

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MEEKER COUNTY
LITCHFIELD, MINNESOTA

YEAR ENDED DECEMBER 31, 2011

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Year Ended December 31, 2011



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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	1	13
Statement of Activities	2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	17
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	4	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	5	22
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	26
Proprietary Fund		
Meeker Memorial Hospital Enterprise Fund		
Statement of Fund Net Assets	7	27
Statement of Revenues, Expenses, and Changes in Fund Net Assets	8	29
Statement of Cash Flows	9	30
Fiduciary Funds		
Statement of Fiduciary Net Assets	10	32
Discretely Presented Component Units		
Combining Statement of Net Assets	11	33
Combining Statement of Activities	12	35
Notes to the Financial Statements		37

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Financial Section (Continued)		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	85
Road and Bridge Special Revenue Fund	A-2	87
Human Services Special Revenue Fund	A-3	88
Schedule of Funding Progress - Other Postemployment Benefits	A-4	89
Notes to the Required Supplementary Information		90
Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet	B-1	93
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	B-2	97
Budgetary Comparison Schedules		
County Parks Special Revenue Fund	B-3	99
Regional Library Special Revenue Fund	B-4	100
County Nurse Special Revenue Fund	B-5	101
Transfer Station Special Revenue Fund	B-6	102
Family Services Building Special Revenue Fund	B-7	103
Debt Service Fund	B-8	104
Fiduciary Funds		105
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	C-1	106
Economic Development Authority		
Statement of Net Assets	D-1	108
Statement of Revenues, Expenses, and Changes in Net Assets	D-2	110
Statement of Cash Flows	D-3	111
Other Schedules		
Schedule of Intergovernmental Revenue	E-1	113
Schedule of Expenditures of Federal Awards	E-2	115
Notes to the Schedule of Expenditures of Federal Awards		118

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

TABLE OF CONTENTS
(Continued)

	<u>Exhibit</u>	<u>Page</u>
Management and Compliance Section		
Schedule of Findings and Questioned Costs		120
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>		125
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		128

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2011

			<u>Term Expires</u>
Elected			
Commissioners			
Vice Chair	Jim Swenson	District 1	January 2015
Chair	Dave Gabrielson	District 2	January 2015
Board Member	Tim Benoit	District 3	January 2015
Board Member	Wallace Strand	District 4	January 2015
Board Member	Roney Kutzke	District 5	January 2013
Attorney	Stephanie Beckman		January 2015
Auditor	Barbara Loch		January 2015
Treasurer	Sharon Euerle		January 2015
Recorder	Elaine Lenhard		January 2015
Sheriff	Jeff Norlin		January 2015
Appointed			
Assessor	Robert Anderson		January 2013
Court Administrator	Theresa Fredrickson		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	Charles Unterberger		May 2015
Welfare Director	Clark Gustafson		Indefinite
Emergency Management Director Department of Motor Vehicles	Jeff Norlin		Indefinite
Registrar	Sharon Euerle		Indefinite
County Administrator	Paul Virnig		Indefinite
Planning and Zoning Administrator	Kristin Cote		Indefinite

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Meeker County

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, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 14 percent, 138 percent, and 36 percent, respectively, of the assets, net assets, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.D.11. to the financial statements, during the year ended December 31, 2011, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meeker County's basic financial statements as a whole. The supplementary information, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012, 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, 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* and should be considered in assessing the results of our audit. It does not include the Meeker Memorial Hospital or the Meeker County Housing and Redevelopment Authority, which were audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 27, 2012

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011
(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, 2011. 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, 2011, by \$93,945,960 (net assets). Of this amount, \$37,006,528 (unrestricted net assets) may be used to meet Meeker County's ongoing obligations to citizens and creditors.
- Meeker County's total net assets increased by \$4,931,979 in 2011. This is attributed primarily to an increase in investments.
- As of the close of 2011, Meeker County's governmental funds reported combined ending fund balances of \$16,982,091, an increase of \$1,583,486 in comparison with 2010 combined ending fund balances. Of this fund balance amount, \$15,288,526 was unrestricted by Meeker County, and thus available for spending at the government's discretion.
- At the end of 2011, unassigned fund balance for the General Fund was \$6,011,109, or 66.22 percent, of the total General Fund expenditures for that year.
- Meeker County's total debt decreased by \$2,048,292, or 5.57 percent. The key factor in the decrease was payment of principal and no new debt.

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 assets presents information on all of Meeker County's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, Revolving Loan Special Revenue 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 37 through 84 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Meeker County's assets exceeded liabilities by \$93,945,960 at the close of 2011. The largest portion of Meeker County's net assets (57.12 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.

	Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 20,167,533	\$ 19,915,310	\$ 27,085,230	\$ 22,269,242	\$ 47,252,763	\$ 42,184,552
Capital assets	59,253,566	60,265,662	29,189,167	31,154,614	88,442,733	91,420,276
Total Assets	\$ 79,421,099	\$ 80,180,972	\$ 56,274,397	\$ 53,423,856	\$ 135,695,496	\$ 133,604,828
Liabilities						
Long-term liabilities	\$ 11,212,696	\$ 13,599,918	\$ 26,056,676	\$ 26,524,558	\$ 37,269,372	\$ 40,124,476
Other liabilities	1,890,063	2,152,638	2,590,101	2,313,733	4,480,164	4,466,371
Total Liabilities	\$ 13,102,759	\$ 15,752,556	\$ 28,646,777	\$ 28,838,291	\$ 41,749,536	\$ 44,590,847
Net Assets						
Invested in capital assets, net of related debt	\$ 50,525,969	\$ 49,827,675	\$ 3,132,491	\$ 4,630,056	\$ 53,658,460	\$ 54,457,731
Restricted	1,095,403	2,642,198	2,185,569	2,445,725	3,280,972	5,087,923
Unrestricted	14,696,968	11,958,543	22,309,560	17,509,784	37,006,528	29,468,327
Total Net Assets	\$ 66,318,340	\$ 64,428,416	\$ 27,627,620	\$ 24,585,565	\$ 93,945,960	\$ 89,013,981

The unrestricted net assets amount of \$37,006,528 as of December 31, 2011, may be used to meet the County's ongoing obligations to citizens and creditors. Business-type activities reported in 2011 are Meeker Memorial Hospital, an enterprise fund of the primary government.

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 4,899,497	\$ 5,218,731	\$ 27,875,562	\$ 26,226,552	\$ 32,775,059	\$ 31,445,283
Operating grants and contributions	6,512,139	7,153,441	-	-	6,512,139	7,153,441
Capital grants and contributions	2,348,463	2,047,725	-	40,505	2,348,463	2,088,230
General revenues						
Property taxes	11,319,295	11,081,943	-	-	11,319,295	11,081,943
Gravel taxes	68,173	48,242	-	-	68,173	48,242
Mortgage registry taxes	13,765	14,921	-	-	13,765	14,921
Other taxes	98,445	72,279	-	-	98,445	72,279
Grants and contributions not restricted to specific programs	1,496,187	1,495,955	-	-	1,496,187	1,495,955
Gifts and contributions	-	-	13,500	30,065	13,500	30,065
Investment income	145,177	247,821	277,171	280,346	422,348	528,167
Gain on sale of capital assets	84,941	66,413	21,168	18,323	106,109	84,736
Miscellaneous	3,185	6,403	-	-	3,185	6,403
Total Revenues	\$ 26,989,267	\$ 27,453,874	\$ 28,187,401	\$ 26,595,791	\$ 55,176,668	\$ 54,049,665
Expenses						
General government	\$ 5,468,426	\$ 5,774,829	-	-	\$ 5,468,426	\$ 5,774,829
Public safety	5,079,451	4,777,287	-	-	5,079,451	4,777,287
Highways and streets	4,832,197	4,398,307	-	-	4,832,197	4,398,307
Sanitation	208,178	235,153	-	-	208,178	235,153
Human services	6,311,140	6,284,246	-	-	6,311,140	6,284,246
Hospital	-	-	25,145,346	25,287,219	25,145,346	25,287,219
Health	1,412,363	1,435,166	-	-	1,412,363	1,435,166
Culture and recreation	409,167	421,878	-	-	409,167	421,878
Conservation of natural resources	348,588	339,360	-	-	348,588	339,360
Economic development	712,552	122,500	-	-	712,552	122,500
Interest	317,281	370,818	-	-	317,281	370,818
Total Expenses	\$ 25,099,343	\$ 24,159,544	\$ 25,145,346	\$ 25,287,219	\$ 50,244,689	\$ 49,446,763
Increase in Net Assets	\$ 1,889,924	\$ 3,294,330	\$ 3,042,055	\$ 1,308,572	\$ 4,931,979	\$ 4,602,902
Net Assets - January 1	64,428,416	61,134,086	24,585,565	23,276,993	89,013,981	84,411,079
Net Assets - December 31	\$ 66,318,340	\$ 64,428,416	\$ 27,627,620	\$ 24,585,565	\$ 93,945,960	\$ 89,013,981

Governmental Activities

Meeker County's governmental activities increased the County's net assets during 2011 by \$1,889,924.

Business-Type Activities

Business-type activities of the Meeker Memorial Hospital increased Meeker County's net assets by \$3,042,055, accounting for 61.68 percent of the total growth in the County's net assets. Charges for services increased \$1,649,010, or 6.29 percent, while expenses were down \$141,873, or 0.56 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 \$16,982,091, an increase of \$1,583,486 in comparison with the prior year. Of the ending fund balance, \$6,011,109 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 \$6,011,109, while total fund balance was \$6,838,676. 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 66.22 percent of total General Fund expenditures. The ending fund balance for 2011 in the General Fund increased by \$737,059 as compared to 2010 ending balance.

The Road and Bridge Special Revenue Fund's fund balance at the end of the current fiscal year was \$2,037,545. The ending fund balance in the Road and Bridge Special Revenue Fund increased by \$1,112,428. This is primarily due to more revenues than expected.

The Human Services Special Revenue Fund's fund balance at the end of the current fiscal year was \$3,567,772. The ending fund balance in the Human Services Special Revenue Fund decreased by \$173,243, primarily because of budgeted use of fund balance.

The Revolving Loan Special Revenue Fund's fund balance at the end of the current fiscal year was \$877,179. The ending fund balance in the Revolving Loan Special Revenue Fund increased \$136,403 due to decreased liabilities and increased fund balance with no new loans issued during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

There are no differences between the original expenditure budget and the final amended budget. (Meeker County did not amend the 2011 expenditure budget.)

Actual revenues in the General Fund were less than budgeted revenues by \$21,799, primarily due to a lower amount of investment earnings and intergovernmental revenue than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Meeker County's capital assets for its governmental activities at December 31, 2011, totaled \$59,253,566 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's governmental investment in capital assets decreased \$1,012,096, or 1.68 percent, from the previous year. The major capital asset events were infrastructure.

Governmental Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,522,856	\$ 2,499,575	\$ 1,963,928	\$ 1,779,215	\$ 4,486,784	\$ 4,278,790
Land improvements	-	-	971,161	1,071,650	971,161	1,071,650
Infrastructure	36,974,798	37,905,342	-	-	36,974,798	37,905,342
Buildings	11,305,279	11,708,331	20,315,907	21,819,862	31,621,186	33,528,193
Buildings improvements	2,641,632	2,817,678	-	-	2,641,632	2,817,678
Machinery, equipment, and office furniture	4,628,999	5,233,148	5,938,171	6,483,887	10,567,170	11,717,035
Construction in progress	1,180,002	101,588	-	-	1,180,002	101,588
Total Capital Assets	\$ 59,253,566	\$ 60,265,662	\$ 29,189,167	\$ 31,154,614	\$ 88,442,733	\$ 91,420,276

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 \$37,269,372. 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	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 6,470,000	\$ 7,630,000	\$ -	\$ -	\$ 6,470,000	\$ 7,630,000
General obligation capital notes	2,235,000	2,500,000	-	-	2,235,000	2,500,000
Gross revenue hospital facilities bonds	-	-	25,800,000	26,250,000	25,800,000	26,250,000
Certificates of participation	-	285,000	-	-	-	285,000
Loan payable	232,983	121,275	-	-	232,983	121,275
Total	\$ 8,937,983	\$ 10,536,275	\$ 25,800,000	\$ 26,250,000	\$ 34,737,983	\$ 36,786,275

The County's debt related to general obligation bonds, gross revenue hospital facilities bonds, certificates of participation, capital notes, and loans decreased by \$2,048,292, or 5.57 percent, during the fiscal year due to payment on principal and no new debt incurred.

Meeker County's bond rating is AA from Moody's.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2011, 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 2011 was 7.5 percent. This compares with the state unemployment rate of 5.8 percent and shows Meeker County's decrease of one percent from the rate of one year ago.

By the end of 2011, Meeker County approved its balanced 2012 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 16,607,107	\$ 3,738,954	\$ 20,346,061	\$ 256,911
Petty cash and change funds	2,690	-	2,690	-
Investments	2,614	-	2,614	254,195
Taxes receivable				
Prior - net	409,976	-	409,976	-
Special assessments receivable				
Prior - net	261,809	-	261,809	-
Noncurrent - net	377	-	377	-
Accounts receivable - net	97,644	3,629,920	3,727,564	11,925
Accrued interest receivable	63,026	-	63,026	595
Due from other governments	1,389,855	-	1,389,855	-
Notes receivable	303,000	-	303,000	-
Loans receivable	664,057	-	664,057	324,001
Inventories	223,305	460,395	683,700	-
Prepaid items	53,979	437,328	491,307	23,355
Restricted assets				
Investments	-	15,424,309	15,424,309	-
Restricted by bond indenture	-	1,991,629	1,991,629	-
Restricted by donor	-	49,236	49,236	-
Deferred charges	88,094	-	88,094	39,698
Other assets	-	348,405	348,405	-
Investment in joint venture	-	1,005,054	1,005,054	-
Capital assets				
Non-depreciable	3,702,858	1,963,928	5,666,786	219,954
Depreciable - net of accumulated depreciation	55,550,708	27,225,239	82,775,947	3,628,180
Total Assets	\$ 79,421,099	\$ 56,274,397	\$ 135,695,496	\$ 4,758,814

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Liabilities</u>				
Accounts payable	\$ 399,574	\$ 877,380	\$ 1,276,954	\$ 11,253
Salaries payable	570,438	1,289,484	1,859,922	4,823
Other accrued liabilities	-	-	-	3,838
Contracts payable	64,870	-	64,870	-
Due to other governments	67,830	-	67,830	-
Accrued interest payable	113,294	243,107	356,401	2,816
Estimated third-party payor settlements	-	180,130	180,130	-
Unearned revenue	674,057	-	674,057	-
Deferred rent income	-	-	-	315
Payable from restricted assets				
Customer deposits	-	-	-	44,910
Tenant security deposits	-	-	-	5,400
Long-term liabilities				
Due within one year	2,275,302	471,389	2,746,691	129,657
Due in more than one year	8,937,394	25,585,287	34,522,681	4,083,817
Total Liabilities	\$ 13,102,759	\$ 28,646,777	\$ 41,749,536	\$ 4,286,829
<u>Net Assets</u>				
Invested in capital assets - net of related debt	\$ 50,525,969	\$ 3,132,491	\$ 53,658,460	\$ (359,831)
Restricted for				
General government	389,705	-	389,705	-
Public safety	21,118	-	21,118	-
Sanitation	67,192	-	67,192	-
Debt service	617,388	-	617,388	-
Restricted by bond indenture	-	1,991,629	1,991,629	-
Restricted by donor	-	193,940	193,940	-
Other purposes	-	-	-	53,089
Unrestricted	14,696,968	22,309,560	37,006,528	778,727
Total Net Assets	\$ 66,318,340	\$ 27,627,620	\$ 93,945,960	\$ 471,985

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Primary government			
Governmental activities			
General government	\$ 5,468,426	\$ 1,464,473	\$ 5,700
Public safety	5,079,451	1,009,106	496,070
Highways and streets	4,832,197	519,492	1,953,134
Sanitation	208,178	196,876	-
Human services	6,311,140	718,756	2,647,172
Health	1,412,363	414,060	970,727
Culture and recreation	409,167	117,593	1,000
Conservation of natural resources	348,588	55,220	438,336
Economic development	712,552	403,921	-
Interest	317,281	-	-
Total governmental activities	\$ 25,099,343	\$ 4,899,497	\$ 6,512,139
Business-type activities			
Hospital	25,145,346	27,875,562	-
Total Primary Government	\$ 50,244,689	\$ 32,775,059	\$ 6,512,139
Discretely Presented Component Units	\$ 1,155,178	\$ 685,980	\$ 392,768

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 Assets

Net Assets - January 1

Net Assets - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Units
	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
\$ -	\$ (3,998,253)	\$ -	\$ (3,998,253)	
30,507	(3,543,768)	-	(3,543,768)	
2,317,956	(41,615)	-	(41,615)	
-	(11,302)	-	(11,302)	
-	(2,945,212)	-	(2,945,212)	
-	(27,576)	-	(27,576)	
-	(290,574)	-	(290,574)	
-	144,968	-	144,968	
-	(308,631)	-	(308,631)	
-	(317,281)	-	(317,281)	
\$ 2,348,463	\$ (11,339,244)	\$ -	\$ (11,339,244)	
-	-	2,730,216	2,730,216	
\$ 2,348,463	\$ (11,339,244)	\$ 2,730,216	\$ (8,609,028)	
\$ 7,673				\$ (68,757)
	\$ 11,319,295	\$ -	\$ 11,319,295	\$ -
	68,173	-	68,173	-
	13,765	-	13,765	-
	98,445	-	98,445	-
	1,496,187	-	1,496,187	-
	-	13,500	13,500	-
	145,177	277,171	422,348	1,760
	84,941	21,168	106,109	-
	3,185	-	3,185	-
	\$ 13,229,168	\$ 311,839	\$ 13,541,007	\$ 1,760
	\$ 1,889,924	\$ 3,042,055	\$ 4,931,979	\$ (66,997)
	64,428,416	24,585,565	89,013,981	538,982
	\$ 66,318,340	\$ 27,627,620	\$ 93,945,960	\$ 471,985

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 6,534,865	\$ 1,984,452
Petty cash and change funds	2,690	-
Investments	2,614	-
Taxes receivable		
Delinquent	222,149	48,049
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable - net	35,798	-
Accrued interest receivable	63,026	-
Due from other funds	1,150	-
Due from other governments	247,357	683,647
Notes receivable	303,000	-
Loans receivable	-	-
Inventories	-	223,305
Advances to other funds	17,878	-
Prepaid items	49,792	-
	\$ 7,480,319	\$ 2,939,453
Total Assets	\$ 7,480,319	\$ 2,939,453
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 104,869	\$ 40,279
Salaries payable	287,248	72,167
Contracts payable	-	64,870
Due to other funds	9,705	225
Due to other governments	22,268	1,269
Deferred revenue - unavailable	207,553	723,098
Advances from other funds - governmental	-	-
Deferred revenue - unearned	10,000	-
	\$ 641,643	\$ 901,908
Total Liabilities	\$ 641,643	\$ 901,908

EXHIBIT 3

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,631,860	\$ 877,179	\$ 828,190	\$ 2,750,561	\$ 16,607,107
-	-	-	-	2,690
-	-	-	-	2,614
90,121	-	54	49,603	409,976
-	-	-	261,809	261,809
-	-	-	377	377
52,726	-	-	9,120	97,644
-	-	-	-	63,026
430	-	-	12,770	14,350
276,798	-	636	181,417	1,389,855
-	-	-	-	303,000
-	664,057	-	-	664,057
-	-	-	-	223,305
-	-	-	-	17,878
-	-	-	4,187	53,979
<u>\$ 4,051,935</u>	<u>\$ 1,541,236</u>	<u>\$ 828,880</u>	<u>\$ 3,269,844</u>	<u>\$ 20,111,667</u>
\$ 232,520	\$ -	\$ 482	\$ 21,424	\$ 399,574
143,018	-	-	68,005	570,438
-	-	-	-	64,870
4,177	-	-	243	14,350
27,820	-	-	16,473	67,830
76,628	-	54	313,246	1,320,579
-	-	-	17,878	17,878
-	664,057	-	-	674,057
<u>\$ 484,163</u>	<u>\$ 664,057</u>	<u>\$ 536</u>	<u>\$ 437,269</u>	<u>\$ 3,129,576</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
(Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 223,305
Prepaid items	49,792	-
Advances to other funds	17,878	-
Notes receivable	303,000	-
Restricted for		
Debt service	-	-
Recorder's technology equipment	108,810	-
Missing heirs	3,502	-
Recorder's compliance	245,835	-
Attorney forfeiture	31,558	-
Gravel tax	67,192	-
Sheriff contingencies	-	-
Committed for		
Regional library	-	-
Assigned to		
General government	-	-
Highways and streets	-	1,814,240
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	-	-
Economic development	-	-
Capital projects	-	-
Unassigned in		
General Fund	6,011,109	-
Total Fund Balances	\$ 6,838,676	\$ 2,037,545
Total Liabilities and Fund Balances	\$ 7,480,319	\$ 2,939,453

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 223,305
-	-	-	4,187	53,979
-	-	-	-	17,878
-	-	-	-	303,000
-	-	-	617,388	617,388
-	-	-	-	108,810
-	-	-	-	3,502
-	-	-	-	245,835
-	-	-	-	31,558
-	-	-	-	67,192
-	-	-	21,118	21,118
-	-	-	58,682	58,682
-	-	-	486,520	486,520
-	-	-	-	1,814,240
-	-	-	1,021,549	1,021,549
3,567,772	-	-	-	3,567,772
-	-	-	375,661	375,661
-	-	-	118,494	118,494
-	-	-	128,976	128,976
-	877,179	-	-	877,179
-	-	828,344	-	828,344
-	-	-	-	6,011,109
<u>\$ 3,567,772</u>	<u>\$ 877,179</u>	<u>\$ 828,344</u>	<u>\$ 2,832,575</u>	<u>\$ 16,982,091</u>
<u>\$ 4,051,935</u>	<u>\$ 1,541,236</u>	<u>\$ 828,880</u>	<u>\$ 3,269,844</u>	<u>\$ 20,111,667</u>

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011**

Fund balance - total governmental funds		\$ 16,982,091
Amounts reported for governmental activities in the statement of net assets 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.		59,253,566
Debt issuance costs are expended in the governmental funds, but are reported as an asset in the statement of net assets and amortized to interest expense over the life of the debt.		88,094
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,320,579
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	\$ (6,492,597)	
Loan payable	(232,983)	
Capital notes payable	(2,235,000)	
Compensated absences	(1,927,567)	
Accrued interest payable	(113,294)	
Other postemployment benefits	(324,549)	(11,325,990)
Net Assets of Governmental Activities		<u><u>\$ 66,318,340</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Road and Bridge
Revenues		
Taxes	\$ 6,273,030	\$ 1,282,006
Special assessments	-	-
Licenses and permits	17,148	-
Intergovernmental	1,496,384	4,657,244
Charges for services	1,574,719	506,376
Fines and forfeits	23,524	-
Gifts and contributions	380	-
Investment earnings	145,143	-
Miscellaneous	616,043	87,500
	\$ 10,146,371	\$ 6,533,126
Expenditures		
Current		
General government	\$ 4,329,541	\$ -
Public safety	4,269,060	-
Highways and streets	-	4,701,270
Sanitation	103,378	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	280,211	-
Economic development	95,000	-
Capital outlay	-	-
Intergovernmental	-	359,263
Debt service		
Principal	-	600,000
Interest	-	49,500
	\$ 9,077,190	\$ 5,710,033
Excess of Revenues Over (Under) Expenditures	\$ 1,069,181	\$ 823,093

EXHIBIT 5

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,372,067	\$ -	\$ -	\$ 1,484,578	\$ 11,411,681
-	-	-	93,938	93,938
-	-	-	-	17,148
3,215,631	350,000	105,590	835,019	10,659,868
526,540	-	-	683,543	3,291,178
-	-	-	24,522	48,046
4,000	-	-	1,000	5,380
-	34	-	-	145,177
193,250	403,921	59,100	480,763	1,840,577
\$ 6,311,488	\$ 753,955	\$ 164,690	\$ 3,603,363	\$ 27,512,993
\$ -	\$ -	\$ -	\$ 544,007	\$ 4,873,548
-	-	-	-	4,269,060
-	-	-	-	4,701,270
-	-	-	89,302	192,680
6,484,731	-	-	-	6,484,731
-	-	-	1,533,641	1,533,641
-	-	-	421,537	421,537
-	-	-	68,377	348,588
-	617,552	-	-	712,552
-	-	150,133	-	150,133
-	-	-	-	359,263
-	-	-	1,110,000	1,710,000
-	-	-	274,047	323,547
\$ 6,484,731	\$ 617,552	\$ 150,133	\$ 4,040,911	\$ 26,080,550
\$ (173,243)	\$ 136,403	\$ 14,557	\$ (437,548)	\$ 1,432,443

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ 300,000	\$ 250,000
Transfers out	(632,122)	-
Loans issued	-	-
	-	-
Total Other Financing Sources (Uses)	\$ (332,122)	\$ 250,000
Net Change in Fund Balances	\$ 737,059	\$ 1,073,093
Fund Balances - January 1	6,101,617	925,117
Increase (decrease) in inventories	-	39,335
	-	39,335
Fund Balances - December 31	\$ 6,838,676	\$ 2,037,545

EXHIBIT 5
(Continued)

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 922,110	\$ 1,472,110
-	-	(300,000)	(539,988)	(1,472,110)
-	-	-	111,708	111,708
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (300,000)</u>	<u>\$ 493,830</u>	<u>\$ 111,708</u>
\$ (173,243)	\$ 136,403	\$ (285,443)	\$ 56,282	\$ 1,544,151
3,741,015	740,776	1,113,787	2,776,293	15,398,605
-	-	-	-	39,335
<u>\$ 3,567,772</u>	<u>\$ 877,179</u>	<u>\$ 828,344</u>	<u>\$ 2,832,575</u>	<u>\$ 16,982,091</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 6

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

Net change in fund balance - total governmental funds (Exhibit 5) \$ 1,544,151

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	\$ 1,320,579	
Deferred revenue - January 1	(1,489,663)	(169,084)

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 assets differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 1,813,571	
Net book value of assets sold	(1,407)	
Current year depreciation	(2,824,260)	(1,012,096)

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

Debt issued		
Loans		(111,708)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments		
General obligation bonds and capital notes	\$ 1,425,000	
Certificates of participation	285,000	1,710,000

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	\$ 18,812	
Amortization of discounts/premiums and deferred issuance charges	(12,546)	
Change in compensated absences	(42,346)	
Change in inventories	39,335	
Change in other postemployment benefits	(74,594)	(71,339)

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,889,924

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

PROPRIETARY FUND

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET ASSETS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2011**

Assets

Current assets

Cash and pooled investments	\$ 3,738,954
Accounts receivable - net	3,629,920
Inventories	460,395
Prepaid items	437,328

Total current assets **\$ 8,266,597**

Restricted assets

Investments	\$ 15,424,309
Restricted by bond indenture	1,991,629
Restricted by donor	49,236

Total restricted assets **\$ 17,465,174**

Noncurrent assets

Investment in joint venture	\$ 1,005,054
Other assets	348,405
Capital assets	
Nondepreciable	1,963,928
Depreciable - net	27,225,239

Total noncurrent assets **\$ 30,542,626**

Total Assets **\$ 56,274,397**

Liabilities

Current liabilities

Accounts payable	\$ 877,380
Salaries payable	1,289,484
Accrued interest payable	243,107
Estimated third-party payor settlements	180,130
Bonds payable	470,000
Capital lease payable	1,389

Total current liabilities **\$ 3,061,490**

Noncurrent liabilities

Bonds payable	<u>25,585,287</u>
---------------	-------------------

Total Liabilities **\$ 28,646,777**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT 7
(Continued)***

**STATEMENT OF FUND NET ASSETS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2011**

Net Assets

Invested in capital assets, net of related debt	\$ 3,132,491
Restricted by bond indenture	1,991,629
Restricted by donor	193,940
Unrestricted	<u>22,309,560</u>
Total Net Assets	<u>\$ 27,627,620</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

Operating Revenues	
Patient services revenues	\$ 27,199,990
Miscellaneous	675,572
	<hr/>
Total Operating Revenues	\$ 27,875,562
Operating Expenses	
Professional care of patients	\$ 15,143,270
Administration and fiscal services	4,040,082
Property, housekeeping, and laundry	1,233,433
Dietary	455,282
Depreciation and amortization	2,805,476
	<hr/>
Total Operating Expenses	\$ 23,677,543
Operating Income (Loss)	\$ 4,198,019
Nonoperating Revenues (Expenses)	
Noncapital contributions	\$ 13,500
Interest income	268,662
Unrealized gain (loss) on investments	8,509
Interest expense	(1,467,803)
Gain (loss) on disposal of assets and other	21,168
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (1,155,964)
Change in Net Assets	\$ 3,042,055
Net Assets - January 1	24,585,565
	<hr/>
Net Assets - December 31	\$ 27,627,620
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

Cash Flows from Operating Activities	
Receipts from third-party payors and patients	\$ 27,098,851
Other receipts	496,890
Payments to suppliers	(10,095,037)
Payments to employees	(10,770,844)
	<hr/>
Net cash provided by (used in) operating activities	\$ 6,729,860
Cash Flows from Capital and Related Financing Activities	
Proceeds from sale of capital assets	\$ 12,345
Purchases of capital assets	(838,883)
Contributions received restricted for capital assets	118,268
Principal payments on long-term debt	(458,065)
Interest paid	(1,481,371)
	<hr/>
Net cash provided by (used in) capital and related financing activities	\$ (2,647,706)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	\$ 12,153,245
Purchase of investments	(18,022,319)
Investment earnings received	303,330
	<hr/>
Net cash provided by (used in) investing activities	\$ (5,565,744)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,483,590)
Cash and Cash Equivalents - January 1	5,222,544
	<hr/>
Cash and Cash Equivalents - December 31	\$ 3,738,954
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT 9
(Continued)***

**STATEMENT OF CASH FLOWS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ <u>4,198,019</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 2,805,476
Equity in joint venture	(563,950)
Distributions received from joint venture	385,268
(Increase) decrease in accounts receivable	(101,139)
(Increase) decrease in inventories	(34,728)
(Increase) decrease in prepaid items	(207,296)
(Increase) decrease in accounts payable	293,447
(Increase) decrease in salaries payable	<u>(45,237)</u>
Total adjustments	\$ <u>2,531,841</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>6,729,860</u></u>
Noncash Investing, Capital, and Financing Activities	
Gain on disposal of capital assets	\$ 5,706
Unrealized losses on investments	8,509

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FIDUCIARY FUNDS

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MEEKER COUNTY
LITCHFIELD, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	\$ <u><u>587,692</u></u>
<u>Liabilities</u>	
Due to other governments	\$ <u><u>587,692</u></u>

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DISCRETELY PRESENTED COMPONENT UNITS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 11

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2011**

	Economic Development Authority	Housing and Redevelopment Authority	Total
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 137,160	\$ 119,751	\$ 256,911
Investments	141,000	113,195	254,195
Accounts receivable - net	7,155	4,770	11,925
Accrued interest receivable	595	-	595
Loan receivable	324,001	-	324,001
Prepaid items	23,355	-	23,355
	\$ 633,266	\$ 237,716	\$ 870,982
Noncurrent assets			
Deferred debt issuance costs	\$ 39,698	\$ -	\$ 39,698
Capital assets			
Nondepreciable	155,988	63,966	219,954
Depreciable - net	3,260,618	367,562	3,628,180
	\$ 3,456,304	\$ 431,528	\$ 3,887,832
Total Assets	\$ 4,089,570	\$ 669,244	\$ 4,758,814
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 5,184	\$ 6,069	\$ 11,253
Salaries payable	4,823	-	4,823
Accrued expenses	-	3,838	3,838
Deferred rent income	-	315	315
Accrued interest payable	2,816	-	2,816
Customer deposits	44,910	-	44,910
Tenant security deposits	-	5,400	5,400
Compensated absences payable - current	2,259	-	2,259
Revenue bonds payable - current	127,398	-	127,398
	\$ 187,390	\$ 15,622	\$ 203,012

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 11
(Continued)**

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2011**

	<u>Economic Development Authority</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<u>Liabilities (Continued)</u>			
Noncurrent liabilities			
Compensated absences payable - long-term	\$ 3,250	\$ -	\$ 3,250
Revenue bonds payable - long-term	4,080,567	-	4,080,567
Total noncurrent liabilities	\$ 4,083,817	\$ -	\$ 4,083,817
Total Liabilities	\$ 4,271,207	\$ 15,622	\$ 4,286,829
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ (791,359)	\$ 431,528	\$ (359,831)
Restricted for other purposes	-	53,089	53,089
Unrestricted	609,722	169,005	778,727
Total Net Assets	\$ (181,637)	\$ 653,622	\$ 471,985

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Economic Development Authority (EDA)	\$ 727,482	\$ 596,131
Housing and Redevelopment Authority (HRA)	427,696	89,849
Total Component Units	\$ 1,155,178	\$ 685,980
	General Revenues	
	Investment income	
	Change in Net Assets	
	Net Assets - Beginning	
	Net Assets - Ending	

EXHIBIT 12

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	EDA	HRA	Total
\$ 95,000	\$ -	\$ (36,351)	\$ -	\$ (36,351)
297,768	7,673	-	(32,406)	(32,406)
\$ 392,768	\$ 7,673	\$ (36,351)	\$ (32,406)	\$ (68,757)
		1,182	578	1,760
		\$ (35,169)	\$ (31,828)	\$ (66,997)
		(146,468)	685,450	538,982
		\$ (181,637)	\$ 653,622	\$ 471,985

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Units

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

Component Unit	Component Unit of Reporting Entity Because	Separate Financial Statements
Meeker County Economic Development Authority (EDA)	The Board of Directors consists of two County Commissioners and six members appointed by the County Commissioners. Meeker County is obligated for the debt and any operating deficits of the EDA.	The Meeker County EDA does not issue separate financial statements.

**MEEKER COUNTY
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 assets 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 assets, 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. 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.

In relation to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Meeker Memorial Hospital has elected not to apply the provisions of pronouncements of FASB issued after November 30, 1989.

**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 Revolving Loan Special Revenue Fund accounts for the restricted revenues and expenditures associated with the County's economic development loan program.

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

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal, interest, and related costs of general long-term debt.

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets 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.

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, 2011, 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 2011 were \$145,143.

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

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

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.

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

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

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

4. Inventories and Prepaid Items

All inventories are valued at cost using the 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 assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Capital Assets

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

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

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

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Compensated Absences (Continued)

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.

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 assets. 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Net Assets

Net assets in government-wide statements are classified in the following categories:

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

Restricted net assets - 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 assets - the amount of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

11. Classification of Fund Balances

In 2011, the County implemented the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement requires retroactive restatement of fund balance for the reclassifications made to conform to this statement. Total fund balance did not change. Fund balance is divided into five classifications based primarily on the extent to which Meeker County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

11. Classification of Fund Balances (Continued)

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

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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, 2011, 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.

14. Reclassifications

Fund balance account balances were reclassified as of and for the year ended during December 31, 2011, as previously reported due to implementation of GASB 54. Total fund balance did not change. These reclassifications were required for comparability to the financial statements as of and for the year ended December 31, 2011. Although comparative statements for 2011 are not presented here, these reclassifications must be considered when comparing the financial statements of this report with those of prior reports.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

Net patient and resident service revenue for the Medical Center are determined based on agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Medicare - The Hospital has elected a Critical Access Hospital (CAH) designation. The Medical Center is reimbursed for most inpatient and outpatient services at cost, with final settlement determined after submission of annual cost reports by the Hospital subject to audits thereof by the Medicare intermediary.

The Hospital has also entered into reimbursement agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements is primarily based on fee schedules and discounts from established charges.

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

F. Hospital Enterprise Fund - Operating Revenues and Expenses

The Hospital's statement of revenues, expenses, and changes in fund net assets 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 (the Foundation's principal activity). The Foundation's operating activities consist of the operation of the Hospital gift shop. Nonexchange revenues, including interest income, grants, and contributions, are reported as nonoperating revenues.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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, except for the Revolving Loan Special Revenue Fund, and most nonmajor governmental funds. All appropriations lapse at year-end. On or before mid-August of each year, all departments submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriation--is the departmental level. The Board made some supplemental budgetary appropriations throughout the year; however, none were material.

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive balance of \$128,976 as of December 31, 2011, although seven 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:

41 ditches with positive balances	\$	157,693
7 ditches with deficit balances		(28,717)
Net Fund Balance	\$	128,976

C. Excess of Expenditures Over Budget

The following nonmajor funds and departments had expenditures in excess of budget for the year ended December 31, 2011:

	Expenditures	Budget	Excess
Other governmental funds			
County Nurse Special Revenue Fund			
Health			
Nursing service	\$ 1,533,641	\$ 1,484,059	\$ 49,582

**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 assets	
Governmental activities	
Cash and pooled investments	\$ 16,607,107
Petty cash and change funds	2,690
Investments	2,614
Business-type activities	
Cash and pooled investments	3,738,954
Investments, restricted	17,465,174
Statement of fiduciary net assets	
Cash and pooled investments	<u>587,692</u>
Total Cash and Investments	<u>\$ 38,404,231</u>
Deposits	\$ 23,414,897
Petty cash and change funds	2,690
Investments	<u>14,986,644</u>
Total Deposits, Cash on Hand, and Investments	<u>\$ 38,404,231</u>

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2011, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

At December 31, 2011, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
U.S. government securities	\$ 5,796,737	\$ 308,744	\$ 1,040,558	\$ 4,447,435
Investment pool/MAGIC Fund	7,123,296	7,123,296	-	-
Money markets	2,066,611	2,066,611	-	-
Total Investments	<u>\$ 14,986,644</u>	<u>\$ 9,498,651</u>	<u>\$ 1,040,558</u>	<u>\$ 4,447,435</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

The County's exposure to credit risk as of December 31, 2011, is as follows:

	<u>S & P Rating</u>	<u>Fair Value</u>
U.S. government securities	AAA	\$ 5,796,737
Investment pool/MAGIC Fund	N/R	7,123,296
Money markets	AAA	2,066,611
Total		\$ 14,986,644

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a specific policy for custodial credit risk. As of December 31, 2011, \$8,398,517 of U.S. government securities and Treasury notes in the County's investment balance of \$14,986,644 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	\$ 8,398,517
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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

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

Issuer	Reported Amount
Federal National Mortgage Association	\$ 1,199,590
Federal Home Loan Mortgage Corporation	2,478,299

2. Receivables

Receivables at December 31, 2011, 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	\$ 409,976	\$ -
Special assessments	262,186	377
Accounts	97,644	-
Accrued interest	63,026	-
Due from other governments	1,389,855	-
Notes	303,000	-
Loans	664,057	498,771
Total Governmental Activities	\$ 3,189,744	\$ 499,148

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Accounts receivable - net	\$ 3,629,920	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,499,575	\$ 23,281	\$ -	\$ 2,522,856
Construction in progress	101,588	1,079,628	1,214	1,180,002
Total capital assets not depreciated	\$ 2,601,163	\$ 1,102,909	\$ 1,214	\$ 3,702,858
Capital assets depreciated				
Buildings	\$ 18,452,353	\$ 25,875	\$ -	\$ 18,478,228
Building improvements	3,488,157	-	-	3,488,157
Office furniture and equipment	5,847,209	190,015	44,098	5,993,126
Machinery and equipment	6,755,852	454,076	295,083	6,914,845
Infrastructure	48,802,070	41,910	-	48,843,980
Total capital assets depreciated	\$ 83,345,641	\$ 711,876	\$ 339,181	\$ 83,718,336
Less: accumulated depreciation for				
Buildings	\$ 6,744,022	\$ 428,927	\$ -	\$ 7,172,949
Building improvements	670,479	176,046	-	846,525
Office furniture and equipment	2,542,952	757,554	43,784	3,256,722
Machinery and equipment	4,826,961	489,279	293,990	5,022,250
Infrastructure	10,896,728	972,454	-	11,869,182
Total accumulated depreciation	\$ 25,681,142	\$ 2,824,260	\$ 337,774	\$ 28,167,628
Total capital assets depreciated, net	\$ 57,664,499	\$ (2,112,384)	\$ 1,407	\$ 55,550,708
Governmental Activities				
Capital Assets, Net	\$ 60,265,662	\$ (1,009,475)	\$ 2,621	\$ 59,253,566

**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	\$ 1,779,215	\$ 184,713	\$ -	\$ 1,963,928
Capital assets depreciated				
Land improvements	\$ 1,465,195	\$ -	\$ -	\$ 1,465,195
Buildings	27,569,168	9,103	1,742	27,576,529
Machinery, furniture, and equipment	17,082,607	645,067	108,724	17,618,950
Total capital assets depreciated	\$ 46,116,970	\$ 654,170	\$ 110,466	\$ 46,660,674
Less: accumulated depreciation for				
Land improvements	\$ 393,545	\$ 100,489	\$ -	\$ 494,034
Buildings	5,749,306	1,513,058	1,742	7,260,622
Machinery, furniture, and equipment	10,598,720	1,178,438	96,379	11,680,779
Total accumulated depreciation	\$ 16,741,571	\$ 2,791,985	\$ 98,121	\$ 19,435,435
Total capital assets depreciated, net	\$ 29,375,399	\$ (2,137,815)	\$ 12,345	\$ 27,225,239
Business-Type Activities				
Capital Assets, Net	\$ 31,154,614	\$ (1,953,102)	\$ 12,345	\$ 29,189,167

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

Governmental Activities	
General government	\$ 607,481
Public safety	769,993
Highways and streets, including depreciation of infrastructure assets	1,372,538
Human services	18,959
Health	4,502
Culture and recreation	33,889
Sanitation	15,498
Other - extension	1,400
Total Depreciation Expense - Governmental Activities	<u>\$ 2,824,260</u>
Business-Type Activities	
Hospital	<u>\$ 2,791,985</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2011, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 225
	Human Services	908
	Other governmental	17
		1,150
Total due to General Fund		\$ 1,150
Human Services	General	\$ 430
Other governmental	General	\$ 9,275
	Human Services	3,269
	Other governmental	226
		12,770
Total due to other governmental funds		\$ 12,770
Total Due To/From Other Funds		\$ 14,350

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental	\$ 17,878

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, 2011, consisted of the following:

Transfer to General Fund from Capital Projects Fund	\$ 300,000	Repayment
Transfer to Road and Bridge Special Revenue Fund from Other governmental funds	\$ 250,000	Debt service requirements
Transfers to other governmental funds from General Fund	\$ 632,122	Annual appropriation
Other governmental funds	289,988	Debt service requirements
Total transfers to other governmental funds	\$ 922,110	
Total Interfund Transfers	\$ 1,472,110	

C. Liabilities

1. Payables

Payables at December 31, 2011, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 399,574	\$ 877,380
Salaries	570,438	1,289,484
Contracts	64,870	-
Due to other governments	67,830	-
Total Payables	\$ 1,102,712	\$ 2,166,864

**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, 2011. 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	\$ 2,321,905	\$ 29,064

3. Short-Term Debt

On August 5, 2011, the County Board approved the issuance of a \$250,000 General Obligation Certificate of Indebtedness to finance the acquisition of capital equipment. The certificate had an interest rate of 1.5 percent and matured in 2011. Interest cost on the note was \$1,271.

Changes in short-term debt payable for the year ended December 31, 2011:

Balance, January 1	\$ -
Debt issued	250,000
Debt repaid	(250,000)
Balance, December 31	\$ -

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. 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, 2011</u>
General obligation bonds					
2002 G.O. EDA Lease Revenue Bonds	2012	\$100,000 - \$145,000	3.00 - 4.50	\$ 1,200,000	\$ 145,000
2005 Refunding G.O. Law Enforcement Bonds	2018	\$165,000 - \$245,000	3.00 - 3.65	2,210,000	1,515,000
2006 G.O. Capital Improvement Bonds	2026	\$105,000 - \$295,000	3.875 - 4.05	4,600,000	3,610,000
2008 G.O. State Aid Highway Bonds	2013	\$600,000	2.25 - 3.00	3,000,000	1,200,000
Total General Obligation Bonds				<u>\$ 11,010,000</u>	<u>\$ 6,470,000</u>
2010 G.O. Capital Notes	2018	\$265,000 - \$340,000	2.00 - 2.75	<u>\$ 2,500,000</u>	<u>\$ 2,235,000</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, 2011</u>
2007 Gross Revenue Hospital Facilities Bonds	2037	\$425,000 - \$1,825,000	5.00 - 5.75	<u>\$ 26,675,000</u>	<u>\$ 25,800,000</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt (Continued)

Loans Payable

In 2010, the County entered into loan agreements with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. The loans are secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much as \$200,000. The total amount disbursed through December 31, 2011, was the full \$200,000. Repayment is estimated to 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 agreement, the County can borrow as much as \$300,000. The total amount disbursed through December 31, 2011, was \$32,983. Repayment is estimated to begin in 2014.

Repayment schedules are not currently available.

5. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2012	\$ 1,180,000	\$ 225,028	\$ 305,000	\$ 46,663
2013	1,050,000	189,488	310,000	40,513
2014	465,000	154,960	310,000	34,313
2015	485,000	137,588	315,000	28,063
2016	505,000	119,260	325,000	21,256
2017 - 2021	1,580,000	365,090	670,000	18,150
2022 - 2026	1,205,000	126,406	-	-
Total	\$ 6,470,000	\$ 1,317,820	\$ 2,235,000	\$ 188,958

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	Gross Hospital Facilities Bonds	
	Principal	Interest
2012	\$ 470,000	\$ 1,458,644
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 - 2021	3,365,000	6,283,169
2022 - 2026	4,420,000	5,221,163
2027 - 2031	5,855,000	3,795,864
2032 - 2036	7,735,000	1,908,425
2037	1,825,000	104,938
Total	\$ 25,800,000	\$ 24,358,598

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 7,630,000	\$ -	\$ 1,160,000	\$ 6,470,000	\$ 1,180,000
Certificates of participation	285,000	-	285,000	-	-
Capital notes	2,500,000	-	265,000	2,235,000	305,000
Add: unamortized premium	30,367	-	2,850	27,517	-
Less: deferred discounts	(7,380)	-	(2,460)	(4,920)	-
Total bonds payable	\$ 10,437,987	\$ -	\$ 1,710,390	\$ 8,727,597	\$ 1,485,000
Loans payable	121,275	111,708	-	232,983	-
Advance from other governments	905,480	-	905,480	-	-
Other postemployment benefits	249,955	74,594	-	324,549	-
Compensated absences	1,885,221	1,201,763	1,159,417	1,927,567	790,302
Governmental Activities Long-Term Liabilities	\$ 13,599,918	\$ 1,388,065	\$ 3,775,287	\$ 11,212,696	\$ 2,275,302

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Long-term liabilities					
Bonds payable					
Gross revenue hospital					
facilities bonds	\$ 26,250,000	\$ -	\$ 450,000	\$ 25,800,000	\$ 470,000
Add: unamortized premium	265,104	-	9,817	255,287	-
Total bonds payable	\$ 26,515,104	\$ -	\$ 459,817	\$ 26,055,287	\$ 470,000
Capital lease payable	9,454	-	8,065	1,389	1,389
Business-Type Activities					
Long-Term Liabilities	\$ 26,524,558	\$ -	\$ 467,882	\$ 26,056,676	\$ 471,389

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description

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

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).

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

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 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

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; 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 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

2. Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2011:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2011	2010	2009
General Employees Retirement Fund	\$ 547,066	\$ 514,132	\$ 494,578
Public Employees Police and Fire Fund	159,424	154,865	144,664
Public Employees Correctional Fund	42,219	45,759	51,442

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, 2011, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,195	\$ 4,195
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 2011, the County contributed \$34,869. As of January 1, 2011, there were approximately four retirees receiving health benefits from the County's health plan.

C. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost 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	11,248
Adjustment to ARC	<u>(15,172)</u>
Annual OPEB cost (expense)	\$ 109,463
Contributions made	<u>(34,869)</u>
Increase in net OPEB obligation	\$ 74,594
Net OPEB Obligation - Beginning of Year	<u>249,955</u>
Net OPEB Obligation - End of Year	<u><u>\$ 324,549</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Health Care Plan (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009, 2010, and 2011 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, 2009	\$ 112,401	\$ 35,410	31.5%	\$ 163,930
December 31, 2010	110,919	24,894	22.4	249,955
December 31, 2011	109,463	34,869	31.9	324,549

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, 2011, was 27 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 \$450,000 and \$460,000 per claim in 2011 and 2012, 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.

7. Summary of Significant Contingencies and Other Items

A. Subsequent Events

On April 3, 2012, the County Board approved the issuance of a \$3,220,000 General Obligation Capital Improvement Refunding bonds. The proceeds will refund the 2006 General Obligation Capital Improvement Bonds and be used to continue financing construction projects.

B. 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

C. 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 its offices at 114 North Holcombe Avenue, Suite 250, Litchfield, Minnesota 55355.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. 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

C. 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 12 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's-Treasurer's Office, 2385 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

C. 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 Medical Center 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

C. 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, 2011. 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.

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.

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.

Classification of Net Assets

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

Classification of Net Assets (Continued)

Restricted net assets - 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 assets - the amount of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables at December 31, 2011, for the EDA, and at June 30, 2011, for the HRA, including the applicable allowances for uncollectible accounts, are as follows:

	<u>EDA</u>	<u>HRA</u>	<u>Total Receivables</u>
Accounts	\$ 7,155	\$ 4,770	\$ 11,925
Accrued interest	595	-	595
Loan	<u>324,001</u>	<u>-</u>	<u>324,001</u>
Total Component Units	<u>\$ 331,751</u>	<u>\$ 4,770</u>	<u>\$ 336,521</u>

Loan Receivable

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets (Continued)

Capital Assets

Component unit capital asset activity for the year ended December 31, 2011, 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	\$ 5,177,319	\$ 49,135	\$ 29,000	\$ 5,197,454
HRA	1,302,282	31,535	-	1,333,817
Total capital assets depreciated - buildings and equipment	<u>\$ 6,479,601</u>	<u>\$ 80,670</u>	<u>\$ 29,000</u>	<u>\$ 6,531,271</u>
Less: accumulated depreciation for				
Buildings and equipment				
EDA	\$ 1,774,137	\$ 175,108	\$ 12,409	\$ 1,936,836
HRA	909,132	57,123	-	966,255
Total accumulated depreciation	<u>\$ 2,683,269</u>	<u>\$ 232,231</u>	<u>\$ 12,409</u>	<u>\$ 2,903,091</u>
Total capital assets depreciated, net	<u>\$ 3,796,332</u>	<u>\$ (151,561)</u>	<u>\$ 16,591</u>	<u>\$ 3,628,180</u>
Total Capital Assets, Net	<u>\$ 4,016,286</u>	<u>\$ (151,561)</u>	<u>\$ 16,591</u>	<u>\$ 3,848,134</u>

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

EDA	\$ 175,108
HRA	57,123
Total Depreciation Expense	<u>\$ 232,231</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

2. Liabilities

Payables

Payables at December 31, 2011, were as follows:

	EDA	HRA	Total Payables
Accounts	\$ 5,184	\$ 6,069	\$ 11,253
Salaries	4,823	-	4,823
Total Payables	\$ 10,007	\$ 6,069	\$ 16,076

Long-Term Debt

Long-term debt outstanding at December 31, 2011, for the EDA consists of the following:

Type of Indebtedness	Final Maturity	Monthly Installment Amounts	Interest Rate (%)	Original Issue Amount	Remaining Commitment
1998 Essential Function Housing Development Revenue Bonds	2029	\$ 9,511	4.75	\$ 1,810,000	\$ 1,346,300
1999 Essential Function Housing Development Revenue Bonds	2030	7,367	4.75	1,400,000	1,095,958
2001 Essential Function Housing Development Revenue Bonds	2032	6,272	4.75	1,200,000	989,726
2002 Essential Function Housing Development Revenue Bonds	2033	4,861	4.75	930,000	775,981
Totals				\$ 5,340,000	\$ 4,207,965

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities

Debt Service Requirements (Continued)

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>
2012	\$ 127,398	\$ 197,422
2013	145,441	190,688
2014	152,502	183,627
2015	159,905	176,223
2016	167,668	168,460
2017 - 2021	968,638	712,004
2022 - 2026	1,227,730	452,912
2027 - 2031	1,137,262	145,409
2032 - 2033	121,421	3,079
Total	<u>\$ 4,207,965</u>	<u>\$ 2,229,824</u>

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the EDA for the year ended December 31, 2011.

	<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	\$ 1,395,213	\$ -	\$ 48,913	\$ 1,346,300	\$ 46,920
1999	1,131,384	-	35,426	1,095,958	33,983
2001	1,017,269	-	27,543	989,726	26,421
2002	796,908	-	20,927	775,981	20,074
Total Essential Function Housing Development Revenue Bonds	\$ 4,340,774	\$ -	\$ 132,809	\$ 4,207,965	\$ 127,398
Compensated absences	10,674	-	5,165	5,509	2,259
EDA Long-Term Liabilities	<u>\$ 4,351,448</u>	<u>\$ -</u>	<u>\$ 137,974</u>	<u>\$ 4,213,474</u>	<u>\$ 129,657</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures (Continued)

B. Subsequent Events

On February 21, 2012, the EDA Board approved the refinancing and amendment of the Essential Function Housing Development Bonds in the amount of \$4,185,211 at a savings of \$25,220 per year.

REQUIRED SUPPLEMENTARY INFORMATION

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,247,808	\$ 6,247,808	\$ 6,273,030	\$ 25,222
Licenses and permits	12,880	12,880	17,148	4,268
Intergovernmental	1,721,802	1,721,802	1,496,384	(225,418)
Charges for services	1,634,625	1,634,625	1,574,719	(59,906)
Fines and forfeits	28,050	28,050	23,524	(4,526)
Gifts and contributions	600	600	380	(220)
Investment earnings	220,000	220,000	145,143	(74,857)
Miscellaneous	302,405	302,405	616,043	313,638
Total Revenues	\$ 10,168,170	\$ 10,168,170	\$ 10,146,371	\$ (21,799)
Expenditures				
Current				
General government				
Commissioners	\$ 229,533	\$ 229,533	\$ 206,843	\$ 22,690
Courts	22,000	22,000	41,923	(19,923)
Court services	442,777	442,777	421,440	21,337
Law library	28,000	28,000	32,172	(4,172)
County administration	114,185	114,185	117,594	(3,409)
County auditor	309,791	309,791	302,667	7,124
County treasurer	332,525	332,525	329,192	3,333
County assessor	339,075	339,075	330,723	8,352
Accounting and auditing	72,000	72,000	48,390	23,610
Data processing	297,554	297,554	270,476	27,078
Central services	55,500	55,500	29,255	26,245
Attorney	644,860	644,860	644,948	(88)
Recorder	196,277	196,277	187,255	9,022
Surveyor	7,500	7,500	7,493	7
Planning and zoning	332,612	332,612	309,463	23,149
Maintenance	426,058	426,058	377,489	48,569
Veterans service officer	155,299	155,299	166,032	(10,733)
Appropriations	232,600	232,600	188,193	44,407
Other	294,430	294,430	317,993	(23,563)
Total general government	\$ 4,532,576	\$ 4,532,576	\$ 4,329,541	\$ 203,035

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,175,920	\$ 4,175,920	\$ 3,948,256	\$ 227,664
Coroner	69,000	69,000	63,990	5,010
E-911 system	100,000	100,000	28,642	71,358
Wireless communication	140,184	140,184	142,908	(2,724)
Emergency management	73,796	73,796	85,264	(11,468)
Total public safety	\$ 4,558,900	\$ 4,558,900	\$ 4,269,060	\$ 289,840
Sanitation				
Solid waste	\$ 114,162	\$ 114,162	\$ 103,378	\$ 10,784
Conservation of natural resources				
Planning and zoning	\$ 100,000	\$ 100,000	\$ 111,589	\$ (11,589)
County extension	172,410	172,410	161,496	10,914
Extension committee	3,000	3,000	2,126	874
Agricultural inspections	5,000	5,000	5,000	-
Total conservation of natural resources	\$ 280,410	\$ 280,410	\$ 280,211	\$ 199
Economic development				
Community development	\$ 95,000	\$ 95,000	\$ 95,000	\$ -
Total Expenditures	\$ 9,581,048	\$ 9,581,048	\$ 9,077,190	\$ 503,858
Excess of Revenues Over (Under) Expenditures	\$ 587,122	\$ 587,122	\$ 1,069,181	\$ 482,059
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 300,000	\$ 300,000
Transfers out	(587,122)	(587,122)	(632,122)	(45,000)
Total Other Financing Sources (Uses)	\$ (587,122)	\$ (587,122)	\$ (332,122)	\$ 255,000
Net Change in Fund Balance	\$ -	\$ -	\$ 737,059	\$ 737,059
Fund Balance - January 1	6,101,617	6,101,617	6,101,617	-
Fund Balance - December 31	\$ 6,101,617	\$ 6,101,617	\$ 6,838,676	\$ 737,059

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,269,862	\$ 1,269,862	\$ 1,282,006	\$ 12,144
Intergovernmental	3,261,419	3,261,419	4,657,244	1,395,825
Charges for services	491,200	491,200	506,376	15,176
Miscellaneous	62,600	62,600	87,500	24,900
Total Revenues	\$ 5,085,081	\$ 5,085,081	\$ 6,533,126	\$ 1,448,045
Expenditures				
Current				
Highways and streets				
Administration	\$ 395,384	\$ 395,384	\$ 343,983	\$ 51,401
Maintenance	1,379,238	1,379,238	1,446,394	(67,156)
Engineering/construction	1,595,215	1,595,215	1,727,352	(132,137)
Equipment, maintenance, and shop	975,244	975,244	1,183,541	(208,297)
Total highways and streets	\$ 4,345,081	\$ 4,345,081	\$ 4,701,270	\$ (356,189)
Intergovernmental	\$ 340,000	\$ 340,000	\$ 359,263	\$ (19,263)
Debt service				
Principal	\$ 600,000	\$ 600,000	\$ 600,000	\$ -
Interest	50,000	50,000	49,500	500
Total debt service	\$ 650,000	\$ 650,000	\$ 649,500	\$ 500
Total Expenditures	\$ 5,335,081	\$ 5,335,081	\$ 5,710,033	\$ (374,952)
Excess of Revenues Over (Under) Expenditures	\$ (250,000)	\$ (250,000)	\$ 823,093	\$ 1,073,093
Other Financing Sources (Uses)				
Transfers in	250,000	250,000	250,000	-
Net Change in Fund Balance	\$ -	\$ -	\$ 1,073,093	\$ 1,073,093
Fund Balance - January 1	925,117	925,117	925,117	-
Increase (decrease) in inventories	-	-	39,335	39,335
Fund Balance - December 31	\$ 925,117	\$ 925,117	\$ 2,037,545	\$ 1,112,428

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,569,931	\$ 2,569,931	\$ 2,372,067	\$ (197,864)
Intergovernmental	2,763,197	2,763,197	3,215,631	452,434
Charges for services	345,046	345,046	526,540	181,494
Gifts and contributions	-	-	4,000	4,000
Miscellaneous	329,228	329,228	193,250	(135,978)
Total Revenues	\$ 6,007,402	\$ 6,007,402	\$ 6,311,488	\$ 304,086
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,841,180	\$ 1,841,180	\$ 1,760,782	\$ 80,398
Social services	4,166,222	4,166,222	4,723,949	(557,727)
Total Expenditures	\$ 6,007,402	\$ 6,007,402	\$ 6,484,731	\$ (477,329)
Net Change in Fund Balance	\$ -	\$ -	\$ (173,243)	\$ (173,243)
Fund Balance - January 1	3,741,015	3,741,015	3,741,015	-
Fund Balance - December 31	\$ 3,741,015	\$ 3,741,015	\$ 3,567,772	\$ (173,243)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2011**

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

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, 2011:

	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
General government			
Courts	\$ 41,923	\$ 22,000	\$ 19,923
Law library	32,172	28,000	4,172
County administration	117,594	114,185	3,409
Attorney	644,948	644,860	88
Veterans service officer	166,032	155,299	10,733
Other	317,993	294,430	23,563
Public safety			
Wireless communication	142,908	140,184	2,724
Emergency management	85,264	73,796	11,468
Conservation of natural resources			
Planning and zoning	111,589	100,000	11,589
Road and Bridge Special Revenue Fund			
Highways and Streets			
Maintenance	1,446,394	1,379,238	67,156
Engineering/construction	1,727,352	1,595,215	132,137
Equipment, maintenance, and shop	1,183,541	975,244	208,297
Intergovernmental			
Highways and streets	359,263	340,000	19,263
Human Services Special Revenue Fund			
Human Services			
Social services	4,723,949	4,166,222	557,727

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SUPPLEMENTARY INFORMATION

**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.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

DEBT SERVICE FUND

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<u>Assets</u>				
Cash and pooled investments	\$ 129,673	\$ 57,689	\$ 292,760	\$ 147,097
Taxes receivable				
Delinquent	-	5,794	-	-
Special assessments receivable				
Delinquent	-	-	-	66,375
Noncurrent	-	-	-	377
Accounts receivable - net	-	-	-	-
Due from other funds	-	-	12,770	-
Due from other governments	2,200	-	142,496	486
Prepaid items	-	-	4,187	-
Total Assets	<u>\$ 131,873</u>	<u>\$ 63,483</u>	<u>\$ 452,213</u>	<u>\$ 214,335</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 1,708	\$ -	\$ 4,738	\$ 729
Salaries payable	2,510	-	55,735	-
Due to other funds	-	-	243	-
Due to other governments	9,161	-	1,947	-
Deferred revenue - unavailable	-	4,801	9,702	66,752
Advance from other funds	-	-	-	17,878
Total Liabilities	<u>\$ 13,379</u>	<u>\$ 4,801</u>	<u>\$ 72,365</u>	<u>\$ 85,359</u>

EXHIBIT B-1

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Debt Service Fund	Total
\$ 1,020,076	\$ 450,893	\$ 18,834	\$ 1,634	\$ 21,061	\$ 610,844	\$ 2,750,561
-	4,640	-	-	-	39,169	49,603
-	-	195,434	-	-	-	261,809
-	-	-	-	-	-	377
9,120	-	-	-	-	-	9,120
-	-	-	-	-	-	12,770
-	30,633	5,545	-	57	-	181,417
-	-	-	-	-	-	4,187
\$ 1,029,196	\$ 486,166	\$ 219,813	\$ 1,634	\$ 21,118	\$ 650,013	\$ 3,269,844
\$ 5,690	\$ 8,348	\$ -	\$ 211	\$ -	\$ -	\$ 21,424
1,957	7,803	-	-	-	-	68,005
-	-	-	-	-	-	243
-	5,365	-	-	-	-	16,473
-	3,932	195,434	-	-	32,625	313,246
-	-	-	-	-	-	17,878
\$ 7,647	\$ 25,448	\$ 195,434	\$ 211	\$ -	\$ 32,625	\$ 437,269

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<u>Liabilities and Fund Balances</u>				
(Continued)				
Fund Balances				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ 4,187	\$ -
Restricted for				
Debt service	-	-	-	-
Sheriff contingencies	-	-	-	-
Committed for				
Regional library	-	58,682	-	-
Assigned to				
General government	-	-	-	-
Sanitation	-	-	-	-
Health	-	-	375,661	-
Culture and recreation	118,494	-	-	-
Conservation of natural resources	-	-	-	128,976
Total Fund Balances	<u>\$ 118,494</u>	<u>\$ 58,682</u>	<u>\$ 379,848</u>	<u>\$ 128,976</u>
Total Liabilities and Fund Balances	<u><u>\$ 131,873</u></u>	<u><u>\$ 63,483</u></u>	<u><u>\$ 452,213</u></u>	<u><u>\$ 214,335</u></u>

EXHIBIT B-1
(Continued)

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Debt Service Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,187
-	-	-	-	-	617,388	617,388
-	-	-	-	21,118	-	21,118
-	-	-	-	-	-	58,682
-	460,718	24,379	1,423	-	-	486,520
1,021,549	-	-	-	-	-	1,021,549
-	-	-	-	-	-	375,661
-	-	-	-	-	-	118,494
-	-	-	-	-	-	128,976
\$ 1,021,549	\$ 460,718	\$ 24,379	\$ 1,423	\$ 21,118	\$ 617,388	\$ 2,832,575
\$ 1,029,196	\$ 486,166	\$ 219,813	\$ 1,634	\$ 21,118	\$ 650,013	\$ 3,269,844

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
Revenues				
Taxes	\$ -	\$ 177,644	\$ -	\$ -
Special assessments	-	-	-	71,961
Intergovernmental	37,113	24,061	595,961	-
Charges for services	117,243	-	414,060	-
Fines and forfeits	-	-	-	-
Gifts and contributions	1,000	-	-	-
Miscellaneous	3,535	-	-	-
Total Revenues	\$ 158,891	\$ 201,705	\$ 1,010,021	\$ 71,961
Expenditures				
Current				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Health	-	-	1,533,641	-
Culture and recreation	214,705	206,832	-	-
Conservation of natural resources	-	-	-	68,377
Debt service				
Principal	-	-	-	-
Interest	-	-	-	715
Total Expenditures	\$ 214,705	\$ 206,832	\$ 1,533,641	\$ 69,092
Excess of Revenues Over (Under) Expenditures	\$ (55,814)	\$ (5,127)	\$ (523,620)	\$ 2,869
Other Financing Sources (Uses)				
Transfers in	\$ 166,799	\$ -	\$ 420,323	\$ -
Transfers out	-	-	-	-
Loans issued	-	-	-	-
Total Other Financing Sources (Uses)	\$ 166,799	\$ -	\$ 420,323	\$ -
Net Change in Fund Balance	\$ 110,985	\$ (5,127)	\$ (103,297)	\$ 2,869
Fund Balance - January 1	7,509	63,809	483,145	126,107
Fund Balance - December 31	\$ 118,494	\$ 58,682	\$ 379,848	\$ 128,976

EXHIBIT B-2

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Debt Service Fund	Total
\$ -	\$ 124,573	\$ -	\$ -	\$ -	\$ 1,182,361	\$ 1,484,578
-	-	21,977	-	-	-	93,938
-	16,886	5,545	-	-	155,453	835,019
152,240	-	-	-	-	-	683,543
-	-	-	23,445	1,077	-	24,522
-	-	-	-	-	-	1,000
6,325	470,903	-	-	-	-	480,763
\$ 158,565	\$ 612,362	\$ 27,522	\$ 23,445	\$ 1,077	\$ 1,337,814	\$ 3,603,363
\$ -	\$ 342,138	\$ 116,144	\$ 85,725	\$ -	\$ -	\$ 544,007
89,302	-	-	-	-	-	89,302
-	-	-	-	-	-	1,533,641
-	-	-	-	-	-	421,537
-	-	-	-	-	-	68,377
-	-	-	-	-	1,110,000	1,110,000
-	-	-	-	-	273,332	274,047
\$ 89,302	\$ 342,138	\$ 116,144	\$ 85,725	\$ -	\$ 1,383,332	\$ 4,040,911
\$ 69,263	\$ 270,224	\$ (88,622)	\$ (62,280)	\$ 1,077	\$ (45,518)	\$ (437,548)
\$ -	\$ -	\$ -	\$ 45,000	\$ -	\$ 289,988	\$ 922,110
-	(289,988)	-	-	-	(250,000)	(539,988)
-	-	111,708	-	-	-	111,708
\$ -	\$ (289,988)	\$ 111,708	\$ 45,000	\$ -	\$ 39,988	\$ 493,830
\$ 69,263	\$ (19,764)	\$ 23,086	\$ (17,280)	\$ 1,077	\$ (5,530)	\$ 56,282
952,286	480,482	1,293	18,703	20,041	622,918	2,776,293
\$ 1,021,549	\$ 460,718	\$ 24,379	\$ 1,423	\$ 21,118	\$ 617,388	\$ 2,832,575

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 37,113	\$ 37,113
Charges for services	88,490	88,490	117,243	28,753
Gifts and contributions	-	-	1,000	1,000
Miscellaneous	2,800	2,800	3,535	735
Total Revenues	\$ 91,290	\$ 91,290	\$ 158,891	\$ 67,601
Expenditures				
Current				
Culture and recreation				
Parks	258,089	258,089	214,705	43,384
Excess of Revenues Over (Under) Expenditures	\$ (166,799)	\$ (166,799)	\$ (55,814)	\$ 110,985
Other Financing Sources (Uses)				
Transfers in	166,799	166,799	166,799	-
Net Change in Fund Balance	\$ -	\$ -	\$ 110,985	\$ 110,985
Fund Balance - January 1	7,509	7,509	7,509	-
Fund Balance - December 31	\$ 7,509	\$ 7,509	\$ 118,494	\$ 110,985

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 172,308	\$ 172,308	\$ 177,644	\$ 5,336
Intergovernmental	34,524	34,524	24,061	(10,463)
Total Revenues	\$ 206,832	\$ 206,832	\$ 201,705	\$ (5,127)
Expenditures				
Current				
Culture and recreation	206,832	206,832	206,832	-
Net Change in Fund Balance	\$ -	\$ -	\$ (5,127)	\$ (5,127)
Fund Balance - January 1	63,809	63,809	63,809	-
Fund Balance - December 31	\$ 63,809	\$ 63,809	\$ 58,682	\$ (5,127)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
COUNTY NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 654,586	\$ 654,586	\$ 595,961	\$ (58,625)
Charges for services	397,750	397,750	414,060	16,310
Gifts and contributions	1,000	1,000	-	(1,000)
Miscellaneous	10,400	10,400	-	(10,400)
Total Revenues	\$ 1,063,736	\$ 1,063,736	\$ 1,010,021	\$ (53,715)
Expenditures				
Current				
Health				
Nursing service	1,484,059	1,484,059	1,533,641	(49,582)
Excess of Revenues Over (Under)				
Expenditures	\$ (420,323)	\$ (420,323)	\$ (523,620)	\$ (103,297)
Other Financing Sources (Uses)				
Transfers in	420,323	420,323	420,323	-
Net Change in Fund Balance	\$ -	\$ -	\$ (103,297)	\$ (103,297)
Fund Balance - January 1	483,145	483,145	483,145	-
Fund Balance - December 31	\$ 483,145	\$ 483,145	\$ 379,848	\$ (103,297)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-6

**BUDGETARY COMPARISON SCHEDULE
TRANSFER STATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 100,000	\$ 100,000	\$ 152,240	\$ 52,240
Miscellaneous	-	-	6,325	6,325
Total Revenues	\$ 100,000	\$ 100,000	\$ 158,565	\$ 58,565
Expenditures				
Current				
Sanitation				
Solid waste	100,000	100,000	89,302	10,698
Net Change in Fund Balance	\$ -	\$ -	\$ 69,263	\$ 69,263
Fund Balance - January 1	952,286	952,286	952,286	-
Fund Balance - December 31	\$ 952,286	\$ 952,286	\$ 1,021,549	\$ 69,263

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 123,518	\$ 123,518	\$ 124,573	\$ 1,055
Intergovernmental	22,098	22,098	16,886	(5,212)
Miscellaneous	531,449	531,449	470,903	(60,546)
Total Revenues	\$ 677,065	\$ 677,065	\$ 612,362	\$ (64,703)
Expenditures				
Current				
General government				
Central services	387,077	387,077	342,138	44,939
Excess of Revenues Over (Under)				
Expenditures	\$ 289,988	\$ 289,988	\$ 270,224	\$ (19,764)
Other Financing Sources (Uses)				
Transfers out	(289,988)	(289,988)	(289,988)	-
Net Change in Fund Balance	\$ -	\$ -	\$ (19,764)	\$ (19,764)
Fund Balance - January 1	480,482	480,482	480,482	-
Fund Balance - December 31	\$ 480,482	\$ 480,482	\$ 460,718	\$ (19,764)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-8

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,204,117	\$ 1,204,117	\$ 1,182,361	\$ (21,756)
Intergovernmental	135,177	135,177	155,453	20,276
Total Revenues	<u>\$ 1,339,294</u>	<u>\$ 1,339,294</u>	<u>\$ 1,337,814</u>	<u>\$ (1,480)</u>
Expenditures				
Debt service				
Principal	\$ 1,360,000	\$ 1,360,000	\$ 1,110,000	\$ 250,000
Interest	269,282	269,282	273,332	(4,050)
Total Expenditures	<u>\$ 1,629,282</u>	<u>\$ 1,629,282</u>	<u>\$ 1,383,332</u>	<u>\$ 245,950</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (289,988)</u>	<u>\$ (289,988)</u>	<u>\$ (45,518)</u>	<u>\$ 244,470</u>
Other Financing Sources (Uses)				
Transfers in	\$ 289,988	\$ 289,988	\$ 289,988	\$ -
Transfers out	-	-	(250,000)	(250,000)
Total Other Financing Sources (Uses)	<u>\$ 289,988</u>	<u>\$ 289,988</u>	<u>\$ 39,988</u>	<u>\$ (250,000)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ (5,530)	\$ (5,530)
Fund Balance - January 1	<u>622,918</u>	<u>622,918</u>	<u>622,918</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 622,918</u></u>	<u><u>\$ 622,918</u></u>	<u><u>\$ 617,388</u></u>	<u><u>\$ (5,530)</u></u>

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 207,630	\$ 28,495,683	\$ 28,360,601	\$ 342,712
<u>Liabilities</u>				
Due to other governments	\$ 207,630	\$ 28,495,683	\$ 28,360,601	\$ 342,712
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 113,213	\$ 2,401,989	\$ 2,395,170	\$ 120,032
<u>Liabilities</u>				
Due to other governments	\$ 113,213	\$ 2,401,989	\$ 2,395,170	\$ 120,032
 <u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 22,688	\$ -	\$ -	\$ 22,688
<u>Liabilities</u>				
Due to other governments	\$ 22,688	\$ -	\$ -	\$ 22,688

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 105,139	\$ 188,044	\$ 190,923	\$ 102,260
<u>Liabilities</u>				
Due to other governments	\$ 105,139	\$ 188,044	\$ 190,923	\$ 102,260
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 448,670	\$ 31,085,716	\$ 30,946,694	\$ 587,692
<u>Liabilities</u>				
Due to other governments	\$ 448,670	\$ 31,085,716	\$ 30,946,694	\$ 587,692

ECONOMIC DEVELOPMENT AUTHORITY

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT D-1

**STATEMENT OF NET ASSETS
ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2011**

Assets

Current assets

Cash and pooled investments	\$ 137,160
Investments	141,000
Accounts receivable - net	7,155
Accrued interest receivable	595
Loan receivable	324,001
Prepaid items	23,355
	<hr/>

Total current assets **\$ 633,266**

Noncurrent assets

Deferred debt issuance costs	\$ 39,698
Capital assets	
Nondepreciable	155,988
Depreciable - net	3,260,618
	<hr/>

Total noncurrent assets **\$ 3,456,304**

Total Assets **\$ 4,089,570**

Liabilities

Current liabilities

Accounts payable	\$ 5,184
Salaries payable	4,823
Accrued interest payable	2,816
Customer deposits	44,910
Compensated absences payable - current	2,259
Revenue bonds payable - current	127,398
	<hr/>

Total current liabilities **\$ 187,390**

Noncurrent liabilities

Compensated absences payable - long-term	\$ 3,250
Revenue bonds payable - long-term	4,080,567
	<hr/>

Total noncurrent liabilities **\$ 4,083,817**

Total Liabilities **\$ 4,271,207**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

**STATEMENT OF NET ASSETS
ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2011**

Net Assets

Invested in capital assets - net of related debt	\$ (791,359)
Unrestricted	<u>609,722</u>
Total Net Assets	<u><u>\$ (181,637)</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT D-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2011**

Operating Revenues	
Administrative fees	\$ 29,500
Tenant rents	564,358
Intergovernmental revenue	95,000
Miscellaneous	623
	623
Total Operating Revenues	\$ 689,481
Operating Expenses	
Personal services	\$ 99,773
Employee benefits and payroll taxes	29,529
General services - repairs and maintenance	50,064
Administration and fiscal services	9,930
Supplies	1,354
Management and caretaking	24,576
Real estate taxes	27,702
Snowplowing	9,598
Telephone	1,504
Utilities	4,242
Water reimbursement	5,678
Advertising	4,293
Background checks	488
Insurance	33,294
Staff training	30
Licenses and dues	1,062
Interest	471
Miscellaneous	87
Web site and internet	130
Depreciation	175,108
	175,108
Total Operating Expenses	\$ 478,913
Operating Income (Loss)	\$ 210,568
Nonoperating Revenues (Expenses)	
Interest income	\$ 1,182
Proceeds from sale of capital assets	1,125
Management fees	525
Intergovernmental - Meeker County	(13,293)
Repayment to contributors	(13,293)
Interest expense	(203,320)
Bond issue expense	(2,072)
Loss on sale of asset	(16,591)
	(16,591)
Total Nonoperating Revenues (Expenses)	\$ (245,737)
Change in Net Assets	\$ (35,169)
Net Assets - January 1	(146,468)
Net Assets - December 31	\$ (181,637)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT D-3

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2011
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 719,996
Payments to suppliers	(183,030)
Payments to employees	(134,355)
Other nonoperating revenue	<u>525</u>
Net cash provided by (used in) operating activities	<u>\$ 403,136</u>
Cash Flows from Noncapital Financing Activities	
Contributions	\$ (13,293)
Intergovernmental expense - Meeker County	<u>(13,293)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ (26,586)</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (132,809)
Interest paid on long-term debt	(203,082)
Proceeds from the sale of capital assets	1,125
Purchases of capital assets	<u>(49,134)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (383,900)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 1,574</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (5,776)
Cash and Cash Equivalents at January 1	<u>283,936</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 278,160</u></u>
Cash and Cash Equivalents - Statement 9	
Cash and pooled investments	\$ 137,160
Investments	<u>141,000</u>
Total Cash and Cash Equivalents	<u><u>\$ 278,160</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2011
Increase (Decrease) in Cash and Cash Equivalents**

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

Operating income (loss)	\$ 210,568
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 175,108
Other nonoperating revenue	525
(Increase) decrease in accounts receivable	3,168
(Increase) decrease in prepaid items	(1,162)
(Increase) decrease in loans receivable	26,586
Increase (decrease) in customer deposits	760
Increase (decrease) in accounts payable	(7,365)
Increase (decrease) in salaries payable	113
Increase (decrease) in compensated absences payable	(5,165)
Total adjustments	\$ 192,568
Net Cash Provided by (Used in) Operating Activities	\$ 403,136
Noncash investing, capital, and financing activities	
Loss on sale of capital asset	\$ 16,591

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OTHER SCHEDULES

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Shared Revenue

State

Highway users tax	\$ 3,719,711
County program aid	778,494
Market value credit	498,876
Market value credit - mobile home	4,837
Market value credit - agricultural	176,795
PERA rate reimbursement	24,144
Disparity reduction aid	13,041
Police aid	130,825
E-911	99,767

Total shared revenue **\$ 5,446,490**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 640,405
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Local

Local contributions	\$ 49,359
Payments in lieu of taxes	98,445

Total local **\$ 147,804**

Grants

State

Minnesota Department/Board of	
Corrections	\$ 120,874
Public Safety	76,981
Health	167,343
Natural Resources	46,648
Human Services	972,816
Water and Soil Resources	41,688
Pollution Control Agency	59,542

Total state **\$ 1,485,892**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT E-1
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 277,632
Commerce	30,507
Housing and Urban Development	350,000
Justice	10,636
Transportation	769,830
Education	1,625
Health and Human Services	1,456,182
Homeland Security	37,165
Election Assistance Commission	5,700
	<hr/>
Total federal	\$ 2,939,277
	<hr/>
Total state and federal grants	\$ 4,425,169
	<hr/>
Total Intergovernmental Revenue	\$ 10,659,868
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT E-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 143,587
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>134,045</u>
Total U.S. Department of Agriculture		<u>\$ 277,632</u>
U.S. Department of Commerce		
Passed Through Central Minnesota Regional Radio Board Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 30,507</u>
U.S. Department of Housing and Urban Development		
Passed Through Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	<u>\$ 350,000</u>
U.S. Department of Justice		
Direct Public Safety Partnership and Community Policing Grants	16.710	<u>\$ 10,636</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 763,566
Passed Through McLeod County State and Community Highway Safety	20.600	<u>6,264</u>
Total U.S. Department of Transportation		<u>\$ 769,830</u>
U.S. Department of Education		
Passed Through Meeker and Wright Special Education Cooperative Special Education - Grants for Infants and Families	84.181	<u>\$ 1,625</u>
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	<u>\$ 5,700</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT E-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Meeker-McLeod-Sibley Community Health Services		
Public Health Emergency Preparedness	93.069	\$ 10,463
Universal Newborn Hearing Screening	93.251	450
Immunization Cluster		
Immunization Cooperative Agreements	93.268	2,250
Immunization - ARRA	93.712	7,220
Drug-Free Communities Support Program Grants	93.276	54,305
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	25,141
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families	93.558	13,645
Medical Assistance Program	93.778	15,542
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1,172
Maternal and Child Health Services Block Grant to the States	93.994	20,462
Passed Through National Association of County and City Health Officials		
Medical Reserve Corps Small Grant Program	93.008	5,000
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	4,578
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families	93.558	189,245
Emergency Contingency Fund for Temporary Assistance for Needy Families		
State Programs - ARRA	93.714	7,476
Child Support Enforcement	93.563	350,411
Child Care and Development Fund Cluster		
Child Care and Development Block Grant	93.575	4,921
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,905
Foster Care Title IV-E Cluster		
Foster Care - Title IV-E	93.658	34,200
Foster Care - Title IV-E - ARRA	93.658	176
Social Services Block Grant	93.667	124,263
Chafee Foster Care Independence Program	93.674	3,130
Children's Health Insurance Program	93.767	7
Medical Assistance Program	93.778	540,858
Block Grants for Community Mental Health Services	93.958	1,415
Block Grants for Prevention and Treatment of Substance Abuse	93.959	30,672
Total U.S. Department of Health and Human Services		\$ 1,448,907

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT E-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	\$ 19,896
Passed Through West Central Minnesota Emergency Medical Services Homeland Security Grant Program	97.067	10,163
Passed Through Central Minnesota Regional Radio Board Homeland Security Grant Program	97.067	<u>20,284</u>
Total U.S. Department of Homeland Security		<u>\$ 50,343</u>
Total Federal Awards		<u>\$ 2,945,180</u>

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 \$308,790 in federal awards during the year ended June 30, 2011, 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, 2011. 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 assets, 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:

Immunization Cluster	\$ 9,470
Temporary Assistance for Needy Families Cluster	210,366
Child Care and Development Fund Cluster	6,826
Foster Care Title IV-E Cluster	34,376

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Reconciliation

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,939,277
Grants received more than 60 days after year-end, deferred in 2011	
Emergency Management Performance Grants	13,178
Deferred in 2010, recognized as revenue in 2011	
Medical Assistance Program	(5,900)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	<u>(1,375)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 2,945,180</u>

6. American Recovery and Reinvestment Act

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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? **No**

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	CFDA No. 14.228
Highway Planning and Construction	CFDA No. 20.205

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

Meeker County qualified as 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: A couple 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 does not have the economic resources needed to hire additional qualified accounting staff in order to segregate the 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 will continue to review procedures and workload to address this issue and maintain as much oversight and segregation as possible.

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. In 2011, the County Board did approve the Purchasing Policy and an update to the Technology Systems and Services Use Policy.

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 commend the County for formalizing the Purchasing Policy and updating the Technology Systems and Services Use Policy. 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.

PREVIOUSLY REPORTED ITEM RESOLVED

Preparation of Financial Statements (10-1)

Meeker County needed to broaden its participation in the preparation of its financial statements and not rely so extensively on its external auditors for financial reporting.

Resolution

Meeker County again provided IFS-prepared modified accrual financial statements and input the information into the trial balance formats for the financial statement package for all funds except the Human Services Special Revenue Fund. The County also provided its general ledger, a GASB 34 Audit List, and other supporting schedules necessary for preparing the remaining fund level information and government-wide financial statements. The County has improved its understanding and preparation of underlying accounting data used in the preparation of the financial statements.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

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. 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: Four of the 48 individual drainage systems had deficit cash balances totaling \$14,441; an improvement of \$2,615 reported in the prior year. Seven of the 48 individual drainage systems had deficit equity balances totaling \$28,717; an improvement of \$6,168 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 commend the County for reducing both the deficit cash and equity balance. We recommend that the County continue 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 continues to establish repair fund balances for each ditch system as outlined in Minn. Stat § 103E.735.

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REBECCA OTTO
STATE AUDITOR

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

Board of County Commissioners
Meeker County

We have audited 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, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2012. Our report includes a reference to 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. 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

Management of Meeker County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Meeker County's internal control over financial reporting as a basis for designing our auditing procedures 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-2 and 06-1, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* 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 study included 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.

The results of our tests indicate that, for the items tested, Meeker County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 96-1.

Meeker County's written responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Meeker County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 27, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Meeker County

Compliance

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 its major federal programs for the year ended December 31, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Meeker County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA), a discretely presented component unit, which expended \$308,790 in federal awards during the year ended June 30, 2011, 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.

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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Meeker County complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Meeker County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within Meeker County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 27, 2012

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR