	-	-	13,778
-	-	-	-	300,000
-	4,933,921	-	-	4,933,921
-	-	-	-	71,721
-	-	-	-	3,684
-	-	-	-	279,641
-	-	-	-	35,871
-	-	-	-	90,664
-	-	-	22,373	22,373
-	-	-	-	883
-	-	-	-	56,200
-	-	-	59,528	59,528
-	-	-	394,454	394,454
-	-	-	-	2,496,380
-	-	-	1,091,693	1,091,693
3,737,513	-	-	-	3,737,513
-	-	-	370,396	370,396
-	-	-	133,385	133,385
-	-	-	74,431	74,431
-	-	-	941,429	941,429
-	-	1,061,376	-	1,061,376
-	-	-	-	6,933,938
<u>\$ 3,737,513</u>	<u>\$ 4,933,921</u>	<u>\$ 1,061,376</u>	<u>\$ 3,092,002</u>	<u>\$ 23,433,961</u>
<u>\$ 4,235,228</u>	<u>\$ 4,963,343</u>	<u>\$ 1,110,753</u>	<u>\$ 4,276,435</u>	<u>\$ 27,207,122</u>

This page was left blank intentionally.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2012**

<b>Fund balance - total governmental funds</b>		<b>\$ 23,433,961</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		59,038,948
Debt issuance costs are expended in the governmental funds, but are reported as an asset in the statement of net position and amortized to interest expense over the life of the debt.		160,221
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,624,753
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	\$ (9,687,249)	
Loan payable	(325,708)	
Capital notes payable	(1,930,000)	
Compensated absences	(1,889,822)	
Accrued interest payable	(97,666)	
Other postemployment benefits	(387,755)	(14,318,200)
<b>Net Position of Governmental Activities</b>		<b><u><u>\$ 69,939,683</u></u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 6,931,367	\$ 1,619,861
Special assessments	-	-
Licenses and permits	86,796	-
Intergovernmental	1,495,177	4,299,148
Charges for services	1,636,860	545,473
Fines and forfeits	24,785	-
Gifts and contributions	1,417	-
Investment earnings	156,838	-
Miscellaneous	597,466	77,033
	<b>\$ 10,930,706</b>	<b>\$ 6,541,515</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 4,448,634	\$ -
Public safety	4,359,617	-
Highways and streets	-	4,847,100
Sanitation	123,277	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	324,746	-
Economic development	95,000	-
<b>Capital outlay</b>	-	-
<b>Intergovernmental</b>	-	377,775
<b>Debt service</b>		
Principal	-	600,000
Interest	-	34,500
Administrative and fiscal charges	-	-
	<b>\$ 9,351,274</b>	<b>\$ 5,859,375</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,579,432</b>	<b>\$ 682,140</b>

**EXHIBIT 5**

<b>Human Services</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,648,585	\$ 966,944	\$ 3	\$ 258,382	\$ 12,425,142
-	-	-	105,003	105,003
-	-	-	-	86,796
3,000,086	81,596	836,392	836,628	10,549,027
606,371	-	-	595,733	3,384,437
-	-	-	69,927	94,712
95	-	-	1,230	2,742
-	-	-	2,066	158,904
313,381	-	40,649	472,812	1,501,341
<b>\$ 6,568,518</b>	<b>\$ 1,048,540</b>	<b>\$ 877,044</b>	<b>\$ 2,341,781</b>	<b>\$ 28,308,104</b>
\$ -	\$ -	\$ -	\$ 490,819	\$ 4,939,453
-	-	-	-	4,359,617
-	-	-	-	4,847,100
-	-	-	101,538	224,815
6,398,777	-	-	-	6,398,777
-	-	-	1,565,884	1,565,884
-	-	-	419,839	419,839
-	-	-	146,768	471,514
-	-	-	42,500	137,500
-	-	744,012	-	744,012
-	-	-	-	377,775
-	885,000	-	-	1,485,000
-	236,986	-	701	272,187
-	85,063	-	-	85,063
<b>\$ 6,398,777</b>	<b>\$ 1,207,049</b>	<b>\$ 744,012</b>	<b>\$ 2,768,049</b>	<b>\$ 26,328,536</b>
<b>\$ 169,741</b>	<b>\$ (158,509)</b>	<b>\$ 133,032</b>	<b>\$ (426,268)</b>	<b>\$ 1,979,568</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Road and Bridge</u>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	(544,537)	-
Loans issued	-	-
Refunding bonds issued	-	-
Discount on bonds/notes issued	-	-
Premium on bonds/notes issued	-	-
	<hr/>	<hr/>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (544,537)</b>	<b>\$ -</b>
	<hr/>	<hr/>
<b>Net Change in Fund Balances</b>	<b>\$ 1,034,895</b>	<b>\$ 682,140</b>
	<hr/>	<hr/>
<b>Fund Balances - January 1</b>	<b>6,838,676</b>	<b>2,037,545</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>15,893</b>
	<hr/>	<hr/>
<b>Fund Balances - December 31</b>	<b><u><u>\$ 7,873,571</u></u></b>	<b><u><u>\$ 2,735,578</u></u></b>



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

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 100,000	\$ 200,000	\$ 544,537	\$ 844,537
-	-	(100,000)	(200,000)	(844,537)
-	-	-	81,367	81,367
-	4,325,000	-	-	4,325,000
-	(3,853)	-	-	(3,853)
-	53,895	-	-	53,895
<u>\$ -</u>	<u>\$ 4,475,042</u>	<u>\$ 100,000</u>	<u>\$ 425,904</u>	<u>\$ 4,456,409</u>
\$ 169,741	\$ 4,316,533	\$ 233,032	\$ (364)	\$ 6,435,977
3,567,772	617,388	828,344	3,092,366	16,982,091
-	-	-	-	15,893
<u><u>\$ 3,737,513</u></u>	<u><u>\$ 4,933,921</u></u>	<u><u>\$ 1,061,376</u></u>	<u><u>\$ 3,092,002</u></u>	<u><u>\$ 23,433,961</u></u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ 6,435,977**

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

In the 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 fund statements and statement of activities is the increase or decrease in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 1,624,753	
Deferred revenue - January 1	(1,320,579)	304,174

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

Expenditures for general capital assets and infrastructure	\$ 2,628,727	
Net book value of assets sold	(12,668)	
Current year depreciation	(2,830,677)	(214,618)

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		
Refunding bonds	\$ (4,325,000)	
Loans	(92,725)	
Premium of bonds issued	(53,895)	
Discount of bonds issued	3,853	
Bond issuance cost	85,063	(4,382,704)

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	\$ 1,180,000	
Capital notes	305,000	1,485,000

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

Change in accrued interest payable	\$ 15,628	
Amortization of discounts/premiums and deferred issuance charges	(12,546)	
Change in compensated absences	37,745	
Change in inventories	15,893	
Change in other postemployment benefits	(63,206)	(6,486)

**Net change in Net Position of Governmental Activities (Exhibit 2) \$ 3,621,343**

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

**PROPRIETARY FUND**

This page was left blank intentionally.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET POSITION  
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND  
DECEMBER 31, 2012**

**Assets**

**Current assets**

Cash and pooled investments	\$	4,765,820
Accounts receivable - net		4,598,933
Inventories		428,613
Prepaid items		454,643
Estimated third-party payor settlements		117,520
		117,520

**Total current assets** **\$ 10,365,529**

**Restricted assets**

Investments	\$	15,687,539
Restricted by bond indenture		1,998,323
Restricted by donor		23,522
		23,522

**Total restricted assets** **\$ 17,709,384**

**Noncurrent assets**

Investment in joint venture	\$	927,021
Other assets		334,913
Capital assets		
Nondepreciable		1,963,928
Depreciable - net		25,920,485
		25,920,485

**Total noncurrent assets** **\$ 29,146,347**

**Total Assets** **\$ 57,221,260**

**Liabilities**

**Current liabilities**

Accounts payable	\$	912,782
Salaries payable		1,331,779
Accrued interest payable		239,191
Bonds payable		495,000
		495,000

**Total current liabilities** **\$ 2,978,752**

**Noncurrent liabilities**

Bonds payable		25,080,467
		25,080,467

**Total Liabilities** **\$ 28,059,219**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**STATEMENT OF NET POSITION  
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND  
DECEMBER 31, 2012**

**Net Position**

Net investment in capital assets	\$ 2,308,946
Restricted by bond indenture	1,998,323
Restricted by donor	87,596
Unrestricted	<u>24,767,176</u>
<b>Total Net Position</b>	<b><u><u>\$ 29,162,041</u></u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Operating Revenues</b>	
Patient services revenues	\$ 26,467,708
Miscellaneous	814,671
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 27,282,379</b>
<b>Operating Expenses</b>	
Professional care of patients	\$ 15,716,321
Administration and fiscal services	4,433,142
Property, housekeeping, and laundry	1,365,707
Dietary	431,230
Depreciation and amortization	2,675,884
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 24,622,284</b>
<b>Operating Income (Loss)</b>	<b>\$ 2,660,095</b>
<b>Nonoperating Revenues (Expenses)</b>	
Noncapital contributions	\$ 18,204
Interest income	295,280
Unrealized gain (loss) on investments	(21,566)
Interest expense	(1,447,180)
Gain (loss) on disposal of assets and other	29,588
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (1,125,674)</b>
<b>Change in Net Position</b>	<b>\$ 1,534,421</b>
<b>Total Net Position - January 1</b>	<b>27,627,620</b>
	<hr/>
<b>Total Net Position - December 31</b>	<b>\$ 29,162,041</b>
	<hr/> <hr/>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Cash Flows from Operating Activities</b>	
Receipts from third-party payors and patients	\$ 25,120,415
Other receipts	892,704
Payments to suppliers	(10,445,644)
Payments to employees	(11,489,464)
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 4,078,011</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	\$ (1,276,766)
Contributions received restricted for capital assets	80,630
Principal payments on long-term debt	(471,389)
Interest paid	(1,460,916)
	<hr/>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (3,128,441)</b>
<b>Cash Flows from Investing Activities</b>	
Proceeds from sales and maturities of investments	\$ 9,715,894
Purchase of investments	(9,981,670)
Investment earnings received	343,072
	<hr/>
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 77,296</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 1,026,866</b>
<b>Cash and Cash Equivalents, January 1</b>	<b>3,738,954</b>
	<hr/>
<b>Cash and Cash Equivalents, December 31</b>	<b>\$ 4,765,820</b>
	<hr/>



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

***EXHIBIT 9  
(Continued)***

**STATEMENT OF CASH FLOWS  
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
<b>Operating income (loss)</b>	<b>\$ <u>2,660,095</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 2,675,884
Equity in joint venture	(252,727)
Distributions received from joint venture	330,760
(Increase) decrease in accounts receivable	(1,347,293)
(Increase) decrease in inventories	31,782
(Increase) decrease in prepaid items	(17,315)
(Increase) decrease in accounts payable	(45,470)
(Increase) decrease in salaries payable	<u>42,295</u>
<b>Total adjustments</b>	<b>\$ <u>1,417,916</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ <u><u>4,078,011</u></u></b>
<b>Noncash Investing, Capital, and Financing Activities</b>	
Equipment acquisitions included in accounts payable	\$ 80,872
Unrealized losses on investments	<u>(21,566)</u>

This page was left blank intentionally.

**FIDUCIARY FUNDS**

This page was left blank intentionally.

MEEKER COUNTY  
LITCHFIELD, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2012

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ <u><u>561,488</u></u>
<b><u>Liabilities</u></b>	
Due to other governments	\$ <u><u>561,488</u></u>

This page was left blank intentionally.

**DISCRETELY PRESENTED COMPONENT UNITS**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT 11*

**COMBINING STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2012**

	<u>Economic Development Authority</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 117,595	\$ 121,847	\$ 239,442
Investments	141,000	27,078	168,078
Accounts receivable - net	4,401	5,185	9,586
Accrued interest receivable	756	-	756
Loan receivable	293,662	-	293,662
Due from primary government	27,500	-	27,500
Prepaid items	7,156	7,167	14,323
<b>Total current assets</b>	<b><u>\$ 592,070</u></b>	<b><u>\$ 161,277</u></b>	<b><u>\$ 753,347</u></b>
<b>Noncurrent assets</b>			
Deferred debt issuance costs	\$ 50,624	\$ -	\$ 50,624
Capital assets			
Nondepreciable	155,988	63,966	219,954
Depreciable - net	3,082,371	346,696	3,429,067
<b>Total noncurrent assets</b>	<b><u>\$ 3,288,983</u></b>	<b><u>\$ 410,662</u></b>	<b><u>\$ 3,699,645</u></b>
<b>Total Assets</b>	<b><u>\$ 3,881,053</u></b>	<b><u>\$ 571,939</u></b>	<b><u>\$ 4,452,992</u></b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ 11,525	\$ 4,295	\$ 15,820
Salaries payable	4,953	-	4,953
Due to primary government	617	-	617
Due to other governments	-	6,333	6,333
Deferred rent income	-	568	568
Accrued interest payable	2,885	-	2,885
Customer deposits	45,250	-	45,250
Tenant security deposits	-	8,763	8,763
Compensated absences payable - current	1,157	-	1,157
Revenue bonds payable - current	159,508	-	159,508
<b>Total current liabilities</b>	<b><u>\$ 225,895</u></b>	<b><u>\$ 19,959</u></b>	<b><u>\$ 245,854</u></b>

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

Page 34



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 11  
(Continued)**

**COMBINING STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2012**

	<u>Economic Development Authority</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<b><u>Liabilities (Continued)</u></b>			
<b>Noncurrent liabilities</b>			
Compensated absences payable - long-term	\$ 1,666	\$ -	\$ 1,666
Revenue bonds payable - long-term	3,897,326	-	3,897,326
<b>Total noncurrent liabilities</b>	<b>\$ 3,898,992</b>	<b>\$ -</b>	<b>\$ 3,898,992</b>
<b>Total Liabilities</b>	<b>\$ 4,124,887</b>	<b>\$ 19,959</b>	<b>\$ 4,144,846</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ (818,475)	\$ 410,662	\$ (407,813)
Restricted for other purposes	-	13,239	13,239
Unrestricted	574,641	128,079	702,720
<b>Total Net Position</b>	<b>\$ (243,834)</b>	<b>\$ 551,980</b>	<b>\$ 308,146</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
Economic Development Authority (EDA)	\$ 751,895	\$ 593,430
Housing and Redevelopment Authority (HRA)	401,132	64,751
<b>Total Component Units</b>	<b>\$ 1,153,027</b>	<b>\$ 658,181</b>
<b>General Revenues</b>		
Investment income		
<b>Change in Net Position</b>		
<b>Net Position - January 1, restated (see Note 8.A)</b>		
<b>Net Position - December 31</b>		

**EXHIBIT 12**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>EDA</b>	<b>HRA</b>	<b>Total</b>
\$ 95,000	\$ -	\$ (63,465)	\$ -	\$ (63,465)
233,924	2,376	-	(100,081)	(100,081)
<b>\$ 328,924</b>	<b>\$ 2,376</b>	<b>\$ (63,465)</b>	<b>\$ (100,081)</b>	<b>\$ (163,546)</b>
		1,268	684	1,952
		<b>\$ (62,197)</b>	<b>\$ (99,397)</b>	<b>\$ (161,594)</b>
		<b>(181,637)</b>	<b>651,377</b>	<b>469,740</b>
		<b>\$ (243,834)</b>	<b>\$ 551,980</b>	<b>\$ 308,146</b>

This page was left blank intentionally.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012. 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  
LITCHFIELD, MINNESOTA**

---

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Meeker County Housing and Redevelopment Authority (HRA)	The Board of Directors consists of five members who are appointed by the County Commissioners. Meeker County is obligated for the debt and any operating deficits of the HRA.	Meeker County Housing and Redevelopment Authority 840 North Third Street P. O. Box 277 Dassel, Minnesota 55325

B. Basic Financial Statements

1. Government-Wide Statements

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

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

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

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

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Meeker County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt are reported as other financing sources.

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

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Cash Equivalents

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2012, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the Meeker Memorial Hospital Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Investment earnings for 2012 were \$156,838.

Meeker County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). The investment in the pool is measured at the net asset value per share provided by the pool.

3. Receivables and Payables

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

Advances to other funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

3. Receivables and Payables (Continued)

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

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

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

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

6. Capital Assets (Continued)

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

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

<u>Assets</u>	<u>Years</u>
Buildings	25 - 75
Building improvements	20 - 30
Public domain infrastructure	25 - 75
Furniture, equipment, and vehicles	3 - 15

7. Compensated Absences

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

8. Deferred Revenue

All County funds and government-wide financial statements defer revenue for resources that have been received but not yet earned. Governmental funds report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

9. Long-Term Obligations

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

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

10. Classification of Net Position

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

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

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net position or Equity (Continued)

11. Classification of Fund Balances

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

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

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

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

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net position or Equity

11. Classification of Fund Balances (Continued)

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

12. Minimum Fund Balance

Meeker County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined they need 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, 2012, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

13. Use of Estimates

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



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Retroactive contractual adjustments arising under reimbursement agreements with third-party payors are recognized on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital utilizes a process to identify and appeal settlements by Medicare and other payors. Additional reimbursement is recorded in the year the appeal is successful.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

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

F. Hospital Enterprise Fund - Operating Revenues and Expenses

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriation--is the departmental level. The Board made some supplemental budgetary appropriations throughout the year. One adjustment was material; transferring \$100,000 from the Capital Projects fund to the Debt Service fund.

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive balance of \$74,431 as of December 31, 2012, although fourteen 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:

34 ditches with positive balances	\$	144,341
14 ditches with deficit balances		(69,910)
Net Fund Balance	\$	74,431

C. Excess of Expenditures Over Budget

The following funds and departments had expenditures in excess of budget for the year ended December 31, 2012:

	Expenditures	Budget	Excess
Major governmental fund			
Debt Service Fund			
Debt Service			
Administrative and fiscal charges	\$ 85,063	\$ 2,402	\$ 82,661
Other governmental funds			
Transfer Station Special Revenue Fund			
Sanitation			
Solid Waste	101,538	90,000	11,538

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 19,919,802
Petty cash and change funds	2,690
Cash with escrow agent	3,166,676
Business-type activities	
Cash and pooled investments	4,765,820
Investments, restricted	17,709,384
Statement of fiduciary net position	
Cash and pooled investments	561,488
	<hr/>
Total Cash and Investments	\$ 46,125,860
	<hr/>
Deposits	\$ 21,943,363
Petty cash and change funds	2,690
Cash with escrow agent	3,166,676
Investments	21,013,131
	<hr/>
Total Deposits, Cash on Hand, and Investments	\$ 46,125,860
	<hr/>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, the County complies with Minnesota statutes in establishing authorized collateral for its deposits. As of December 31, 2012, the County's deposits were not exposed to custodial credit risk.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

Interest Rate Risk

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Interest Rate Risk (Continued)

At December 31, 2012, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
U.S. Treasury Notes	\$ 753,499	\$ -	\$ 753,499	\$ -
Federal Home Loan Mortgage Corporation Securities	935,748	-	513,073	422,675
Federal Home Loan Bank Securities	4,446,749	-	-	4,446,749
Federal Farm Credit Bank Securities	292,818	-	292,818	-
Federal National Mortgage Association Securities	291,283	-	291,283	-
MAGIC Fund	5,895,233	5,895,233	-	-
Negotiable CDs	4,513,702	-	4,010,100	503,602
Money markets	3,884,099	3,884,099	-	-
<b>Total Investments</b>	<b>\$ 21,013,131</b>	<b>\$ 9,779,332</b>	<b>\$ 5,860,773</b>	<b>\$ 5,373,026</b>

Credit Risk

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

The County's exposure to credit risk as of December 31, 2012, is as follows:

	S & P Rating	Fair Value
U.S. Treasury Notes	AA+	\$ 753,499
Federal Home Loan Mortgage Corporation Securities	AA+	935,748
Federal Home Loan Bank Securities	AA+	4,446,749
Federal Farm Credit Bank Securities	AA+	292,818
Federal National Mortgage Association Securities	AA+	291,283
MAGIC Fund	N/R	5,895,233
Negotiable CDs	N/A	4,513,702
Money markets	AA+	3,884,099
<b>Total</b>		<b>\$ 21,013,131</b>

N/R - Not rated, N/A - Not applicable

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a specific policy for custodial credit risk. As of December 31, 2012, \$10,136,625 of U.S. government securities and Treasury notes in the County's investment balance of \$21,013,131 were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging institution's trust department not in the County's name	<u>\$ 10,136,625</u>
---	----------------------

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>% of Total</u>	<u>Reported Amount</u>
Federal Home Loan Bank	21.16 %	<u>\$ 4,446,749</u>



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables at December 31, 2012, for the County's governmental activities and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 381,108	\$ -
Special assessments	313,489	307,118
Accounts	117,791	-
Accrued interest	75,741	-
Due from other governments	1,930,537	-
Due from component unit	617	-
Notes	300,000	-
Loans	611,623	557,454
	<u>\$ 3,730,906</u>	<u>\$ 864,572</u>
Total Governmental Activities		
Business-Type Activities		
Accounts receivable - net	<u>\$ 4,598,933</u>	<u>\$ 50,031</u>

**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, 2012, was as follows:

Governmental Activities

	Beginning Balance	Increase/ Adjustments	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,522,856	\$ -	\$ -	\$ 2,522,856
Construction in progress	1,180,002	1,215	1,160,852	20,365
Total capital assets not depreciated	\$ 3,702,858	\$ 1,215	\$ 1,160,852	\$ 2,543,221
Capital assets depreciated				
Buildings	\$ 18,478,228	\$ 15,000	\$ -	\$ 18,493,228
Building improvements	3,488,157	427,004	-	3,915,161
Office furniture and equipment	5,993,126	93,457	78,648	6,007,935
Machinery and equipment	6,914,845	490,625	63,895	7,341,575
Infrastructure	48,843,980	2,762,278	-	51,606,258
Total capital assets depreciated	\$ 83,718,336	\$ 3,788,364	\$ 142,543	\$ 87,364,157
Less: accumulated depreciation for				
Buildings	\$ 7,172,949	\$ 427,791	\$ -	\$ 7,600,740
Building improvements	846,525	182,531	-	1,029,056
Office furniture and equipment	3,256,722	719,610	73,389	3,902,943
Machinery and equipment	5,022,250	473,044	56,486	5,438,808
Infrastructure	11,869,182	1,027,701	-	12,896,883
Total accumulated depreciation	\$ 28,167,628	\$ 2,830,677	\$ 129,875	\$ 30,868,430
Total capital assets depreciated, net	\$ 55,550,708	\$ 957,687	\$ 12,668	\$ 56,495,727
Governmental Activities				
Capital Assets, Net	\$ 59,253,566	\$ 958,902	\$ 1,173,520	\$ 59,038,948

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,963,928	\$ -	\$ -	\$ 1,963,928
Capital assets depreciated				
Land improvements	\$ 1,465,195	\$ -	\$ -	\$ 1,465,195
Buildings	27,576,529	-	-	27,576,529
Machinery, furniture, and equipment	17,618,950	1,357,638	61,535	18,915,053
Total capital assets depreciated	\$ 46,660,674	\$ 1,357,638	\$ 61,535	\$ 47,956,777
Less: accumulated depreciation for				
Land improvements	\$ 494,034	\$ 94,406	\$ -	\$ 588,440
Buildings	7,260,622	1,465,889	-	8,726,511
Machinery, furniture, and equipment	11,680,779	1,102,097	61,535	12,721,341
Total accumulated depreciation	\$ 19,435,435	\$ 2,662,392	\$ 61,535	\$ 22,036,292
Total capital assets depreciated, net	\$ 27,225,239	\$ (1,304,754)	\$ -	\$ 25,920,485
Business-Type Activities				
Capital Assets, Net	\$ 29,189,167	\$ (1,304,754)	\$ -	\$ 27,884,413

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

Governmental Activities	
General government	\$ 576,177
Public safety	731,920
Highways and streets, including depreciation of infrastructure assets	1,451,253
Human services	18,728
Health	4,502
Culture and recreation	32,215
Sanitation	14,482
Other - extension	1,400
	\$ 2,830,677
Total Depreciation Expense - Governmental Activities	
	\$ 2,830,677
Business-Type Activities	
Hospital	\$ 2,662,392
	\$ 2,662,392

**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, 2012, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 1,296
	Human Services	29,836
	Other Governmental Funds	156
Total due to General Fund		\$ 31,288
Human Services	General	\$ 478
	Other Governmental Funds	234
Total due to Human Services		\$ 712
Other Governmental Funds	General	\$ 968
	Human Services	8,393
	Road and Bridge	678
Total due to Other Governmental Funds		\$ 10,039
Total Due To/From Other Funds		\$ 42,039

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 13,778

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2012, consisted of the following:

Transfer to Debt Service Fund from Capital Projects Fund	\$ 100,000	Debt service requirements
Transfer to Capital Projects Fund from Other Governmental Funds	\$ 200,000	Contribution to project
Transfers to Other Governmental Funds from General Fund	\$ 544,537	Annual appropriation
Total Interfund Transfers	<u>\$ 844,537</u>	

C. Liabilities

1. Payables

Payables at December 31, 2012, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 680,766	\$ 912,782
Salaries	597,914	1,331,779
Contracts	55,830	-
Due to other governments	99,779	-
Due to component unit	27,500	-
Total Payables	<u>\$ 1,461,789</u>	<u>\$ 2,244,561</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Construction Commitments

The County has active construction projects as of December 31, 2012. The projects include the following:

Governmental Activities

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Road and Bridge Special Revenue Fund		
Roads and bridges	\$ 2,350,969	\$ 69,487

3. Long-Term Debt

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

Bonds and Notes

Governmental Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2012</u>
General obligation bonds					
2005 Refunding G.O. Law Enforcement Bonds	2018	\$165,000 - \$245,000	3.00 - 3.65	\$ 2,210,000	\$ 1,320,000
2006 G.O. Improvement Bonds	2026	\$105,000 - \$295,000	3.875 - 4.05	4,600,000	3,370,000
2008 G.O. State Aid Highway Bonds	2013	\$600,000	2.25 - 3.00	3,000,000	600,000
2012 G.O. Capital Improvement Refunding Bonds	2026	\$200,000 - \$310,000	2.00 - 2.50	3,175,000	3,175,000
2012B G.O. Law Enforcement Center Refunding Bonds	2018	\$220,000 - \$240,000	0.30 - 0.75	1,150,000	1,150,000
Total General Obligation Bonds				\$ 14,135,000	\$ 9,615,000

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long Term Debt

Bonds and Notes

Governmental Activities (Continued)

<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, 2012</u>
2010 G.O. Capital Notes	2018	\$265,000 - \$340,000	2.00 - 2.75	<u>\$ 2,500,000</u>	<u>\$ 1,930,000</u>

Business-Type Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2012</u>
2007 Gross Revenue Hospital Facilities Bonds	2037	\$425,000 - \$1,825,000	5.00 - 5.75	<u>\$ 26,675,000</u>	<u>\$ 25,330,000</u>

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 disbursed through December 31, 2012, was \$200,000; accumulated interest is \$11,358. Repayment is will begin in 2013.

In 2011, the County entered into another loan agreement with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. These loans are also secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long Term Debt

Loans Payable (Continued)

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 disbursed through December 31, 2012, was \$114,350. Repayment is estimated to begin in 2014.

In 2012, the County entered into another loan agreement with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. These loans are also secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much as \$200,000. As of December 31, 2012, no money had been disbursed. Repayment is estimated to begin in 2015.

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

4. Debt Service Requirements

Debt service requirements at December 31, 2012, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2013	\$ 5,290,000	\$ 195,901	\$ 310,000	\$ 40,513
2014	510,000	69,710	310,000	34,313
2015	525,000	63,070	315,000	28,062
2016	530,000	56,048	325,000	21,256
2017	545,000	48,630	330,000	13,475
2018 - 2022	1,285,000	164,575	340,000	4,675
2023 - 2026	930,000	46,364	-	-
Total	\$ 9,615,000	\$ 644,298	\$ 1,930,000	\$ 142,294



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements

Governmental Activities (Continued)

Year Ending December 31	2010 Septic System Loan	
	Principal	Interest
2013	\$ 19,294	\$ 4,131
2014	19,682	3,743
2015	20,077	3,348
2016	20,481	2,944
2017	20,892	2,533
2018 - 2022	110,932	6,192
Total	\$ 211,358	\$ 22,891

Business-Type Activities

Year Ending December 31	Gross Hospital Facilities Bonds	
	Principal	Interest
2013	\$ 495,000	\$ 1,435,144
2014	520,000	1,410,394
2015	545,000	1,384,394
2016	570,000	1,356,463
2017	605,000	1,326,538
2018 - 2022	3,550,000	6,096,156
2023 - 2027	4,675,000	4,968,001
2028 - 2032	6,190,000	3,459,201
2033 - 2037	8,180,000	1,463,663
Total	\$ 25,330,000	\$ 22,899,954

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 6,470,000	\$ 4,325,000	\$ 1,180,000	\$ 9,615,000	\$ 5,290,000
Capital notes	2,235,000	-	305,000	1,930,000	310,000
Add: unamortized premium	27,517	53,895	2,850	78,562	-
Less: deferred discounts	(4,920)	(3,853)	(2,460)	(6,313)	-
Total bonds payable	\$ 8,727,597	\$ 4,375,042	\$ 1,485,390	\$ 11,617,249	\$ 5,600,000
Loans payable	232,983	92,725	-	325,708	19,294
Other postemployment benefits	324,549	63,206	-	387,755	-
Compensated absences	1,927,567	874,050	911,795	1,889,822	774,827
Governmental Activities Long-Term Liabilities	<u>\$ 11,212,696</u>	<u>\$ 5,405,023</u>	<u>\$ 2,397,185</u>	<u>\$ 14,220,534</u>	<u>\$ 6,394,121</u>

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Long-term liabilities					
Bonds payable					
Gross revenue hospital facilities bonds	\$ 25,800,000	\$ -	\$ 470,000	\$ 25,330,000	\$ 495,000
Add: unamortized premium	255,287	-	9,820	245,467	-
Total bonds payable	\$ 26,055,287	\$ -	\$ 479,820	\$ 25,575,467	\$ 495,000
Capital lease payable	1,389	-	1,389	-	-
Business-Type Activities Long-Term Liabilities	<u>\$ 26,056,676</u>	<u>\$ -</u>	<u>\$ 481,209</u>	<u>\$ 25,575,467</u>	<u>\$ 495,000</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

3. Detailed Notes on All Funds

C. Liabilities

6. Refunding Bonds

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

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

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description

All full-time and certain part-time employees of Meeker County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

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

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

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

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

Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

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

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

2. Funding Policy

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

4. Pension Plans

A. Defined Benefit Plans

2. Funding Policy (Continued)

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

The County is required to contribute the following percentages of annual covered payroll in 2012:

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

The County's contributions for the years ending December 31, 2012, 2011, and 2010, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Employees Retirement Fund	\$ 555,848	\$ 547,066	\$ 514,132
Public Employees Police and Fire Fund	155,942	159,424	154,865
Public Employees Correctional Fund	41,356	42,219	45,759

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

B. Defined Contribution Plan

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

4. Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2012, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,070	\$ 4,070
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Postemployment Health Care Plan

A. Plan Description

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

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 2012, the County contributed \$44,877. As of January 1, 2012, there were approximately eight retirees receiving health benefits from the County's health plan.

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 113,387
Interest on net OPEB obligation	14,605
Adjustment to ARC	<u>(19,909)</u>
Annual OPEB cost (expense)	\$ 108,083
Contributions made	<u>(44,877)</u>
Increase in net OPEB obligation	\$ 63,206
Net OPEB Obligation - Beginning of Year	<u>324,549</u>
Net OPEB Obligation - End of Year	<u><u>\$ 387,755</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 2010, 2011, and 2012 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, 2010	\$ 110,919	\$ 24,894	22.4%	\$ 249,955
December 31, 2011	109,463	34,869	31.9	324,549
December 31, 2012	108,083	44,877	41.5	387,755

D. Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the County has no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$776,300, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$776,300. The covered payroll (annual payroll of active employees covered by the plan) was \$8,692,073, and the ratio of the UAAL to the covered payroll was 8.9 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, 2010, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (6.5 percent, long-term, similar to a pension plan) or unfunded (4.5 percent, shorter term, based on County's general assets). The County currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 8.5 percent initially, reduced incrementally to 5.0 percent after 7 years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at January 1, 2012, was 26 years.

6. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$460,000 and \$470,000 per claim in 2012 and 2013, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

6. Risk Management (Continued)

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

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

7. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

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

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Nobles, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon, & Murray Human Services Board; creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board under the authority of Minn. Stat. § 471.59. The Board takes actions and enters into such agreements as necessary to plan and develop, within the Board's geographic jurisdiction, a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties.

Financing is provided by state proceeds or appropriations for the development of the system of care. Current financial statements are available at the Cottonwood County Family Services Agency, Windom, Minnesota 56101.

Meeker-McLeod-Sibley Community Health Services Board

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Prime West Central County-Based Purchasing Initiative

In December 1998, Meeker County became a member of the Prime West Central County-Based Purchasing Initiative Joint Powers Board with Big Stone, Douglas, Grant, McLeod, Pipestone, Pope, Renville, Stevens, and Traverse Counties. Meeker County, in partnership with these nine counties, is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care. 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.

Funding from the state is the revenue source for this program.

Douglas County acts as fiscal agent for the Prime West Central County-Based Purchasing Initiative and reports the cash transactions as an investment trust fund on its financial statements. Complete financial information can be obtained from its administrative office at Prime West Health Systems, Douglas County Courthouse, 305 - 8th Avenue West, Alexandria, Minnesota 56308.

Crow River Joint Powers Agreement

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Crow River Joint Powers Agreement (Continued)

The governing board comprises one County Commissioner from each member county. Financing is provided by state proceeds. Current financial statements are not available.

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective June 5, 2007. The Board is composed of 17 members, which consist of an appointed Commissioner from each participating county. McLeod County is the fiscal agent. The primary purpose of the joint venture is to improve the health and life course of low-income, first-time mothers and their children.

The joint venture is financed primarily by contributions from participating counties. Audited financial statements are available at the McLeod County Auditor-Treasurer's Office, 2391 Hennepin Avenue North, Glencoe, Minnesota 55336.

Central Minnesota Regional Radio 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, and includes the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Regional Radio Board (Continued)

In the event of dissolution of the Central Minnesota Regional Radio 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 Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. Complete financial information can be obtained from Central Minnesota Regional Radio Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street South, St. Cloud, Minnesota 56303.

Central Minnesota Diagnostics, Inc

The Meeker Memorial Hospital and other hospitals (all unrelated parties to the Hospital) formed a non-profit corporation known as Central Minnesota Diagnostic, Inc. (CMDI). CMDI was organized to provide certain agreed-upon shared services to those hospitals who are members of this corporation. CMDI operates as a non-profit 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  
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 is of a mental health background. The Board appoints a fiscal agent to handle and be responsible for safekeeping the funds of PACT.

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

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entities

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

The Meeker County Housing and Redevelopment Authority (HRA) is governed by a five-member Board appointed by the County Commissioners. The HRA has a year-end of June 30, 2012. Meeker County is obligated for the debt and any operating deficits of the HRA.

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



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Meeker County HRA and the Meeker County EDA are discrete component units of Meeker County. The EDA does not prepare separate audited financial statements.

The Meeker County HRA and the Meeker County EDA are reported using the economic resources measurement focus and accounted for on the accrual basis of accounting.

Cash and Pooled Investments

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

Cash of the Meeker County HRA is in the custody of the HRA. All checking, savings, certificates of deposit, and cash on hand are cash and cash equivalents. State statutes authorize the HRA to invest in obligations of the US Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligation of the State or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days. All investments held by the HRA at December 31, 2012, were insured or registered, or securities held by the HRA agent in the HRA's name and therefore, not subject to custodial credit risk.

Compensated Absences

The liability for compensated absences reported 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 both employees who currently are eligible to receive termination payments. Compensated absences are accrued when incurred.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Classification of Net Position

Net position in the government-wide statements for the Meeker County HRA and Meeker County EDA 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.

The HRA's beginning net position was restated by \$2,245.

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables at December 31, 2012, for the EDA, and at June 30, 2012, for the HRA, including the applicable allowances for uncollectible accounts, are as follows:

	<u>EDA</u>	<u>HRA</u>	<u>Total Receivables</u>
Accounts	\$ 4,401	\$ 5,185	\$ 9,586
Accrued interest	756	-	756
Loan	293,662	-	293,662
Due from primary government	27,500	-	27,500
	<u>\$ 326,319</u>	<u>\$ 5,185</u>	<u>\$ 331,504</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets (Continued)

Loan Receivable

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

Capital Assets

Component unit capital asset activity for the year ended December 31, 2012, for the EDA and for the year ended June 30, 2012, for the HRA, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land				
EDA	\$ 155,988	\$ -	\$ -	\$ 155,988
HRA	63,966	-	-	63,966
Total capital assets not depreciated	<u>\$ 219,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,954</u>
Capital assets depreciated				
Buildings and equipment				
EDA	\$ 5,197,454	\$ 639	\$ 4,800	\$ 5,193,293
HRA	1,333,817	29,288	-	1,363,105
Total capital assets depreciated - buildings and equipment	<u>\$ 6,531,271</u>	<u>\$ 29,927</u>	<u>\$ 4,800</u>	<u>\$ 6,556,398</u>
Less: accumulated depreciation for				
Buildings and equipment				
EDA	\$ 1,936,836	\$ 174,086	\$ -	\$ 2,110,922
HRA	966,255	50,154	-	1,016,409
Total accumulated depreciation	<u>\$ 2,903,091</u>	<u>\$ 224,240</u>	<u>\$ -</u>	<u>\$ 3,127,331</u>
Total capital assets depreciated, net	<u>\$ 3,628,180</u>	<u>\$ (194,313)</u>	<u>\$ 4,800</u>	<u>\$ 3,429,067</u>
Total Capital Assets, Net	<u>\$ 3,848,134</u>	<u>\$ (194,313)</u>	<u>\$ 4,800</u>	<u>\$ 3,649,021</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

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

EDA	\$	174,086
HRA		50,154
Total Depreciation Expense	\$	224,240

2. Liabilities

Payables

Payables at December 31, 2012, for the EDA, and at June 30, 2012 for the HRA were as follows:

	EDA	HRA	Total Payables
Accounts	\$ 11,525	\$ 4,295	\$ 15,820
Salaries	4,953	-	4,953
Due to other governments	-	6,333	6,333
Due to primary government	617	-	617
Total Payables	\$ 17,095	\$ 10,628	\$ 27,723

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Long-Term Debt

Long-term debt outstanding at December 31, 2012, 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	\$ 1,291,106
1999 Essential Function Housing Development Revenue Bonds	2030	6,822	3.80	1,400,000	1,055,699
2001 Essential Function Housing Development Revenue Bonds	2032	5,770	3.80	1,200,000	958,116
2002 Essential Function Housing Development Revenue Bonds	2033	4,465	3.80	<u>930,000</u>	<u>751,913</u>
Totals				<u>\$ 5,340,000</u>	<u>\$ 4,056,834</u>

Debt Service Requirements

Revenue bonds' debt service requirements to maturity for the EDA are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 159,508	\$ 151,401
2014	165,676	145,233
2015	172,083	138,826
2016	178,737	132,171
2017	185,648	125,260
2018 - 2022	1,041,636	512,905
2023 - 2027	1,259,219	295,321
2028 - 2032	889,876	67,915
2033	<u>4,451</u>	<u>14</u>
Total	<u>\$ 4,056,834</u>	<u>\$ 1,569,046</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the EDA for the year ended December 31, 2012.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Essential Function Housing Development Revenue Bonds for					
1998	\$ 1,346,300	\$ -	\$ 55,193	\$ 1,291,107	\$ 58,165
1999	1,095,958	-	40,260	1,055,698	42,481
2001	989,726	-	31,610	958,116	33,412
2002	775,981	-	24,068	751,913	25,450
		<u>-</u>	<u>24,068</u>	<u>751,913</u>	<u>25,450</u>
Total Essential Function Housing Development Revenue Bonds	\$ 4,207,965	\$ -	\$ 151,131	\$ 4,056,834	\$ 159,508
Compensated absences	5,509	-	2,686	2,823	1,157
		<u>-</u>	<u>2,686</u>	<u>2,823</u>	<u>1,157</u>
EDA Long-Term Liabilities	<u>\$ 4,213,474</u>	<u>\$ -</u>	<u>\$ 153,817</u>	<u>\$ 4,059,657</u>	<u>\$ 160,665</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 6,686,962	\$ 6,686,962	\$ 6,931,367	\$ 244,405
Licenses and permits	13,200	13,200	86,796	73,596
Intergovernmental	1,326,082	1,326,082	1,495,177	169,095
Charges for services	1,591,970	1,591,970	1,636,860	44,890
Fines and forfeits	26,600	26,600	24,785	(1,815)
Gifts and contributions	600	600	1,417	817
Investment earnings	200,000	200,000	156,838	(43,162)
Miscellaneous	314,390	314,390	597,466	283,076
<b>Total Revenues</b>	<b>\$ 10,159,804</b>	<b>\$ 10,159,804</b>	<b>\$ 10,930,706</b>	<b>\$ 770,902</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 225,838	\$ 225,838	\$ 206,429	\$ 19,409
Courts	25,000	25,000	46,455	(21,455)
Court services	441,572	441,572	420,093	21,479
Law library	26,550	26,550	33,888	(7,338)
County administration	180,097	180,097	155,929	24,168
County auditor	355,314	355,314	336,585	18,729
County treasurer	335,959	335,959	340,775	(4,816)
County assessor	354,500	354,500	339,462	15,038
Accounting and auditing	72,000	72,000	45,145	26,855
Data processing	282,588	282,588	287,719	(5,131)
Central services	50,500	50,500	15,362	35,138
Attorney	646,028	646,028	631,119	14,909
Recorder	190,446	190,446	176,974	13,472
Surveyor	7,500	7,500	-	7,500
Planning and zoning	327,881	327,881	312,157	15,724
Maintenance	424,639	424,639	379,628	45,011
Veterans service officer	149,449	149,449	163,373	(13,924)
Appropriations	232,790	232,790	232,688	102
Other	288,100	288,100	324,853	(36,753)
<b>Total general government</b>	<b>\$ 4,616,751</b>	<b>\$ 4,616,751</b>	<b>\$ 4,448,634</b>	<b>\$ 168,117</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 4,098,429	\$ 4,098,429	\$ 3,993,604	\$ 104,825
Coroner	69,000	69,000	65,495	3,505
E-911 system	145,435	145,435	141,549	3,886
Wireless communication	118,753	118,753	110,924	7,829
Emergency management	74,446	74,446	48,045	26,401
<b>Total public safety</b>	<b>\$ 4,506,063</b>	<b>\$ 4,506,063</b>	<b>\$ 4,359,617</b>	<b>\$ 146,446</b>
<b>Sanitation</b>				
Solid waste	\$ 113,763	\$ 113,763	\$ 123,277	\$ (9,514)
<b>Conservation of natural resources</b>				
Planning and zoning	\$ 109,500	\$ 109,500	\$ 119,799	\$ (10,299)
County extension	166,045	166,045	161,651	4,394
Extension committee	3,145	3,145	2,115	1,030
Agricultural inspections	5,000	5,000	5,000	-
Snowmobile grant	-	-	36,181	(36,181)
<b>Total conservation of natural resources</b>	<b>\$ 283,690</b>	<b>\$ 283,690</b>	<b>\$ 324,746</b>	<b>\$ (41,056)</b>
<b>Economic development</b>				
Community development	\$ 95,000	\$ 95,000	\$ 95,000	\$ -
<b>Total Expenditures</b>	<b>\$ 9,615,267</b>	<b>\$ 9,615,267</b>	<b>\$ 9,351,274</b>	<b>\$ 263,993</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 544,537</b>	<b>\$ 544,537</b>	<b>\$ 1,579,432</b>	<b>\$ 1,034,895</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(544,537)	(544,537)	(544,537)	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,034,895</b>	<b>\$ 1,034,895</b>
<b>Fund Balance - January 1</b>	<b>6,838,676</b>	<b>6,838,676</b>	<b>6,838,676</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 6,838,676</b>	<b>\$ 6,838,676</b>	<b>\$ 7,873,571</b>	<b>\$ 1,034,895</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,595,246	\$ 1,595,246	\$ 1,619,861	\$ 24,615
Intergovernmental	3,556,121	3,556,121	4,299,148	743,027
Charges for services	585,225	585,225	545,473	(39,752)
Miscellaneous	62,000	62,000	77,033	15,033
<b>Total Revenues</b>	<b>\$ 5,798,592</b>	<b>\$ 5,798,592</b>	<b>\$ 6,541,515</b>	<b>\$ 742,923</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 380,731	\$ 380,731	\$ 324,221	\$ 56,510
Maintenance	1,437,745	1,437,745	1,569,565	(131,820)
Engineering/construction	1,854,569	1,854,569	1,925,265	(70,696)
Equipment, maintenance, and shop	1,131,047	1,131,047	1,028,049	102,998
<b>Total highways and streets</b>	<b>\$ 4,804,092</b>	<b>\$ 4,804,092</b>	<b>\$ 4,847,100</b>	<b>\$ (43,008)</b>
<b>Intergovernmental</b>	<b>\$ 360,000</b>	<b>\$ 360,000</b>	<b>\$ 377,775</b>	<b>\$ (17,775)</b>
<b>Debt service</b>				
Principal	\$ 600,000	\$ 600,000	\$ 600,000	\$ -
Interest	34,500	34,500	34,500	-
<b>Total debt service</b>	<b>\$ 634,500</b>	<b>\$ 634,500</b>	<b>\$ 634,500</b>	<b>\$ -</b>
<b>Total Expenditures</b>	<b>\$ 5,798,592</b>	<b>\$ 5,798,592</b>	<b>\$ 5,859,375</b>	<b>\$ (60,783)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 682,140</b>	<b>\$ 682,140</b>
<b>Fund Balance - January 1</b>	<b>2,037,545</b>	<b>2,037,545</b>	<b>2,037,545</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>15,893</b>	<b>15,893</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,037,545</b>	<b>\$ 2,037,545</b>	<b>\$ 2,735,578</b>	<b>\$ 698,033</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,685,250	\$ 2,685,250	\$ 2,648,585	\$ (36,665)
Intergovernmental	2,865,227	2,865,227	3,000,086	134,859
Charges for services	503,553	503,553	606,371	102,818
Gifts and contributions	-	-	95	95
Miscellaneous	411,809	411,809	313,381	(98,428)
<b>Total Revenues</b>	<b>\$ 6,465,839</b>	<b>\$ 6,465,839</b>	<b>\$ 6,568,518</b>	<b>\$ 102,679</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,738,814	\$ 1,738,814	\$ 1,767,722	\$ (28,908)
Social services	4,727,025	4,727,025	4,631,055	95,970
<b>Total Expenditures</b>	<b>\$ 6,465,839</b>	<b>\$ 6,465,839</b>	<b>\$ 6,398,777</b>	<b>\$ 67,062</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 169,741</b>	<b>\$ 169,741</b>
<b>Fund Balance - January 1</b>	<b>3,567,772</b>	<b>3,567,772</b>	<b>3,567,772</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,567,772</b>	<b>\$ 3,567,772</b>	<b>\$ 3,737,513</b>	<b>\$ 169,741</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT A-4**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2008	\$ -	\$ 747,876	\$ 747,876	0.00%	\$ 8,158,691	9.2%
January 1, 2010	-	776,300	776,300	0.00	8,692,073	8.9

This page was left blank intentionally.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Other Postemployment Benefits

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

2. Excess of Expenditures Over Budget

The following funds and departments had expenditures in excess of budget for the year ended December 31, 2012:

	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
General government			
Courts	\$ 46,455	\$ 25,000	\$ 21,455
Law Library	33,888	26,550	7,338
County treasurer	340,775	335,959	4,816
Data processing	287,719	282,588	5,131
Veterans service officer	163,373	149,449	13,924
Other	324,853	288,100	36,753
Conservation of natural resources			
Planning and zoning	119,799	109,500	10,299
Snowmobile grant	36,181	-	36,181
Road and Bridge Special Revenue Fund			
Highways and streets			
Maintenance	1,569,565	1,437,745	131,820
Engineering/construction	1,925,265	1,854,569	70,696
Human Services Special Revenue Fund			
Human services			
Income Maintenance	1,767,722	1,738,814	28,908

This page was left blank intentionally.



**SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT B-1*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 948,142	\$ 948,142	\$ 966,944	\$ 18,802
Intergovernmental	76,450	76,450	81,596	5,146
<b>Total Revenues</b>	<b>\$ 1,024,592</b>	<b>\$ 1,024,592</b>	<b>\$ 1,048,540</b>	<b>\$ 23,948</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 885,000	\$ 885,000	\$ 885,000	\$ -
Interest	237,190	237,190	236,986	204
Administrative and fiscal charges	2,402	2,402	85,063	(82,661)
<b>Total Expenditures</b>	<b>\$ 1,124,592</b>	<b>\$ 1,124,592</b>	<b>\$ 1,207,049</b>	<b>\$ (82,457)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ (158,509)</b>	<b>\$ (58,509)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 100,000	\$ 100,000	\$ -
Refunding bonds issued	-	-	4,325,000	4,325,000
Premium on bonds/notes issued	-	-	53,895	53,895
Discount on bonds/notes issued	-	-	(3,853)	(3,853)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 4,475,042</b>	<b>\$ 4,375,042</b>
<b>Net Change in Fund Balance</b>	<b>\$ (100,000)</b>	<b>\$ -</b>	<b>\$ 4,316,533</b>	<b>\$ 4,316,533</b>
<b>Fund Balance - January 1</b>	<b>617,388</b>	<b>617,388</b>	<b>617,388</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 517,388</b>	<b>\$ 617,388</b>	<b>\$ 4,933,921</b>	<b>\$ 4,316,533</b>

**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, and the Sheriff's Contingent Fund do not have legally adopted budgets.

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

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

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

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

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

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

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

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, 2012**

	<b>County Parks</b>	<b>Regional Library</b>	<b>County Nurse</b>	<b>Ditch</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 139,308	\$ 58,807	\$ 240,857	\$ 122,872
Taxes receivable				
Delinquent	-	5,283	-	-
Special assessments receivable				
Delinquent	-	-	-	6,371
Noncurrent	-	-	-	57,944
Accounts receivable - net	34	-	909	17,354
Due from other funds	-	-	9,361	678
Due from other governments	-	-	211,305	14,351
Due from component unit	-	-	-	-
Loans receivable	-	-	-	-
Prepaid items	-	-	4,313	-
<b>Total Assets</b>	<b>\$ 139,342</b>	<b>\$ 64,090</b>	<b>\$ 466,745</b>	<b>\$ 219,570</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,667	\$ -	\$ 6,068	\$ 64,879
Salaries payable	2,598	-	54,159	-
Due to other funds	4	-	230	156
Due to other governments	1,688	-	2,258	2,011
Due to component unit	-	-	-	-
Deferred revenue - unavailable	-	4,562	29,321	64,315
Advance from other funds	-	-	-	13,778
Deferred revenue - unearned	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 5,957</b>	<b>\$ 4,562</b>	<b>\$ 92,036</b>	<b>\$ 145,139</b>

**EXHIBIT C-1**

<b>Special Revenue Funds</b>						
<b>Transfer Station</b>	<b>Family Services Building</b>	<b>Septic System Loan Program</b>	<b>Forfeit Property</b>	<b>Sheriff's Contingent</b>	<b>Revolving Loan</b>	<b>Total</b>
\$ 1,080,851	\$ 292,537	\$ 52,075	\$ 61,054	\$ 22,248	\$ 968,312	\$ 3,038,921
-	3,331	-	-	-	-	8,614
-	-	-	-	-	-	6,371
-	-	249,174	-	-	-	307,118
10,901	-	-	-	-	-	29,198
-	-	-	-	-	-	10,039
-	33,311	-	-	125	-	259,092
-	-	-	-	-	617	617
-	-	-	-	-	611,623	611,623
-	529	-	-	-	-	4,842
<b>\$ 1,091,752</b>	<b>\$ 329,708</b>	<b>\$ 301,249</b>	<b>\$ 61,054</b>	<b>\$ 22,373</b>	<b>\$ 1,580,552</b>	<b>\$ 4,276,435</b>
\$ 59	\$ 18,676	\$ -	\$ -	\$ -	\$ -	\$ 91,349
-	7,460	-	-	-	-	64,217
-	-	-	-	-	-	390
-	5,238	-	13,957	-	-	25,152
-	-	-	-	-	27,500	27,500
-	3,052	249,174	-	-	-	350,424
-	-	-	-	-	-	13,778
-	-	-	-	-	611,623	611,623
<b>\$ 59</b>	<b>\$ 34,426</b>	<b>\$ 249,174</b>	<b>\$ 13,957</b>	<b>\$ -</b>	<b>\$ 639,123</b>	<b>\$ 1,184,433</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<b><u>Liabilities and Fund Balances</u></b>				
(Continued)				
<b>Fund Balances</b>				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ 4,313	\$ -
Restricted for				
Sheriff contingencies	-	-	-	-
Committed for				
Regional library	-	59,528	-	-
Assigned to				
General government	-	-	-	-
Sanitation	-	-	-	-
Health	-	-	370,396	-
Culture and recreation	133,385	-	-	-
Conservation of natural resources	-	-	-	74,431
Economic development	-	-	-	-
<b>Total Fund Balances</b>	<b>\$ 133,385</b>	<b>\$ 59,528</b>	<b>\$ 374,709</b>	<b>\$ 74,431</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 139,342</b>	<b>\$ 64,090</b>	<b>\$ 466,745</b>	<b>\$ 219,570</b>



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

<b>Special Revenue Funds</b>						
<b>Transfer Station</b>	<b>Family Services Building</b>	<b>Septic System Loan Program</b>	<b>Forfeit Property</b>	<b>Sheriff's Contingent</b>	<b>Revolving Loan</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,313
-	-	-	-	22,373	-	22,373
-	-	-	-	-	-	59,528
-	295,282	52,075	47,097	-	-	394,454
1,091,693	-	-	-	-	-	1,091,693
-	-	-	-	-	-	370,396
-	-	-	-	-	-	133,385
-	-	-	-	-	-	74,431
-	-	-	-	-	941,429	941,429
<b>\$ 1,091,693</b>	<b>\$ 295,282</b>	<b>\$ 52,075</b>	<b>\$ 47,097</b>	<b>\$ 22,373</b>	<b>\$ 941,429</b>	<b>\$ 3,092,002</b>
<b>\$ 1,091,752</b>	<b>\$ 329,708</b>	<b>\$ 301,249</b>	<b>\$ 61,054</b>	<b>\$ 22,373</b>	<b>\$ 1,580,552</b>	<b>\$ 4,276,435</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<b>Revenues</b>				
Taxes	\$ -	\$ 191,342	\$ -	\$ -
Special assessments	-	-	-	77,309
Intergovernmental	17,924	16,336	796,665	-
Charges for services	49,387	-	374,664	-
Fines and forfeits	-	-	-	-
Gifts and contributions	-	-	1,230	-
Investment earnings	-	-	-	-
Miscellaneous	3,490	-	746	15,615
<b>Total Revenues</b>	<b>\$ 70,801</b>	<b>\$ 207,678</b>	<b>\$ 1,173,305</b>	<b>\$ 92,924</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Health	-	-	1,565,884	-
Culture and recreation	213,007	206,832	-	-
Conservation of natural resources	-	-	-	146,768
Economic development	-	-	-	-
<b>Debt service</b>				
Interest	-	-	-	701
<b>Total Expenditures</b>	<b>\$ 213,007</b>	<b>\$ 206,832</b>	<b>\$ 1,565,884</b>	<b>\$ 147,469</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (142,206)</b>	<b>\$ 846</b>	<b>\$ (392,579)</b>	<b>\$ (54,545)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 157,097	\$ -	\$ 387,440	\$ -
Transfers out	-	-	-	-
Loans issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 157,097</b>	<b>\$ -</b>	<b>\$ 387,440</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 14,891</b>	<b>\$ 846</b>	<b>\$ (5,139)</b>	<b>\$ (54,545)</b>
<b>Fund Balance - January 1</b>	<b>118,494</b>	<b>58,682</b>	<b>379,848</b>	<b>128,976</b>
<b>Fund Balance - December 31</b>	<b>\$ 133,385</b>	<b>\$ 59,528</b>	<b>\$ 374,709</b>	<b>\$ 74,431</b>

**EXHIBIT C-2**

<b>Special Revenue Funds</b>						
<b>Transfer Station</b>	<b>Family Services Building</b>	<b>Septic System Loan Program</b>	<b>Forfeit Property</b>	<b>Sheriff's Contingent</b>	<b>Revolving Loan</b>	<b>Total</b>
\$ -	\$ 67,040	\$ -	\$ -	\$ -	\$ -	\$ 258,382
-	-	27,694	-	-	-	105,003
-	5,703	-	-	-	-	836,628
171,682	-	-	-	-	-	595,733
-	-	-	68,672	1,255	-	69,927
-	-	-	-	-	-	1,230
-	-	-	-	-	2,066	2,066
-	346,444	-	1,833	-	104,684	472,812
<b>\$ 171,682</b>	<b>\$ 419,187</b>	<b>\$ 27,694</b>	<b>\$ 70,505</b>	<b>\$ 1,255</b>	<b>\$ 106,750</b>	<b>\$ 2,341,781</b>
\$ -	\$ 384,623	\$ 81,365	\$ 24,831	\$ -	\$ -	\$ 490,819
101,538	-	-	-	-	-	101,538
-	-	-	-	-	-	1,565,884
-	-	-	-	-	-	419,839
-	-	-	-	-	-	146,768
-	-	-	-	-	42,500	42,500
-	-	-	-	-	-	701
<b>\$ 101,538</b>	<b>\$ 384,623</b>	<b>\$ 81,365</b>	<b>\$ 24,831</b>	<b>\$ -</b>	<b>\$ 42,500</b>	<b>\$ 2,768,049</b>
<b>\$ 70,144</b>	<b>\$ 34,564</b>	<b>\$ (53,671)</b>	<b>\$ 45,674</b>	<b>\$ 1,255</b>	<b>\$ 64,250</b>	<b>\$ (426,268)</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 544,537
-	(200,000)	-	-	-	-	(200,000)
-	-	81,367	-	-	-	81,367
<b>\$ -</b>	<b>\$ (200,000)</b>	<b>\$ 81,367</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 425,904</b>
<b>\$ 70,144</b>	<b>\$ (165,436)</b>	<b>\$ 27,696</b>	<b>\$ 45,674</b>	<b>\$ 1,255</b>	<b>\$ 64,250</b>	<b>\$ (364)</b>
<b>1,021,549</b>	<b>460,718</b>	<b>24,379</b>	<b>1,423</b>	<b>21,118</b>	<b>877,179</b>	<b>3,092,366</b>
<b>\$ 1,091,693</b>	<b>\$ 295,282</b>	<b>\$ 52,075</b>	<b>\$ 47,097</b>	<b>\$ 22,373</b>	<b>\$ 941,429</b>	<b>\$ 3,092,002</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT C-3*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY PARKS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 17,924	\$ 17,924
Charges for services	80,240	80,240	49,387	(30,853)
Miscellaneous	3,000	3,000	3,490	490
<b>Total Revenues</b>	<b>\$ 83,240</b>	<b>\$ 83,240</b>	<b>\$ 70,801</b>	<b>\$ (12,439)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	240,337	240,337	213,007	27,330
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (157,097)</b>	<b>\$ (157,097)</b>	<b>\$ (142,206)</b>	<b>\$ 14,891</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	157,097	157,097	157,097	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,891</b>	<b>\$ 14,891</b>
<b>Fund Balance - January 1</b>	<b>118,494</b>	<b>118,494</b>	<b>118,494</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 118,494</b>	<b>\$ 118,494</b>	<b>\$ 133,385</b>	<b>\$ 14,891</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT C-4*

**BUDGETARY COMPARISON SCHEDULE  
REGIONAL LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 187,664	\$ 187,664	\$ 191,342	\$ 3,678
Intergovernmental	19,168	19,168	16,336	(2,832)
<b>Total Revenues</b>	<b>\$ 206,832</b>	<b>\$ 206,832</b>	<b>\$ 207,678</b>	<b>\$ 846</b>
<b>Expenditures</b>				
<b>Current</b>				
Culture and recreation	206,832	206,832	206,832	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 846</b>	<b>\$ 846</b>
<b>Fund Balance - January 1</b>	<b>58,682</b>	<b>58,682</b>	<b>58,682</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 58,682</b>	<b>\$ 58,682</b>	<b>\$ 59,528</b>	<b>\$ 846</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT C-5*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY NURSE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 792,000	\$ 792,000	\$ 796,665	\$ 4,665
Charges for services	397,500	397,500	374,664	(22,836)
Gifts and contributions	-	-	1,230	1,230
Miscellaneous	3,000	3,000	746	(2,254)
<b>Total Revenues</b>	<b>\$ 1,192,500</b>	<b>\$ 1,192,500</b>	<b>\$ 1,173,305</b>	<b>\$ (19,195)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	1,579,940	1,579,940	1,565,884	14,056
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (387,440)</b>	<b>\$ (387,440)</b>	<b>\$ (392,579)</b>	<b>\$ (5,139)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	387,440	387,440	387,440	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,139)</b>	<b>\$ (5,139)</b>
<b>Fund Balance - January 1</b>	<b>379,848</b>	<b>379,848</b>	<b>379,848</b>	-
<b>Fund Balance - December 31</b>	<b>\$ 379,848</b>	<b>\$ 379,848</b>	<b>\$ 374,709</b>	<b>\$ (5,139)</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT C-6*

**BUDGETARY COMPARISON SCHEDULE  
TRANSFER STATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 90,000	\$ 90,000	\$ 171,682	\$ 81,682
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	90,000	90,000	101,538	(11,538)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 70,144</b>	<b>\$ 70,144</b>
<b>Fund Balance - January 1</b>	<b>1,021,549</b>	<b>1,021,549</b>	<b>1,021,549</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b><u>1,021,549</u></b>	<b><u>1,021,549</u></b>	<b><u>1,091,693</u></b>	<b><u>70,144</u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT C-7*

**BUDGETARY COMPARISON SCHEDULE  
FAMILY SERVICES BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 70,963	\$ 70,963	\$ 67,040	\$ (3,923)
Intergovernmental	375	375	5,703	5,328
Miscellaneous	340,926	340,926	346,444	5,518
<b>Total Revenues</b>	<b>\$ 412,264</b>	<b>\$ 412,264</b>	<b>\$ 419,187</b>	<b>\$ 6,923</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Central services	412,264	412,264	384,623	27,641
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,564</b>	<b>\$ 34,564</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(200,000)	(200,000)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (165,436)</b>	<b>\$ (165,436)</b>
<b>Fund Balance - January 1</b>	<b>460,718</b>	<b>460,718</b>	<b>460,718</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 460,718</b>	<b>\$ 460,718</b>	<b>\$ 295,282</b>	<b>\$ (165,436)</b>



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

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

This page was left blank intentionally.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT D-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 342,712	\$ 33,257,761	\$ 33,321,105	\$ 279,368
<b><u>Liabilities</u></b>				
Due to other governments	\$ 342,712	\$ 33,257,761	\$ 33,321,105	\$ 279,368
 <b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 120,032	\$ 2,658,054	\$ 2,623,572	\$ 154,514
<b><u>Liabilities</u></b>				
Due to other governments	\$ 120,032	\$ 2,658,054	\$ 2,623,572	\$ 154,514
 <b><u>OTHER AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 22,688	\$ -	\$ -	\$ 22,688
<b><u>Liabilities</u></b>				
Due to other governments	\$ 22,688	\$ -	\$ -	\$ 22,688

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>SELECT ACCOUNT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 102,260</u>	<u>\$ 173,359</u>	<u>\$ 170,701</u>	<u>\$ 104,918</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 102,260</u>	<u>\$ 173,359</u>	<u>\$ 170,701</u>	<u>\$ 104,918</u>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 587,692</u>	<u>\$ 36,089,174</u>	<u>\$ 36,115,378</u>	<u>\$ 561,488</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 587,692</u>	<u>\$ 36,089,174</u>	<u>\$ 36,115,378</u>	<u>\$ 561,488</u>

**ECONOMIC DEVELOPMENT AUTHORITY**

This page was left blank intentionally.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT E-1**

**STATEMENT OF NET POSITION  
ECONOMIC DEVELOPMENT AUTHORITY  
DECEMBER 31, 2012**

**Assets**

**Current assets**

Cash and pooled investments	\$ 117,595
Investments	141,000
Accounts receivable - net	4,401
Accrued interest receivable	756
Loan receivable	293,662
Due from primary government	27,500
Prepaid items	7,156
	<hr/>

**Total current assets** **\$ 592,070**

**Noncurrent assets**

Deferred debt issuance costs	\$ 50,624
Capital assets	
Nondepreciable	155,988
Depreciable - net	3,082,371
	<hr/>

**Total noncurrent assets** **\$ 3,288,983**

**Total Assets** **\$ 3,881,053**

**Liabilities**

**Current liabilities**

Accounts payable	\$ 11,525
Salaries payable	4,953
Due to primary government	617
Accrued interest payable	2,885
Customer deposits	45,250
Compensated absences payable - current	1,157
Revenue bonds payable - current	159,508
	<hr/>

**Total current liabilities** **\$ 225,895**

**Noncurrent liabilities**

Compensated absences payable - long-term	\$ 1,666
Revenue bonds payable - long-term	3,897,326
	<hr/>

**Total noncurrent liabilities** **\$ 3,898,992**

**Total Liabilities** **\$ 4,124,887**

MEEKER COUNTY  
LITCHFIELD, MINNESOTA

*EXHIBIT E-1*  
*(Continued)*

STATEMENT OF NET POSITION  
ECONOMIC DEVELOPMENT AUTHORITY  
DECEMBER 31, 2012

Net Position

Net investment in capital assets	\$ (818,475)
Unrestricted	<u>574,641</u>
<b>Total Net Position</b>	<b><u><u>\$ (243,834)</u></u></b>



**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, 2012**

<b>Operating Revenues</b>	
Administrative fees	\$ 27,500
Tenant rents	565,098
Intergovernmental revenue	95,000
Miscellaneous	152
	152
<b>Total Operating Revenues</b>	<b>\$ 687,750</b>
<b>Operating Expenses</b>	
Personal services	\$ 104,970
Employee benefits and payroll taxes	30,066
General services - repairs and maintenance	81,014
Administration and fiscal services	9,026
Supplies	1,702
Management and caretaking	24,242
Real estate taxes	28,193
Snowplowing	11,175
Telephone	1,163
Utilities	3,619
Water reimbursement	6,757
Advertising	4,530
Background checks	686
Insurance	34,934
Staff training	50
Licenses and dues	1,720
Bad debts	227
Interest	441
Miscellaneous	215
Web site and internet	131
Depreciation	174,086
	174,086
<b>Total Operating Expenses</b>	<b>\$ 518,947</b>
<b>Operating Income (Loss)</b>	<b>\$ 168,803</b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 1,268
Management fees	680
Intergovernmental - Meeker County	(15,170)
Repayment to contributors	(13,973)
Interest expense	(163,981)
Bond issue expense	(39,824)
	(39,824)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (231,000)</b>
<b>Change in Net Position</b>	<b>\$ (62,197)</b>
<b>Net Position - January 1</b>	<b>(181,637)</b>
<b>Net Position - December 31</b>	<b>\$ (243,834)</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT E-3**

**STATEMENT OF CASH FLOWS  
ECONOMIC DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2012  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 693,683
Payments to suppliers	(186,668)
Payments to employees	(137,592)
Other nonoperating revenue	<u>680</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 370,103</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Repayment to Contributors	\$ (13,973)
Intergovernmental expense - Meeker County	<u>(15,170)</u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>\$ (29,143)</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal paid on long-term debt	\$ (151,131)
Interest paid on long-term debt	(214,662)
Rebate received on prior year purchase of capital asset	4,800
Purchases of capital assets	<u>(639)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (361,632)</u></b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	<u>\$ 1,107</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (19,565)</b>
<b>Cash and Cash Equivalents, January 1</b>	<b><u>278,160</u></b>
<b>Cash and Cash Equivalents, December 31</b>	<b><u><u>\$ 258,595</u></u></b>
<b>Cash and Cash Equivalents - Exhibit D-1</b>	
Cash and pooled investments	\$ 117,595
Investments	<u>141,000</u>
<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 258,595</u></u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT E-3  
(Continued)**

**STATEMENT OF CASH FLOWS  
ECONOMIC DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2012  
Increase (Decrease) in Cash and Cash Equivalents**

**Reconciliation of Operating Income (Loss) to Net Cash  
Provided by (Used in) Operating Activities**

**Operating income (loss)** **\$ 168,803**

**Adjustments to reconcile operating income (loss) to  
net cash provided by (used in) operating activities**

Depreciation expense	\$ 174,086
Other nonoperating revenue	680
(Increase) decrease in accounts receivable	2,754
(Increase) decrease in prepaid items	16,199
(Increase) decrease in loans receivable	30,339
(Increase) decrease in due from primary government	(27,500)
Increase (decrease) in customer deposits	340
Increase (decrease) in accounts payable	6,341
Increase (decrease) in salaries payable	130
Increase (decrease) in due to primary government	617
Increase (decrease) in compensated absences payable	(2,686)

**Total adjustments** **\$ 201,300**

**Net Cash Provided by (Used in) Operating Activities** **\$ 370,103**

**Noncash investing, capital, and financing activities**

Amortization of bond issuance costs \$ 10,926

This page was left blank intentionally.

## **OTHER SCHEDULES**

This page was left blank intentionally.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT F-1**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Shared Revenue**

**State**

Highway users tax	\$ 3,462,671
County program aid	778,496
Market value credit - agricultural	171,945
PERA rate reimbursement	24,144
Disparity reduction aid	15,256
Police aid	129,451
Performance aid	3,262
E-911	98,333

**Total shared revenue** **\$ 4,683,558**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$ <b>631,930</b>
--	-------------------

**Local**

Local contributions	\$ 45,235
Payments in lieu of taxes	117,400

**Total local** **\$ 162,635**

**Grants**

**State**

Minnesota Department/Board of	
Corrections	\$ 130,680
Public Safety	864,510
Health	120,279
Natural Resources	56,868
Human Services	997,941
Water and Soil Resources	177,025
Veteran's Affairs	2,298
Pollution Control Agency	59,593

**Total state** **\$ 2,409,194**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

***EXHIBIT F-1  
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 252,238
Justice	8,105
Transportation	695,707
Health and Human Services	1,615,704
Homeland Security	<u>89,956</u>

**Total federal** **\$ 2,661,710**

**Total state and federal grants** **\$ 5,070,904**

**Total Intergovernmental Revenue** **\$ 10,549,027**



**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT F-2**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 144,700
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>107,538</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 252,238</u></b>
<b>U.S. Department of Justice</b>		
Direct Bulletproof Vest Partnership Program	16.607	<b><u>\$ 8,105</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 689,166
Passed Through McLeod County State and Community Highway Safety	20.600	<u>6,541</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 695,707</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Meeker-McLeod-Sibley Community Health Services Environmental Public Health and Emergency Response	93.070	\$ 13,847
Universal Newborn Hearing Screening	93.251	700
Drug-Free Communities Support Program Grants	93.276	10,631
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	32,563
Temporary Assistance for Needy Families Cluster Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$201,197)	93.558	26,118
Medical Assistance Program (Total Medical Assistance Program 93.778 \$541,867)	93.778	47,433
Block Grants for Prevention and Treatment of Substance Abuse (Total Block Grants for Prevention and Treatment of Substance Abuse 93.959 \$224,621)	93.959	43,714
Maternal and Child Health Services Block Grant to the States	93.994	21,956
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	5,000

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT F-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	3,381
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families	93.558	175,079
(Total Temporary Assistance for Needy Families 93.558 \$201,197)		
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF)		
State Programs - ARRA	93.714	12,577
Child Support Enforcement	93.563	344,325
Refugee and Entrant Assistance - State-Administered Programs	93.566	267
Child Care and Development Block Grant	93.575	6,175
Community-Based Child Abuse Prevention Grants	93.590	2,393
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,820
Foster Care - Title IV-E	93.658	85,755
Social Services Block Grant	93.667	124,115
Chafee Foster Care Independence Program	93.674	2,097
Children's Health Insurance Program	93.767	36
Medical Assistance Program	93.778	494,434
(Total Medical Assistance Program 93.778 \$541,867)		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	180,907
(Total Block Grants for Prevention and Treatment of Substance Abuse 93.959 \$224,621)		
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 1,635,323</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 18,097
Emergency Management Performance Grants	97.042	20,103
Passed Through West Central Minnesota Emergency Medical Services		
Homeland Security Grant Program	97.067	31,860
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 70,060</b>
<b>Total Federal Awards</b>		<b>\$ 2,661,433</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

---

---

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 \$236,300 in federal awards during the year ended June 30, 2012, 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, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Meeker County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Meeker County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Clusters

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

Temporary Assistance for Needy Families Cluster	\$ 213,774
---	------------

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

---

5. Subrecipients

During 2012, the County did not pass any federal money to subrecipients.

6. Reconciliation

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,661,710
Grants received more than 60 days after year-end, deferred in 2012	
Block Grants for Prevention and Treatment of Substance Abuse	29,321
Deferred in 2011, recognized as revenue in 2012	
Medical Assistance Program	(9,702)
Emergency Management Performance Grants	<u>(19,896)</u>
 Expenditures Per Schedule of Expenditures of Federal Awards	 <u>\$ 2,661,433</u>

7. American Recovery and Reinvestment Act

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



This page was left blank intentionally.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

**Financial Statements**

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

Internal Controls over financial reporting:

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

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

**Federal Awards**

Internal controls over major programs:

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

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

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

The major programs are:

Temporary Assistance to Needy Families Cluster	
Temporary Assistance to Needy Families	CFDA No. 93.558
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs - ARRA	CFDA No. 93.714
Medical Assistance Program	CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was \$300,000.

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

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

##### 96-2 Segregation of Duties

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

**Condition:** Several of Meeker County's departments that collect fees and record financial transactions lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, as well as depositing receipts; and recording journal entries without review of those journal entries before they are posted to the system.

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

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

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

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

#### Client's Response:

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



06-1 Accounting Policies and Procedures

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

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

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

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

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

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

Client's Response:

*The County continues to make significant progress to achieve their goal to formalize a Comprehensive Accounting Policies and Procedures Manual. This manual will include a formal risk assessment process.*

## ITEMS ARISING THIS YEAR

### 12-1 Audit Adjustments

**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.

**Condition:** During our audit of the Debt Service Fund, we proposed an audit adjustment which was reviewed and approved by the appropriate staff and is reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the County's internal control.

**Context:** Meeker County prepares modified accrual financial statements, but does not regularly issue refunding bonds. The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

**Effect:** An audit adjustment was necessary to record the proceeds and related cash held with escrow agent, premium, and administrative and fiscal charges from the issuance of the \$3,175,000 2012 G.O. Capital Improvement Refunding Bonds.

**Cause:** Proceeds from the issuance of the refunding bonds went directly to an escrow agent. Since the County did not receive any cash from the bond issue, a cash receipt was not recorded, nor was a subsequent journal entry prepared to record this transaction.

**Recommendation:** We recommend that the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

#### Client's Response:

*The County is aware of the deficiency caused by the issuance of refunding bonds as stated above. This issue involved a unique and unusual situation with the use of an escrow agent. The county inadvertently missed preparing the subsequent journal entries that were necessary to record the transaction when the county did not receive cash from the bond issue.*

## 12-2 Reconciliation of Inmate Accounts

**Criteria:** Controls should be in place to complete reconciliations of inmate accounts.

**Condition:** Deposits made and checks written against the inmate account were being compared between the bank statement and the Jail's electronic check register, but no reconciliation between the check register and the inmate system's total of account balances was being performed. In addition, there is no review of the bank reconciliation.

**Context:** Performing inmate account reconciliations is a control designed to detect errors and irregularities in a timely manner.

**Effect:** Failure to monitor inmate account activity on a monthly basis increases the risk that fraud or errors will go undetected and that financial reporting will not be accurate.

**Cause:** The duties relating to the inmate account reconciliation were transferred to a different staff member in 2012. Difficulties in balancing the check register to the system's total of inmate accounts were present before the duties were transferred.

**Recommendation:** We recommend the inmate accounts be reconciled with the check register monthly. Any differences should be immediately investigated and resolved. Someone independent of the bank statement reconciliation and inmate account reconciliation processes should review the reconciliations and document their review.

### Client's Response:

*The Sheriff's Office will continue to work with its vendor to resolve the problem and to ensure the jail inmate account is balanced. Once remedied, a procedure will be developed for a checks and balance system to make sure that the reconciliations are completed in a timely manner.*

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

### ITEM ARISING THIS YEAR

#### 12-3 Supervisory Review over Eligibility - Intake Function

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

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

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

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

**Questioned Costs:** None.

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

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

**Cause:** The County informed us they do not consider a review of case files for the Medical Assistance Program or the Temporary Assistance to Needy Families program necessary because these programs are typically audited as part of the County’s single audit; however, independent, external auditors cannot be considered part of the County’s internal control.

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

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Jan Schlack*

Corrective Action Planned:

*Meeker County Social Services does not consider reviews of case files for the Medical Assistance Program or the Temporary Assistance to Needy Families program as unnecessary. These cases are reviewed by the supervisor whenever a client calls questioning the eligibility results of the application, whenever a worker is absent and the case needs to have an action taken, or whenever the case is transferred to another worker these cases are "reviewed" by the supervisor or a peer. In reality, approximately 10 percent of a worker's MA/TANF cases are "reviewed" throughout any given year. In addition, formal targeted reviews are completed annually by the supervisor on approximately 10 percent of each worker's cases for the SNAP program. Because over 90 percent of the cases that receive SNAP also have MA and could have TANF, by reviewing such things as income, household composition, etc. for SNAP, it would also be reviewing those things for MA and TANF. In the future we will note whenever a case is being reviewed either formally or informally.*

*Bi-weekly unit meetings are held for the Financial Workers in which policy and procedures are gone over to ensure worker compliance. We review sections of the Combined Manual and the Health Care Manual often targeting specific areas that seem confusing or troublesome. We discuss difficult cases and where to find appropriate answers. The supervisor and the mentor both attend their respective state monthly meetings and share information gained at those meetings at the unit meetings. Workers are encouraged to "brush up" on their knowledge by taking the available on-line courses offered through the Train Link and attend the yearly Financial Worker conference.*

Anticipated Completion Date:

*Since reviews and training is an ongoing process, we will continue doing as we have been. Effective immediately we will note whenever a case has been reviewed by either the supervisor or a peer.*

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 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:** Nine of the 48 individual drainage systems had deficit cash balances totaling (\$22,345); an increase of \$7,904 from the (\$14,441) reported in the prior year. Fourteen of the 48 individual drainage systems had deficit equity balances totaling (\$69,910); an increase of \$41,193 from the (\$28,717) reported in the prior year.

**Context:** If the County transfers money from one account or fund to a drainage system account, the money plus accrued interest must be reimbursed from the proceeds of the drainage system that received the transfer.

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

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

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

Client's Response:

*Meeker County's management is aware of this issue and has become more aggressive in establishing repair fund balances for each ditch system as outlined in Minn. Stat. § 103E.735.*

ITEM ARISING THIS YEAR

12-4 Driver Awareness Class

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

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

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

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

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

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

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

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

Client's Response:

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

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

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

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

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





REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

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

### Independent Auditor's Report

Board of County Commissioners  
Meeker County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County as of and for the year ended December 31, 2012, including the Meeker County Housing and Redevelopment Authority as of and for the year ended June 30, 2012, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2013.

Our report includes a reference to other auditors. Other auditors audited the financial statements of the Meeker Memorial Hospital, an enterprise fund of Meeker County, and the Meeker County Housing and Redevelopment Authority, a discretely presented component unit of Meeker County, as described in our report on Meeker County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Meeker Memorial Hospital were not audited in accordance with *Government Auditing Standards*.

## **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 96-2, 06-1, 12-1, and 12-2 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

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

## **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: 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 in tax increment financing because the County does not have any tax increment financing districts of its own.

In connection with our audit, nothing came to our attention that caused us to believe that Meeker County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 96-1 and 12-4. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

### **Other Matters**

Meeker County's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subject to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 26, 2013

This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

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

### Independent Auditor's Report

Board of County Commissioners  
Meeker County

#### **Report on Compliance for Each Major Federal Program**

We have audited Meeker County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2012. 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 Housing and Redevelopment Authority (HRA), a discretely presented component unit, which expended \$236,300 in federal awards during the year ended June 30, 2012, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Meeker County HRA because it was audited by other auditors.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Meeker County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Meeker County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, Meeker County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### **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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 12-3 that we consider to be a significant deficiency.

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

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 26, 2013

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR