

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

**YEAR ENDED DECEMBER 31, 2007**

## **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, 2007**



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

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2007

			<u>Term Expires</u>
<b>Elected</b>			
Commissioners			
Chair	Jim Swenson	District 1	January 2011
Board Member	Dave Gabrielson	District 2	January 2011
Board Member	Amy Wilde	District 3	January 2011
Board Member	Wallace Strand	District 4	January 2011
Vice Chair	Roney Kutzke	District 5	January 2009
Attorney	Stephanie Beckman		January 2011
Auditor	Barbara Loch		January 2011
Treasurer	Sharon Euerle		January 2011
Recorder	Elaine Lenhard		January 2011
Sheriff	Michael Hirman		January 2011
<b>Appointed</b>			
Assessor	Robert Anderson		January 2009
Court Administrator	Linda Schmidt		April 15, 2008
Coroner	Janis C. Amatuzio, M.D.		Indefinite
Examiner of Titles	Mark Wood		Indefinite
Highway Engineer	Ronald Mortensen		May 2010
Surveyor	Doug Huhn		January 2009
Veterans Service Officer	Charles Unterberger		May 2011
Welfare Director	Clark Gustafson		Indefinite
Emergency Management Director	Michael Hirman		Indefinite
Department of Motor Vehicles			
Registrar	Sharon Euerle		Indefinite
County Administrator	Paul Virnig		Indefinite
Planning and Zoning			
Administrator	John Boe		Indefinite

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Meeker County

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, 2007, 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 County 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 10 percent, 91 percent, and 42 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 County Memorial Hospital Enterprise Fund and the Housing and Redevelopment Authority component unit, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Meeker County Memorial Hospital and the Meeker County Housing and Redevelopment Authority 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meeker County's basic financial statements. The combining and individual fund statements and schedule listed in the financial section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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 December 5, 2008, 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.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

December 5, 2008

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2007  
(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, 2007. 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, 2007, by \$74,240,249 (net assets). Of this amount, \$20,838,325 (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 \$3,493,103 in 2007. This is attributed primarily to an increase in activity.
- As of the close of 2007, Meeker County's governmental funds reported combined ending fund balances of \$14,794,807, a decrease of \$2,377,508 in comparison with the prior year. Of this fund balance amount, \$4,558,299 was unreserved and undesignated by Meeker County, and thus available for spending at the government's discretion.
- At the end of 2007, unreserved fund balance for the General Fund was \$5,152,886, or 60.75 percent, of the total General Fund expenditures for that year.
- Meeker County's total debt increased by \$26,052,970, or 286 percent, during 2007. The key factor in this increase was the issuance of \$26,675,000 in gross revenue hospital facilities bonds.

**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 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 County Memorial Hospital.

The government-wide statements include not only the financial data for Meeker County itself (known as the primary government), but also the legally separate component units of the Economic Development Authority and the Housing and Redevelopment Authority for which Meeker County is legally accountable. Further financial information for 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 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, business-type funds, 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 are followed by 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 the 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.

The basic governmental fund financial statements can be found on Exhibits 3 through 9 of this report.

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

The basic proprietary fund financial statements can be found on Exhibits 10 through 12 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 operation. 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 essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38 through 78 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 \$74,240,249 at the close of 2007. The largest portion of Meeker County's net assets (60.44 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	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and other assets	\$ 17,211,242	\$ 21,279,862	\$ 41,315,242	\$ 13,372,772	\$ 58,526,484	\$ 34,652,634
Capital assets	49,011,687	45,117,408	9,098,135	6,797,143	58,109,822	51,914,551
<b>Total Assets</b>	<b>\$ 66,222,929</b>	<b>\$ 66,397,270</b>	<b>\$ 50,413,377</b>	<b>\$ 20,169,915</b>	<b>\$ 116,636,306</b>	<b>\$ 86,567,185</b>
<b>Liabilities</b>						
Long-term liabilities	\$ 10,082,228	\$ 10,528,670	\$ 27,047,911	\$ 115,175	\$ 37,130,139	\$ 10,643,845
Other liabilities	2,093,355	3,111,597	3,172,563	2,064,597	5,265,918	5,176,194
<b>Total Liabilities</b>	<b>\$ 12,175,583</b>	<b>\$ 13,640,267</b>	<b>\$ 30,220,474</b>	<b>\$ 2,179,772</b>	<b>\$ 42,396,057</b>	<b>\$ 15,820,039</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	\$ 40,543,383	\$ 29,308,405	\$ 4,326,058	\$ 6,681,968	\$ 44,869,441	\$ 35,990,373
Restricted	5,806,117	4,737,151	2,726,366	-	8,532,483	4,737,151
Unrestricted	7,697,846	18,711,447	13,140,479	11,308,175	20,838,325	30,019,622
<b>Total Net Assets</b>	<b>\$ 54,047,346</b>	<b>\$ 52,757,003</b>	<b>\$ 20,192,903</b>	<b>\$ 17,990,143</b>	<b>\$ 74,240,249</b>	<b>\$ 70,747,146</b>

The unrestricted net assets amount of \$20,838,325 as of December 31, 2007, may be used to meet the County's ongoing obligations to citizens and creditors. Business-type activities reported in 2007 are the Meeker County Memorial Hospital, an enterprise fund of the primary government.

## Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 5,154,314	\$ 4,894,630	\$ 19,387,570	\$ 18,305,135	\$ 24,541,884	\$ 23,199,765
Operating grants and contributions	4,808,483	4,995,146	-	-	4,808,483	4,995,146
Capital grants and contributions	479,514	1,428,451	786,819	-	1,266,333	1,428,451
General revenues						
Property taxes	8,703,375	7,800,617	-	-	8,703,375	7,800,617
Gravel taxes	38,862	67,919	-	-	38,862	67,919
Mortgage registry taxes	20,415	23,318	-	-	20,415	23,318
Other taxes	53,410	52,737	-	-	53,410	52,737
Grants and contributions not restricted to specific programs	2,003,981	2,747,662	-	-	2,003,981	2,747,662
Gifts and contributions	-	62,199	171,333	-	171,333	62,199
Investment income	880,124	549,861	538,260	331,393	1,418,384	881,254
Gain on sale of capital assets	63,387	28,025	-	-	63,387	28,025
Miscellaneous	10,460	6,901	-	-	10,460	6,901
<b>Total Revenues</b>	<b>\$ 22,216,325</b>	<b>\$ 22,657,466</b>	<b>\$ 20,883,982</b>	<b>\$ 18,636,528</b>	<b>\$ 43,100,307</b>	<b>\$ 41,293,994</b>
<b>Expenses</b>						
General government	\$ 7,484,019	\$ 4,706,512	-	-	\$ 7,484,019	\$ 4,706,512
Public safety	3,945,025	3,391,363	-	-	3,945,025	3,391,363
Highways and streets	2,080,572	4,221,363	-	-	2,080,572	4,221,363
Sanitation	171,668	198,169	-	-	171,668	198,169
Human services	4,952,136	5,107,369	-	-	4,952,136	5,107,369
Hospital	-	-	18,681,222	17,230,978	18,681,222	17,230,978
Health	1,214,519	1,238,996	-	-	1,214,519	1,238,996
Culture and recreation	395,550	417,780	-	-	395,550	417,780
Conservation of natural resources	262,569	224,984	-	-	262,569	224,984
Economic development	126,073	282,427	-	-	126,073	282,427
Interest	293,851	253,488	-	-	293,851	253,488
<b>Total Expenses</b>	<b>\$ 20,925,982</b>	<b>\$ 20,042,451</b>	<b>\$ 18,681,222</b>	<b>\$ 17,230,978</b>	<b>\$ 39,607,204</b>	<b>\$ 37,273,429</b>
<b>Increase in Net Assets</b>	<b>\$ 1,290,343</b>	<b>\$ 2,615,015</b>	<b>\$ 2,202,760</b>	<b>\$ 1,405,550</b>	<b>\$ 3,493,103</b>	<b>\$ 4,020,565</b>
<b>Net Assets - January 1</b>	<b>52,757,003</b>	<b>50,141,988</b>	<b>17,990,143</b>	<b>16,584,593</b>	<b>70,747,146</b>	<b>66,726,581</b>
<b>Net Assets - December 31</b>	<b>\$ 54,047,346</b>	<b>\$ 52,757,003</b>	<b>\$ 20,192,903</b>	<b>\$ 17,990,143</b>	<b>\$ 74,240,249</b>	<b>\$ 70,747,146</b>

### Governmental Activities

Meeker County's governmental activities increased the County's net assets during 2007 by \$1,290,343.

### Business-Type Activities

Business-type activities of the Meeker County Memorial Hospital increased Meeker County's net assets by \$2,202,760, accounting for 63.06 percent of the total growth in the County's net assets. Charges for services increased \$1,082,435, or 5.9 percent, while expenses were up only \$1,450,244, or 8.4 percent, accounting for the increase in net assets.

## **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, unreserved 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 \$14,794,807, a decrease of \$2,377,508 in comparison with the prior year. The majority of this amount, \$4,558,299, consists of unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund for Meeker County. At the end of the current fiscal year, it had an unreserved fund balance of \$5,152,886, while total fund balance was \$5,887,107. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. Unreserved fund balance represents 60.8 percent of total General Fund expenditures. In 2007, the ending fund balance in the General Fund decreased by \$415,583. The primary reason for this decrease was actual transfers out exceeding the budgeted amount.

The Road and Bridge Special Revenue Fund's unreserved fund balance of \$389,338 at year-end represents 6.6 percent of the fund's annual expenditures. Unreserved fund balance decreased \$464,175 during 2007, primarily due to an increase in deferred revenue.

The Human Services Special Revenue Fund's unreserved fund balance of \$4,123,067 at year-end represents 81 percent of the fund's annual expenditures. Unreserved fund balance increased \$238,694 during 2007, primarily due to revenues exceeding budgeted expenses.

The Revolving Loan Special Revenue Fund's unreserved fund balance of \$566,343 at year-end represents an increase of \$111,106 during 2007, due to revenues exceeding expenditures.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

There are no differences between the original expenditure budget and the final amended budget. (Meeker County did not amend the 2007 expenditure budget.)

Actual revenues exceeded budgeted revenues by \$1,437,064, primarily due to increased intergovernmental revenues, investment income, and charges for services.

Actual expenditures exceeded budgeted expenditures by \$502,647, primarily due to unplanned capital outlay.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Meeker County's capital assets for its governmental activities at December 31, 2007, totaled \$49,011,687 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$3,894,279, or 8.6 percent, from the previous year. The major capital asset events were buildings and infrastructure.

#### Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,080,147	\$ 1,952,349	\$ 1,156,731	\$ 150,651	\$ 3,236,878	\$ 2,103,000
Land improvements	-	-	85,310	102,004	85,310	102,004
Infrastructure	30,115,353	28,530,709	-	-	30,115,353	28,530,709
Buildings	12,576,533	8,720,137	1,613,383	2,770,057	14,189,916	11,490,194
Building improvements	1,270,778	942,448	-	-	1,270,778	942,448
Machinery, equipment, and office furniture	2,684,411	2,739,637	3,412,072	3,774,431	6,096,483	6,514,068
Construction in progress	284,465	2,232,128	2,830,639	-	3,115,104	2,232,128
Total Capital Assets	<u>\$ 49,011,687</u>	<u>\$ 45,117,408</u>	<u>\$ 9,098,135</u>	<u>\$ 6,797,143</u>	<u>\$ 58,109,822</u>	<u>\$ 51,914,551</u>

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 a total outstanding debt of \$35,146,948; the governmental activities portion is backed by the full faith and credit of the government and the business-type activities portion is a limited obligation of Meeker County, payable solely from gross revenues of the Meeker County Memorial Hospital.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 7,365,000	\$ 7,730,000	\$ -	\$ -	\$ 7,365,000	\$ 7,730,000
Gross revenue hospital facilities bonds	-	-	26,675,000	-	26,675,000	-
Certificates of participation	1,085,000	1,335,000	-	-	1,085,000	1,335,000
Loan payable	21,948	28,978	-	-	21,948	28,978
Total	<u>\$ 8,471,948</u>	<u>\$ 9,093,978</u>	<u>\$ 26,675,000</u>	<u>\$ -</u>	<u>\$ 35,146,948</u>	<u>\$ 9,093,978</u>

The County's debt related to general obligation bonds, gross revenue hospital facilities bonds, certificates of participation, and loans increased by \$26,052,970 (286 percent) during the fiscal year due to the issuance of \$26,675,000 in gross revenue hospital facilities bonds.

Meeker County's bond rating is A2 from Moody's.

Minnesota statutes limit the amount of debt a county may levy to two percent of its total market value. At the end of 2007, Meeker County is well below the two 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 2007 was 7.0 percent. This compares with the state unemployment rate of 4.9 percent and shows a County increase of 1.0 percent from the rate of one year ago.

By the end of 2007, Meeker County approved its balanced 2008 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, 2007**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and pooled investments	\$ 14,557,008	\$ 1,014,181	\$ 15,571,189	\$ 258,833
Petty cash and change funds	2,690	-	2,690	-
Investments	23,020	-	23,020	141,000
Taxes receivable				
Prior - net	265,368	-	265,368	-
Special assessments receivable				
Prior - net	6,935	-	6,935	-
Noncurrent - net	144,707	-	144,707	-
Accounts receivable - net	72,576	4,070,573	4,143,149	2,504
Accrued interest receivable	114,294	-	114,294	5,198
Due from other governments	565,587	-	565,587	-
Due from other funds	-	-	-	200
Notes receivable	300,000	-	300,000	-
Loans receivable	549,096	-	549,096	1,422,829
Leases receivable	198,532	-	198,532	-
Inventories	251,999	492,285	744,284	-
Prepaid items	56,812	283,505	340,317	23,557
Restricted assets				
Investments	-	9,057,690	9,057,690	-
Restricted by bond indenture	-	25,146,816	25,146,816	-
Restricted by donor	-	352,296	352,296	-
Deferred charges	102,618	-	102,618	47,986
Other assets	-	691,277	691,277	-
Investment in joint venture	-	206,619	206,619	-
Capital assets				
Non-depreciable	2,364,612	3,987,370	6,351,982	219,954
Depreciable - net of accumulated depreciation	46,647,075	5,110,765	51,757,840	4,333,758
<b>Total Assets</b>	<b>\$ 66,222,929</b>	<b>\$ 50,413,377</b>	<b>\$ 116,636,306</b>	<b>\$ 6,455,819</b>

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

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Liabilities</u></b>				
Accounts payable	\$ 442,707	\$ 918,472	\$ 1,361,179	\$ 16,072
Salaries payable	495,717	1,314,647	1,810,364	-
Other accrued liabilities	-	-	-	12,192
Contracts payable	152,168	717,841	870,009	-
Due to other funds	-	-	-	200
Due to other governments	128,447	-	128,447	1,000,000
Accrued interest payable	130,379	221,603	351,982	2,330
Unearned revenue	743,937	-	743,937	-
Payable from restricted assets				
Rent deposits	-	-	-	43,275
Long-term liabilities				
Due within one year	1,414,881	30,789	1,445,670	105,392
Due in more than one year	8,667,347	27,017,122	35,684,469	4,605,652
<b>Total Liabilities</b>	<b>\$ 12,175,583</b>	<b>\$ 30,220,474</b>	<b>\$ 42,396,057</b>	<b>\$ 5,785,113</b>
<b><u>Net Assets</u></b>				
Invested in capital assets - net of related debt	\$ 40,543,383	\$ 4,326,058	\$ 44,869,441	\$ 467,063
Restricted for				
Highways and streets	682,523	-	682,523	-
Capital projects	4,632,553	-	4,632,553	-
Debt service	361,286	-	361,286	57,551
Restricted by bond indenture	-	1,931,538	1,931,538	-
Restricted by donor	-	794,828	794,828	-
Other purposes	129,755	-	129,755	-
Unrestricted	7,697,846	13,140,479	20,838,325	146,092
<b>Total Net Assets</b>	<b>\$ 54,047,346</b>	<b>\$ 20,192,903</b>	<b>\$ 74,240,249</b>	<b>\$ 670,706</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Primary government</b>			
<b>Governmental activities</b>			
General government	\$ 7,484,019	\$ 1,268,748	\$ 114,442
Public safety	3,945,025	1,427,023	444,990
Highways and streets	2,080,572	1,000,918	1,159,278
Sanitation	171,668	194,194	-
Human services	4,952,136	524,590	2,205,521
Health	1,214,519	359,121	758,330
Culture and recreation	395,550	66,583	1,750
Conservation of natural resources	262,569	201,082	124,172
Economic development	126,073	112,055	-
Interest	293,851	-	-
<b>Total governmental activities</b>	<b>\$ 20,925,982</b>	<b>\$ 5,154,314</b>	<b>\$ 4,808,483</b>
<b>Business-type activities</b>			
Hospital	18,681,222	19,387,570	-
<b>Total Primary Government</b>	<b>\$ 39,607,204</b>	<b>\$ 24,541,884</b>	<b>\$ 4,808,483</b>
<b>Discretely presented component units</b>	<b>\$ 1,045,072</b>	<b>\$ 620,119</b>	<b>\$ 283,239</b>

**General Revenues**

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

**Total general revenues**

**Change in Net 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
	Governmental Activities	Primary Government Business-Type Activities	Total	
\$ -	\$ (6,100,829)	\$ -	\$ (6,100,829)	
-	(2,073,012)	-	(2,073,012)	
479,514	559,138	-	559,138	
-	22,526	-	22,526	
-	(2,222,025)	-	(2,222,025)	
-	(97,068)	-	(97,068)	
-	(327,217)	-	(327,217)	
-	62,685	-	62,685	
-	(14,018)	-	(14,018)	
-	(293,851)	-	(293,851)	
<b>\$ 479,514</b>	<b>\$ (10,483,671)</b>	<b>\$ -</b>	<b>\$ (10,483,671)</b>	
786,819	-	1,493,167	1,493,167	
<b>\$ 1,266,333</b>	<b>\$ (10,483,671)</b>	<b>\$ 1,493,167</b>	<b>\$ (8,990,504)</b>	
<b>\$ 66,603</b>				<b>\$ (75,111)</b>
	\$ 8,703,375	\$ -	\$ 8,703,375	\$ -
	38,862	-	38,862	-
	20,415	-	20,415	-
	53,410	-	53,410	-
	2,003,981	-	2,003,981	-
	-	171,333	171,333	-
	880,124	538,260	1,418,384	7,738
	63,387	-	63,387	-
	10,460	-	10,460	750
	<b>\$ 11,774,014</b>	<b>\$ 709,593</b>	<b>\$ 12,483,607</b>	<b>\$ 8,488</b>
	<b>\$ 1,290,343</b>	<b>\$ 2,202,760</b>	<b>\$ 3,493,103</b>	<b>\$ (66,623)</b>
	<b>52,757,003</b>	<b>17,990,143</b>	<b>70,747,146</b>	<b>737,329</b>
	<b>\$ 54,047,346</b>	<b>\$ 20,192,903</b>	<b>\$ 74,240,249</b>	<b>\$ 670,706</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 5,479,969	\$ 728,610
Petty cash and change funds	2,690	-
Investments	23,020	-
Taxes receivable		
Delinquent	142,111	33,964
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable - net	14,958	-
Accrued interest receivable	114,294	-
Due from other funds	26,103	-
Due from other governments	210,810	21,523
Notes receivable	300,000	-
Loans receivable	-	-
Leases receivable	21,177	-
Inventories	-	251,999
Advances to other funds	57,667	-
Prepaid items	53,068	-
	<b>\$ 6,445,867</b>	<b>\$ 1,036,096</b>
<b>Total Assets</b>	<b>\$ 6,445,867</b>	<b>\$ 1,036,096</b>

**EXHIBIT 3**

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,223,888	\$ 554,833	\$ 1,348,298	\$ 2,221,410	\$ 14,557,008
-	-	-	-	2,690
-	-	-	-	23,020
63,395	-	58	25,840	265,368
-	-	-	6,935	6,935
-	-	-	144,707	144,707
21,241	11,510	-	24,867	72,576
-	-	-	-	114,294
1,011	-	-	27,726	54,840
187,071	-	-	146,183	565,587
-	-	-	-	300,000
-	545,405	-	3,691	549,096
-	-	15,600	161,755	198,532
-	-	-	-	251,999
-	-	-	-	57,667
-	-	-	3,744	56,812
<u>\$ 4,496,606</u>	<u>\$ 1,111,748</u>	<u>\$ 1,363,956</u>	<u>\$ 2,766,858</u>	<u>\$ 17,221,131</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 119,681	\$ 101,219
Salaries payable	253,258	73,456
Contracts payable	-	102,168
Due to other funds	11,555	4,800
Due to other governments	48,532	46,901
Deferred revenue - unavailable	104,557	25,029
Deferred revenue - unearned	21,177	-
Advance from other funds	-	-
	<b>\$ 558,760</b>	<b>\$ 353,573</b>
<b>Fund Balances</b>		
Reserved for		
Debt service	\$ -	\$ -
Missing heirs	77,406	-
Advances to other funds	57,667	-
Note receivable	300,000	-
Prepaid items	53,068	-
Recorder's equipment	43,260	-
Inventories	-	251,999
Encumbrances	-	41,186
Gravel tax	52,349	-
Election equipment	8,426	-
Recorder's compliance	142,045	-
Unreserved		
Designated for cash flows	4,240,481	389,338
Designated for economic development	-	-
Designated for subsequent year's expenditures	-	-
Undesignated	912,405	-
Unreserved, reported in nonmajor Special revenue funds	-	-
	<b>\$ 5,887,107</b>	<b>\$ 682,523</b>
<b>Total Fund Balances</b>	<b>\$ 5,887,107</b>	<b>\$ 682,523</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,445,867</b>	<b>\$ 1,036,096</b>

**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>
\$ 170,969	\$ -	\$ 15,747	\$ 35,091	\$ 442,707
110,592	-	-	58,411	495,717
-	-	50,000	-	152,168
17,650	-	-	20,835	54,840
27,446	-	-	5,568	128,447
46,882	-	56	174,317	350,841
-	545,405	15,600	161,755	743,937
-	-	-	57,667	57,667
<b>\$ 373,539</b>	<b>\$ 545,405</b>	<b>\$ 81,403</b>	<b>\$ 513,644</b>	<b>\$ 2,426,324</b>
\$ -	\$ -	\$ -	\$ 361,286	\$ 361,286
-	-	-	-	77,406
-	-	-	-	57,667
-	-	-	-	300,000
-	-	-	-	53,068
-	-	-	-	43,260
-	-	-	-	251,999
-	-	114,025	-	155,211
-	-	-	-	52,349
-	-	-	-	8,426
-	-	-	-	142,045
2,338,633	-	-	-	6,968,452
-	566,343	-	-	566,343
-	-	485,037	-	485,037
1,784,434	-	683,491	-	3,380,330
-	-	-	1,891,928	1,891,928
<b>\$ 4,123,067</b>	<b>\$ 566,343</b>	<b>\$ 1,282,553</b>	<b>\$ 2,253,214</b>	<b>\$ 14,794,807</b>
<b>\$ 4,496,606</b>	<b>\$ 1,111,748</b>	<b>\$ 1,363,956</b>	<b>\$ 2,766,858</b>	<b>\$ 17,221,131</b>

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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, 2007**

<b>Fund balance - total governmental funds</b>	<b>\$ 14,794,807</b>
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.	49,011,687
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.	102,618
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	350,841
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	\$ (8,468,304)
Loan payable	(21,948)
Compensated absences	(1,591,976)
Accrued interest payable	(130,379)
	<u>(10,212,607)</u>
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 54,047,346</u></u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 4,714,494	\$ 1,096,387
Special assessments	-	-
Licenses and permits	11,758	-
Intergovernmental	1,836,265	2,572,904
Charges for services	1,563,388	1,000,918
Fines and forfeits	34,941	-
Gifts and contributions	10,841	-
Investment earnings	860,000	-
Miscellaneous	886,339	68,863
	<b>\$ 9,918,026</b>	<b>\$ 4,739,072</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 4,174,164	\$ -
Public safety	3,532,427	-
Highways and streets	-	5,491,463
Sanitation	97,474	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	175,217	-
Economic development	105,000	-
<b>Capital outlay</b>	397,822	374,145
<b>Debt service</b>		
Principal	-	-
Interest	-	-
	<b>\$ 8,482,104</b>	<b>\$ 5,865,608</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,435,922</b>	<b>\$ (1,126,536)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ 1,650,000
Transfers out	(1,851,505)	(950,000)
	<b>\$ (1,851,505)</b>	<b>\$ 700,000</b>
<b>Net Change in Fund Balances</b>	<b>\$ (415,583)</b>	<b>\$ (426,536)</b>
<b>Fund Balances - January 1</b>	<b>6,302,690</b>	<b>1,146,698</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(37,639)</b>
	<b>\$ 5,887,107</b>	<b>\$ 682,523</b>
<b>Fund Balances - December 31</b>	<b>\$ 5,887,107</b>	<b>\$ 682,523</b>

**EXHIBIT 5**

<b>Human Services</b>	<b>Revolving Loan</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,998,548	\$ -	\$ 7	\$ 845,553	\$ 8,654,989
-	-	-	152,179	152,179
-	-	-	-	11,758
2,832,760	-	199,210	752,952	8,194,091
152,159	-	-	609,238	3,325,703
-	-	-	3,569	38,510
-	-	-	2,250	13,091
-	20,124	-	-	880,124
372,431	112,055	57,745	529,711	2,027,144
<b>\$ 5,355,898</b>	<b>\$ 132,179</b>	<b>\$ 256,962</b>	<b>\$ 2,895,452</b>	<b>\$ 23,297,589</b>
\$ -	\$ -	\$ -	\$ 352,300	\$ 4,526,464
-	-	-	-	3,532,427
-	-	-	-	5,491,463
-	-	-	56,377	153,851
5,117,204	-	-	-	5,117,204
-	-	-	1,301,037	1,301,037
-	-	-	374,685	374,685
-	-	-	87,352	262,569
-	21,073	-	-	126,073
-	-	3,008,992	26,680	3,807,639
-	-	-	622,030	622,030
-	-	-	322,016	322,016
<b>\$ 5,117,204</b>	<b>\$ 21,073</b>	<b>\$ 3,008,992</b>	<b>\$ 3,142,477</b>	<b>\$ 25,637,458</b>
<b>\$ 238,694</b>	<b>\$ 111,106</b>	<b>\$ (2,752,030)</b>	<b>\$ (247,025)</b>	<b>\$ (2,339,869)</b>
\$ -	\$ -	\$ 2,300,000	\$ 787,681	\$ 4,737,681
-	-	(1,650,000)	(286,176)	(4,737,681)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 650,000</b>	<b>\$ 501,505</b>	<b>\$ -</b>
<b>\$ 238,694</b>	<b>\$ 111,106</b>	<b>\$ (2,102,030)</b>	<b>\$ 254,480</b>	<b>\$ (2,339,869)</b>
3,884,373	455,237	3,384,583	1,998,734	17,172,315
-	-	-	-	(37,639)
<b>\$ 4,123,067</b>	<b>\$ 566,343</b>	<b>\$ 1,282,553</b>	<b>\$ 2,253,214</b>	<b>\$ 14,794,807</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ (2,339,869)**

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 (decrease) in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 350,841	
Deferred revenue - January 1	<u>(1,050,384)</u>	(699,543)

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	\$ 5,868,072	
Net book value of assets sold	(57,215)	
Current year depreciation	<u>(1,916,578)</u>	3,894,279

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	\$ 365,000	
Capital notes	250,000	
Loan payable	<u>7,030</u>	622,030

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	\$ 37,252	
Amortization of discounts/premiums and deferred issuance charges	(9,087)	
Change in compensated absences	(177,080)	
Change in inventories	<u>(37,639)</u>	<u>(186,554)</u>

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,290,343**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 7**

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,641,489	\$ 4,641,489	\$ 4,714,494	\$ 73,005
Licenses and permits	10,730	10,730	11,758	1,028
Intergovernmental	1,743,008	1,743,008	1,836,265	93,257
Charges for services	1,181,200	1,181,200	1,563,388	382,188
Fines and forfeits	40,100	40,100	34,941	(5,159)
Gifts and contributions	50	50	10,841	10,791
Investment earnings	410,000	410,000	860,000	450,000
Miscellaneous	454,385	454,385	886,339	431,954
<b>Total Revenues</b>	<b>\$ 8,480,962</b>	<b>\$ 8,480,962</b>	<b>\$ 9,918,026</b>	<b>\$ 1,437,064</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 199,388	\$ 199,388	\$ 195,654	\$ 3,734
Courts	8,500	8,500	12,970	(4,470)
Court services	354,164	354,164	340,848	13,316
Law library	40,000	40,000	34,967	5,033
County administration	100,429	100,429	96,795	3,634
County auditor	235,141	235,141	231,168	3,973
County treasurer	291,114	291,114	289,924	1,190
County assessor	261,024	261,024	267,244	(6,220)
Accounting and auditing	47,000	47,000	63,079	(16,079)
Data processing	209,042	209,042	266,375	(57,333)
Central services	81,500	81,500	52,266	29,234
Attorney	533,627	533,627	517,406	16,221
Recorder	194,524	194,524	154,395	40,129
Surveyor	13,000	13,000	19,092	(6,092)
Planning and zoning	561,884	561,884	534,281	27,603
Maintenance	401,289	401,289	393,604	7,685
Veterans service officer	131,067	131,067	129,634	1,433
Appropriations	169,400	169,400	181,747	(12,347)
Other	248,917	248,917	392,715	(143,798)
<b>Total general government</b>	<b>\$ 4,081,010</b>	<b>\$ 4,081,010</b>	<b>\$ 4,174,164</b>	<b>\$ (93,154)</b>
<b>Public safety</b>				
Sheriff	\$ 3,082,027	\$ 3,082,027	\$ 3,240,534	\$ (158,507)
Emergency services	60,057	60,057	63,919	(3,862)
Coroner	63,102	63,102	62,052	1,050
E-911 system	75,000	75,000	165,922	(90,922)
<b>Total public safety</b>	<b>\$ 3,280,186</b>	<b>\$ 3,280,186</b>	<b>\$ 3,532,427</b>	<b>\$ (252,241)</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

***EXHIBIT 7  
(Continued)***

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Sanitation</b>				
Solid waste	\$ 103,223	\$ 103,223	\$ 97,474	\$ 5,749
<b>Conservation of natural resources</b>				
County extension	\$ 170,038	\$ 170,038	\$ 167,341	\$ 2,697
Extension committee	3,000	3,000	2,876	124
Agricultural inspections	5,000	5,000	5,000	-
<b>Total conservation of natural resources</b>	<u>\$ 178,038</u>	<u>\$ 178,038</u>	<u>\$ 175,217</u>	<u>\$ 2,821</u>
<b>Economic development</b>				
Community development	\$ 105,000	\$ 105,000	\$ 105,000	\$ -
<b>Capital outlay</b>				
General government	\$ 60,000	\$ 60,000	\$ 79,248	\$ (19,248)
Public safety	172,000	172,000	318,574	(146,574)
<b>Total capital outlay</b>	<u>\$ 232,000</u>	<u>\$ 232,000</u>	<u>\$ 397,822</u>	<u>\$ (165,822)</u>
<b>Total Expenditures</b>	<u>\$ 7,979,457</u>	<u>\$ 7,979,457</u>	<u>\$ 8,482,104</u>	<u>\$ (502,647)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ 501,505	\$ 501,505	\$ 1,435,922	\$ 934,417
<b>Other Financing Sources (Uses)</b>				
Transfers out	(501,505)	(501,505)	(1,851,505)	(1,350,000)
<b>Net Change in Fund Balance</b>	\$ -	\$ -	\$ (415,583)	\$ (415,583)
<b>Fund Balance - January 1</b>	<u>6,302,690</u>	<u>6,302,690</u>	<u>6,302,690</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 6,302,690</u>	<u>\$ 6,302,690</u>	<u>\$ 5,887,107</u>	<u>\$ (415,583)</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT 8*

**BUDGETARY COMPARISON STATEMENT  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,077,476	\$ 1,077,476	\$ 1,096,387	\$ 18,911
Intergovernmental	3,252,324	3,252,324	2,572,904	(679,420)
Charges for services	730,000	730,000	1,000,918	270,918
Miscellaneous	88,100	88,100	68,863	(19,237)
<b>Total Revenues</b>	<b>\$ 5,147,900</b>	<b>\$ 5,147,900</b>	<b>\$ 4,739,072</b>	<b>\$ (408,828)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 668,649	\$ 668,649	\$ 644,532	\$ 24,117
Maintenance	1,316,197	1,316,197	1,263,216	52,981
Engineering/construction	2,294,453	2,294,453	2,903,827	(609,374)
Equipment, maintenance, and shop	592,366	592,366	679,888	(87,522)
<b>Total highways and streets</b>	<b>\$ 4,871,665</b>	<b>\$ 4,871,665</b>	<b>\$ 5,491,463</b>	<b>\$ (619,798)</b>
<b>Capital outlay</b>				
Highways and streets	275,735	275,735	374,145	(98,410)
<b>Total Expenditures</b>	<b>\$ 5,147,400</b>	<b>\$ 5,147,400</b>	<b>\$ 5,865,608</b>	<b>\$ (718,208)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ (1,126,536)</b>	<b>\$ (1,127,036)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 1,650,000	\$ 1,650,000
Transfers out	(500)	(500)	(950,000)	(949,500)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (500)</b>	<b>\$ (500)</b>	<b>\$ 700,000</b>	<b>\$ 700,500</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (426,536)</b>	<b>\$ (426,536)</b>
<b>Fund Balance - January 1</b>	<b>1,146,698</b>	<b>1,146,698</b>	<b>1,146,698</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(37,639)</b>	<b>(37,639)</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,146,698</b>	<b>\$ 1,146,698</b>	<b>\$ 682,523</b>	<b>\$ (464,175)</b>

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT 9*

**BUDGETARY COMPARISON STATEMENT  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,207,368	\$ 2,207,368	\$ 1,998,548	\$ (208,820)
Intergovernmental	2,215,080	2,215,080	2,832,760	617,680
Charges for services	63,245	63,245	152,159	88,914
Miscellaneous	191,573	191,573	372,431	180,858
<b>Total Revenues</b>	<b>\$ 4,677,266</b>	<b>\$ 4,677,266</b>	<b>\$ 5,355,898</b>	<b>\$ 678,632</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,388,642	\$ 1,388,642	\$ 1,408,513	\$ (19,871)
Social services	3,288,624	3,288,624	3,708,691	(420,067)
<b>Total Expenditures</b>	<b>\$ 4,677,266</b>	<b>\$ 4,677,266</b>	<b>\$ 5,117,204</b>	<b>\$ (439,938)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 238,694</b>	<b>\$ 238,694</b>
<b>Fund Balance - January 1</b>	<b>3,884,373</b>	<b>3,884,373</b>	<b>3,884,373</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,884,373</b>	<b>\$ 3,884,373</b>	<b>\$ 4,123,067</b>	<b>\$ 238,694</b>

**PROPRIETARY FUND**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 10**

**STATEMENT OF FUND NET ASSETS  
MEEKER COUNTY MEMORIAL HOSPITAL ENTERPRISE FUND  
DECEMBER 31, 2007**

**Assets**

**Current assets**

Cash and pooled investments	\$ 1,014,181
Accounts receivable - net	4,070,573
Inventories	492,285
Prepaid items	283,505
	8,860,544

**Total current assets** **\$ 5,860,544**

**Restricted assets**

Investments	\$ 9,057,690
Restricted by bond indenture	25,146,816
Restricted by donor	352,296
	26,556,802

**Total restricted assets** **\$ 34,556,802**

**Noncurrent assets**

Investment in joint venture	\$ 206,619
Other assets	691,277
Capital assets	
Nondepreciable	3,987,370
Depreciable - net	5,110,765
	9,996,031

**Total noncurrent assets** **\$ 9,996,031**

**Total Assets** **\$ 50,413,377**

**Liabilities**

**Current liabilities**

Accounts payable	\$ 918,472
Salaries payable	1,314,647
Accrued interest payable	221,603
Contracts payable	717,841
Capital lease payable	30,789
	3,203,352

**Total current liabilities** **\$ 3,203,352**

**Noncurrent liabilities**

Bonds payable	\$ 26,949,922
Capital lease payable	67,200
	27,017,122

**Total noncurrent liabilities** **\$ 27,017,122**

**Total Liabilities** **\$ 30,220,474**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 10  
(Continued)**

**STATEMENT OF FUND NET ASSETS  
MEEKER COUNTY MEMORIAL HOSPITAL ENTERPRISE FUND  
DECEMBER 31, 2007**

**Net Assets**

Invested in capital assets, net of related debt	\$ 4,326,058
Restricted by bond indenture	1,931,538
Restricted by donor	794,828
Unrestricted	<u>13,140,479</u>
<b>Total Net Assets</b>	<b><u>\$ 20,192,903</u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT 11*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
MEEKER COUNTY MEMORIAL HOSPITAL ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31,2007**

<b>Operating Revenues</b>	
Patient services revenues	\$ 19,051,994
Miscellaneous	335,576
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 19,387,570</b>
<b>Operating Expenses</b>	
Professional care of patients	\$ 12,602,638
Administration and fiscal services	3,692,991
Property, housekeeping, and laundry	874,773
Dietary	366,409
Depreciation	1,127,744
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 18,664,555</b>
<b>Operating Income (Loss)</b>	<b>\$ 723,015</b>
<b>Nonoperating Revenues (Expenses)</b>	
Noncapital contributions	\$ 171,333
Interest income	393,887
Unrealized gain (loss) on investments	144,373
Interest expense	(7,617)
Gain (loss) on disposal of assets and other	(9,050)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 692,926</b>
<b>Excess of Revenues Over (Under) Expenses Before Capital Contributions</b>	<b>\$ 1,415,941</b>
Capital contributions	786,819
	<hr/>
<b>Change in net assets</b>	<b>\$ 2,202,760</b>
<b>Net Assets - January 1</b>	<b>17,990,143</b>
	<hr/>
<b>Net Assets - December 31</b>	<b>\$ 20,192,903</b>
	<hr/> <hr/>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 12**

**STATEMENT OF CASH FLOWS  
MEEKER COUNTY MEMORIAL HOSPITAL ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Cash Flows from Operating Activities</b>	
Receipts from third-party payors and patients	\$ 19,074,591
Other receipts	114,269
Payments to suppliers	(8,297,581)
Payments to employees	(9,096,333)
	<u>1,794,946</u>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,794,946</b>
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from sale of capital assets	\$ 141,727
Purchases of capital assets	(2,637,020)
Proceeds from issuance of long-term debt	26,675,000
Financing costs paid	(691,277)
Contributions received restricted for capital assets	344,287
Premium on issuance of long-term debt	274,922
Principal payments on long-term debt	(27,849)
Interest paid	(7,617)
	<u>24,072,173</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ 24,072,173</b>
 <b>Cash Flows from Investing Activities</b>	
Proceeds from sales and maturities of investments	\$ 4,460,000
Purchase of investments	(31,092,503)
Distributions received from joint venture	14,688
Investment earnings received	596,428
	<u>(26,021,387)</u>
<b>Net cash provided by (used in) investing activities</b>	<b>\$ (26,021,387)</b>
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	 <b>\$ (154,268)</b>
 <b>Cash and Cash Equivalents - January 1</b>	 <b><u>1,168,449</u></b>
 <b>Cash and Cash Equivalents - December 31</b>	 <b><u><u>1,014,181</u></u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 12  
(Continued)**

**STATEMENT OF CASH FLOWS  
MEEKER COUNTY MEMORIAL HOSPITAL ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**Reconciliation of operating income (loss) to net cash provided by  
(used in) operating activities**

<b>Operating income (loss)</b>	<b>\$ 723,015</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 1,127,744
Equity in joint venture	(221,307)
(Increase) decrease in accounts receivable	22,597
(Increase) decrease in inventories	23,837
(Increase) decrease in prepaid items	30,238
(Increase) decrease in accounts payable	87,722
(Increase) decrease in salaries payable	1,100
<b>Total adjustments</b>	<b>\$ 1,071,931</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,794,946</b>

**Noncash Investing, Capital, and Financing Activities**

Loss on disposal of capital assets	\$ (16,664)
Construction in progress financed with payables	717,841
Unrealized losses on investments	144,373
Capital lease obligation incurred for use of equipment	10,663

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**FIDUCIARY FUNDS**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

***EXHIBIT 13***

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2007**

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	<u>\$ 590,186</u>
<b><u>Liabilities</u></b>	
Due to other governments	<u>\$ 590,186</u>

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**DISCRETELY PRESENTED COMPONENT UNITS**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 14**

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2007**

	<b>Economic Development Authority</b>	<b>Housing and Redevelopment Authority</b>	<b>Total</b>
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 96,636	\$ 162,197	\$ 258,833
Investments	141,000	-	141,000
Accounts receivable - net	1,773	731	2,504
Accrued interest receivable	5,198	-	5,198
Due from other funds	-	200	200
Loans receivable	1,422,829	-	1,422,829
Prepaid items	17,828	5,729	23,557
<b>Total current assets</b>	<b>\$ 1,685,264</b>	<b>\$ 168,857</b>	<b>\$ 1,854,121</b>
<b>Noncurrent assets</b>			
Deferred debt issuance costs	\$ 47,986	\$ -	\$ 47,986
Capital assets			
Nondepreciable	155,988	63,966	219,954
Depreciable - net	3,930,661	403,097	4,333,758
<b>Total noncurrent assets</b>	<b>\$ 4,134,635</b>	<b>\$ 467,063</b>	<b>\$ 4,601,698</b>
<b>Total Assets</b>	<b>\$ 5,819,899</b>	<b>\$ 635,920</b>	<b>\$ 6,455,819</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ 13,313	\$ 2,759	\$ 16,072
Accrued expenses	-	12,192	12,192
Due to other funds	-	200	200
Due to other governments	1,000,000	-	1,000,000
Accrued interest payable	2,330	-	2,330
Customer deposits	43,275	-	43,275
Revenue bonds payable - current	105,392	-	105,392
<b>Total current liabilities</b>	<b>\$ 1,164,310</b>	<b>\$ 15,151</b>	<b>\$ 1,179,461</b>
<b>Noncurrent liabilities</b>			
Tenant security deposits	\$ -	\$ 7,614	\$ 7,614
Revenue bonds payable - long-term	4,598,038	-	4,598,038
<b>Total noncurrent liabilities</b>	<b>\$ 4,598,038</b>	<b>\$ 7,614</b>	<b>\$ 4,605,652</b>
<b>Total Liabilities</b>	<b>\$ 5,762,348</b>	<b>\$ 22,765</b>	<b>\$ 5,785,113</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 14  
(Continued)**

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2007**

	<b>Economic Development Authority</b>	<b>Housing and Redevelopment Authority</b>	<b>Total</b>
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ -	\$ 467,063	\$ 467,063
Unrestricted	57,551	146,092	203,643
<b>Total Net Assets</b>	<b>\$ 57,551</b>	<b>\$ 613,155</b>	<b>\$ 670,706</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
Economic Development Authority (EDA)	\$ 635,189	\$ 554,957
Housing and Redevelopment Authority (HRA)	409,883	65,162
<b>Total Component Units</b>	<b>\$ 1,045,072</b>	<b>\$ 620,119</b>
	<b>General Revenues</b>	
	Investment income	
	Miscellaneous	
	<b>Total general revenues</b>	
	<b>Change in Net Assets</b>	
	<b>Net Assets - Beginning</b>	
	<b>Net Assets - Ending</b>	

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

**EXHIBIT 15**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>EDA</b>	<b>HRA</b>	<b>Total</b>
\$ 1,420	\$ -	\$ (78,812)	\$ -	\$ (78,812)
281,819	66,603	-	3,701	3,701
<b>\$ 283,239</b>	<b>\$ 66,603</b>	<b>\$ (78,812)</b>	<b>\$ 3,701</b>	<b>\$ (75,111)</b>
		\$ 7,550	\$ 188	\$ 7,738
		750	-	750
		<b>\$ 8,300</b>	<b>\$ 188</b>	<b>\$ 8,488</b>
		\$ (70,512)	\$ 3,889	\$ (66,623)
		<b>128,063</b>	<b>609,266</b>	<b>737,329</b>
		<b>\$ 57,551</b>	<b>\$ 613,155</b>	<b>\$ 670,706</b>

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

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, 2007. 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 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 five 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**

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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**

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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 County Memorial Hospital has elected not to apply the provisions of pronouncements of FASB issued after November 30, 1989.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for revenues 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 economic assistance and community social services programs.

The Revolving Loan Special Revenue Fund accounts for the 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 County Memorial Hospital.

Additionally, the County reports the following fund type:

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, 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 2007 were \$880,124.

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). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

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 fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

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

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

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) 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.

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,

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

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 market 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 employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

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.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

11. 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.

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive balance of \$92,457 as of December 31, 2007, although 13 ditches had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. Following is a summary of the individual ditch systems:

36 ditches with positive balances	\$	158,673
13 ditches with deficit balances		(66,216)
		92,457
Net Fund Balance	\$	92,457

The Forfeit Property Special Revenue Fund had a deficit fund balance of \$15,805 at December 31, 2007. The deficit will be eliminated by future revenues.

C. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2007:

	Expenditures	Budget	Excess
Major governmental funds			
General Fund	\$ 8,482,104	\$ 7,979,457	\$ 502,647
Road and Bridge Special Revenue Fund	5,865,608	5,147,400	718,208
Human Services Special Revenue Fund	5,117,204	4,677,266	439,938
Other governmental funds			
County Parks Special Revenue Fund	236,290	235,369	921
County Nurse Special Revenue Fund	1,301,037	1,122,471	178,566

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 14,557,008
Petty cash and change funds	2,690
Investments	23,020
Business-type activities	
Cash and pooled investments	1,014,181
Investments, restricted	34,556,802
Statement of fiduciary net assets	
Cash and pooled investments	590,186
Total Cash and Investments	\$ 50,743,887
Deposits	\$ 7,345,055
Petty cash and change funds	2,690
Investments	43,396,142
Total Deposits, Cash on Hand, and Investments	\$ 50,743,887

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better, 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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2007, the County's deposits were not exposed to custodial credit risk.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

At December 31, 2007, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
U.S. government securities	\$ 3,103,269	\$ 1,744,510	\$ 1,358,759	\$ -
Treasury notes/bonds	4,498,948	311,297	2,453,696	1,733,955
Investment pool/ MAGIC Fund	2,337,097	2,337,097	-	-
Negotiable certificates of deposit	2,193,544	2,193,544	-	-
Money markets	31,180,950	31,180,950	-	-
Equity securities	82,334	82,334	-	-
Total Investments	<u>\$ 43,396,142</u>	<u>\$ 37,849,732</u>	<u>\$ 3,812,455</u>	<u>\$ 1,733,955</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, 2007, is as follows:

	S & P Rating	Fair Value
U.S. government securities	AAA	\$ 3,103,269
Treasury notes/bonds	AAA	4,498,948
Investment pool/MAGIC Fund	N/R	2,337,097
Negotiable certificates of deposit	N/A	2,193,544
Money markets	AAA	31,180,950
Equity securities	N/A	82,334
Total		\$ 43,396,142

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, 2007, \$5,849,803 of U.S. government securities and Treasury notes in the County's investment balance of \$43,396,142 were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging institution's trust department not in the County's name	\$ <u>5,849,803</u>
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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
Wells Fargo Brokerage Services	\$ 3,165,481
Comerica	3,807,834
Wachovia	2,295,721
Treasury Note	2,257,088

2. Receivables

Receivables at December 31, 2007, 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	\$ 265,368	\$ -
Special assessments	151,642	144,707
Accounts	72,576	-
Accrued interest	114,294	-
Due from other governments	565,587	-
Notes	300,000	-
Loans	549,096	497,190
Leases	198,532	130,528
Total Governmental Activities	\$ 2,217,095	\$ 772,425

**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	\$ 4,070,573	\$ -

Leases Receivable

Independent School District (ISD) No. 465 has entered into two lease agreements with Meeker County for use of the auditorium and office space in the County's Family Services Building. At December 31, 2007, the building is carried in the County's capital assets at \$4,693,427, net of depreciation.

- (1) For the auditorium lease of the Family Services Building, ISD No. 465 pays semi-annual lease amounts for the first 15 years equal to seven percent of the County's debt service payments for the certificates of participation sold during 1995 to finance the renovation of the Family Services Building.
- (2) The office space lease at the Family Services Building is for 15 years commencing on June 1, 1996, and ending May 31, 2011. ISD No. 465 pays semi-annual lease amounts equal to 11 percent of the County's debt service payments for these certificates of participation. The lease payments are due ten days prior to the County's debt payment dates.

The office space lease at 120 North Sibley Avenue is leased to the Heartland Community Action Agency and the Meeker County Food Shelf. The leases are for five years commencing on March 15, 2005, and ending March 14, 2010. Each lease requires monthly payments of \$300, totaling \$36,000 at the end of the lease term. The lease payments are due on the first day of each calendar month.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables

Leases Receivable (Continued)

The office space lease at the County Courthouse is leased to the Minnesota State Patrol. The office space lease is for five years commencing on March 1, 2006, and ending February 28, 2011. The Minnesota State Patrol is to make monthly payments that will total \$32,856 at the end of the lease terms. The lease payments are due at the end of each calendar month.

Amounts due under the lease agreements have been recorded as leases receivable and deferred revenue in the Family Services Building Fund at December 31, 2007.

The additional payments are as follows:

	ISD No. 465 Auditorium	ISD No. 465 Office Space	Heartland Community Action Agency	Meeker County Food Shelf	State Patrol Officers	Total
2008	\$ 21,100	\$ 33,157	\$ 3,600	\$ 3,600	\$ 6,547	\$ 68,004
2009	20,759	32,621	3,600	3,600	6,678	67,258
2010	21,046	33,072	600	600	6,813	62,131
2011	-	-	-	-	1,139	1,139
Total	<u>\$ 62,905</u>	<u>\$ 98,850</u>	<u>\$ 7,800</u>	<u>\$ 7,800</u>	<u>\$ 21,177</u>	<u>\$ 198,532</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,952,349	\$ 134,803	\$ 7,005	\$ 2,080,147
Construction in progress	2,232,128	222,077	2,169,740	284,465
Total capital assets not depreciated	<u>\$ 4,184,477</u>	<u>\$ 356,880</u>	<u>\$ 2,176,745</u>	<u>\$ 2,364,612</u>
Capital assets depreciated				
Buildings	\$ 13,854,009	\$ 4,224,901	\$ -	\$ 18,078,910
Building improvements	1,107,707	383,716	-	1,491,423
Office furniture and equipment	2,638,197	259,984	15,995	2,882,186
Machinery and equipment	5,782,981	466,787	335,019	5,914,749
Infrastructure	35,896,585	2,345,544	-	38,242,129
Total capital assets depreciated	<u>\$ 59,279,479</u>	<u>\$ 7,680,932</u>	<u>\$ 351,014</u>	<u>\$ 66,609,397</u>
Less: accumulated depreciation for				
Buildings	\$ 5,133,872	\$ 368,505	\$ -	\$ 5,502,377
Building improvements	165,259	55,386	-	220,645
Office furniture and equipment	1,884,109	246,203	15,995	2,114,317
Machinery and equipment	3,797,432	485,584	284,809	3,998,207
Infrastructure	7,365,876	760,900	-	8,126,776
Total accumulated depreciation	<u>\$ 18,346,548</u>	<u>\$ 1,916,578</u>	<u>\$ 300,804</u>	<u>\$ 19,962,322</u>
Total capital assets depreciated, net	<u>\$ 40,932,931</u>	<u>\$ 5,764,354</u>	<u>\$ 50,210</u>	<u>\$ 46,647,075</u>
Governmental Activities Capital Assets, Net	<u>\$ 45,117,408</u>	<u>\$ 6,121,234</u>	<u>\$ 2,226,955</u>	<u>\$ 49,011,687</u>

**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	\$ 150,651	\$ -	\$ (1,006,080)	\$ 1,156,731
Construction in progress	-	2,830,639	-	2,830,639
Total capital assets not depreciated	\$ 150,651	\$ 2,830,639	\$ (1,006,080)	\$ 3,987,370
Capital assets depreciated				
Land improvements	\$ 317,664	\$ -	\$ -	\$ 317,664
Buildings	5,808,862	160,523	1,118,600	4,850,785
Machinery, furniture, and equipment	12,231,473	595,965	980,805	11,846,633
Total capital assets depreciated	\$ 18,357,999	\$ 756,488	\$ 2,099,405	\$ 17,015,082
Less: accumulated depreciation for				
Land improvements	\$ 215,660	\$ 16,694	\$ -	\$ 232,354
Buildings	3,038,805	203,007	4,410	3,237,402
Machinery, furniture, and equipment	8,457,042	908,043	930,524	8,434,561
Total accumulated depreciation	\$ 11,711,507	\$ 1,127,744	\$ 934,934	\$ 11,904,317
Total capital assets depreciated, net	\$ 6,646,492	\$ (371,256)	\$ 1,164,471	\$ 5,110,765
Business-Type Activities				
Capital Assets, Net	\$ 6,797,143	\$ 2,459,383	\$ 158,391	\$ 9,098,135

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

Governmental Activities	
General government	\$ 488,765
Public safety	234,869
Highways and streets, including depreciation of infrastructure assets	1,147,060
Human services	8,239
Health	1,303
Culture and recreation	18,525
Sanitation	17,817
Total Depreciation Expense - Governmental Activities	\$ 1,916,578
Business-Type Activities	
Hospital	\$ 1,127,744

**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, 2007, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 1,880
	Human Services	4,255
	Other governmental	19,968
Total due to General Fund		\$ 26,103
Human Services	General	\$ 144
	Other governmental	867
Total due to Human Services Special Revenue Fund		\$ 1,011
Other governmental	General	\$ 11,411
	Road and Bridge	2,920
	Human Services	13,395
Total due to other governmental funds		\$ 27,726
Total Due To/From Other Funds		\$ 54,840

The Forfeit Tax Special Revenue Fund owes the General Fund \$16,000 for expenditures related to property clean up. All other due to and due from other funds are for services rendered and supplies provided. They will be paid within the year.

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental	\$ 57,677

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfer to Road and Bridge Special Revenue Fund from Capital Projects Fund	\$ 1,650,000	Construction project
Transfer to Capital Projects Fund from General Fund	\$ 1,350,000	Capital project funding
Road and Bridge Special Revenue Fund	<u>950,000</u>	Building project
Total transfers to Capital Projects Fund	<u>\$ 2,300,000</u>	
Transfers to other governmental funds from General Fund	\$ 501,505	Annual appropriation and capital project funding
Other governmental funds	<u>286,176</u>	Debt service requirements
Total transfers to other governmental Funds	<u>\$ 787,681</u>	
Total Interfund Transfers	<u><u>\$ 4,737,681</u></u>	

C. Liabilities

1. Payables

Payables at December 31, 2007, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 442,707	\$ 918,472
Salaries	495,717	1,314,647
Contracts	152,168	717,841
Due to other governments	<u>128,447</u>	<u>-</u>
Total Payables	<u><u>\$ 1,219,039</u></u>	<u><u>\$ 2,950,960</u></u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Construction Commitments

The County has active construction projects as of December 31, 2007. 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	\$ 1,442,089	\$ 41,186
Capital Projects Fund		
Building improvements	48,275	114,025
Total Governmental Activities	\$ 1,490,364	\$ 155,211

Business-Type Activities

Hospital		
Hospital renovations	\$ -	\$ 25,760,000

3. Capital Leases

The County has entered into a capital lease agreement for certain hospital equipment. This agreement qualifies as a capital lease for accounting purposes. The equipment is recorded in the Memorial Hospital Enterprise Fund as a capital asset at the net book value of \$91,639. The capital lease obligation is payable in monthly installments of \$2,854, discounted at a rate of 6.9 percent.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

3. Capital Leases (Continued)

The schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments is as follows:

<u>Year Ending December 31</u>	<u>Business-Type Activities</u>
2008	\$ 36,789
2009	37,114
2010	31,405
2011	2,862
2012	<u>1,194</u>
Total lease payments	\$ 109,364
Less: amount representing interest	<u>(11,375)</u>
Total Principal Payments	<u>\$ 97,989</u>

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. In 2007, the County issued \$26,675,000 in Gross Revenue Hospital Facilities Bonds to finance the expansion and renovation of the Meeker County Memorial Hospital.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

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, 2007</u>
General obligation bonds					
2002 G.O. EDA Lease Revenue Bonds	2012	\$100,000 - \$145,000	3.00 - 4.50	\$ 1,200,000	\$ 660,000
2005 Refunding G.O. Law Enforcement Bonds	2018	\$165,000 - \$245,000	3.00 - 3.65	2,210,000	2,210,000
2006 G.O. Capital Improvement Bonds	2026	\$105,000 - \$295,000	3.875 - 4.05	<u>4,600,000</u>	<u>4,495,000</u>
Total General Obligation Bonds				<u>\$ 8,010,000</u>	<u>\$ 7,365,000</u>
Refunding Certificates of Participation 2003					
	2011	\$240,000 - \$285,000	2.00 - 3.50	<u>\$ 2,060,000</u>	<u>\$ 1,085,000</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, 2007</u>
2007 Gross Revenue Hospital Facilities Bonds	2037	\$425,000 - \$1,825,000	5.00 - 5.75	<u>\$ 26,675,000</u>	<u>\$ 26,675,000</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

Loans Payable

In 2001, the County entered into a loan agreement with the Minnesota Pollution Control Agency for financing of the Lake Minnie Belle Restoration Project. The loan is secured by special assessments placed on the individual parcels requesting repair of a failing septic system.

<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, 2007</u>
2001 Septic Loans	2010	\$ 3,104 - \$ 3,750	2.00	\$ 68,343	\$ 21,948

5. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Governmental Activities

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 495,000	\$ 269,874	\$ 260,000	\$ 30,113
2009	510,000	251,381	265,000	22,888
2010	530,000	232,175	275,000	14,444
2011	560,000	211,930	285,000	4,986
2012	580,000	190,528	-	-
2013 - 2017	2,435,000	683,091	-	-
2018 - 2022	1,270,000	309,586	-	-
2023 - 2026	985,000	82,114	-	-
Total	<u>\$ 7,365,000</u>	<u>\$ 2,230,679</u>	<u>\$ 1,085,000</u>	<u>\$ 72,431</u>

<u>Year Ending December 31</u>	<u>Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 7,171	\$ 403
2009	7,315	259
2010	7,462	112
Total	<u>\$ 21,948</u>	<u>\$ 774</u>

**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
2008	\$ -	\$ 1,477,354
2009	-	1,502,394
2010	425,000	1,502,394
2011	450,000	1,481,144
2012	470,000	1,458,644
2013 - 2017	2,735,000	6,912,933
2018 - 2022	3,550,000	6,096,156
2023 - 2027	4,675,000	4,968,001
2028 - 2032	6,190,000	3,459,201
2033 - 2037	8,180,000	1,463,663
Total	\$ 26,675,000	\$ 30,321,884

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, 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	\$ 7,730,000	\$ -	\$ 365,000	\$ 7,365,000	\$ 495,000
Certificates of participation	1,335,000	-	250,000	1,085,000	260,000
Add: unamortized premium	27,284	-	3,364	23,920	-
Less: deferred amounts for issuance discounts	(7,488)	-	(1,872)	(5,616)	-
Total bonds payable	\$ 9,084,796	\$ -	\$ 616,492	\$ 8,468,304	\$ 755,000
Loans payable	28,978	-	7,030	21,948	7,171
Compensated absences	1,414,896	780,568	603,488	1,591,976	652,710
Governmental Activities Long-Term Liabilities	\$ 10,528,670	\$ 780,568	\$ 1,227,010	\$ 10,082,228	\$ 1,414,881

**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	\$ -	\$ 26,675,000	\$ -	\$ 26,675,000	\$ -
Add: unamortized premium	-	276,458	1,536	274,922	-
	<u>\$ -</u>	<u>\$ 26,951,458</u>	<u>\$ 1,536</u>	<u>\$ 26,949,922</u>	<u>\$ -</u>
Total bonds payable	\$ -	\$ 26,951,458	\$ 1,536	\$ 26,949,922	\$ -
Capital lease payable	115,175	10,663	27,849	97,989	30,789
Business-Type Activities					
Long-Term Liabilities	<u>\$ 115,175</u>	<u>\$ 26,962,121</u>	<u>\$ 29,385</u>	<u>\$ 27,047,911</u>	<u>\$ 30,789</u>

7. Prior Year's Refunded Debt

In 2003, the County defeased certificates of participation issued July 1, 1995, by creating a separate irrevocable fund. Refunding certificates of participation of 2003 in the principal amount of \$2,060,000 were issued, and the proceeds were used to purchase U.S. government securities that were placed in the trust fund. The investments and earnings on the investments are sufficient to fully service the defeased debt until the debt is called or matures. The current refunding reduced cash flows required for debt service of the certificates of participation by \$134,143 over the next seven years. The refunding resulted in an economic gain of \$113,665. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the County's government-wide financial statements. As of December 31, 2007, the amount of defeased debt outstanding not included in the financial statements was \$1,065,000.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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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 Public 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.

Public 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. 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.

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 and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for 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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

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

For all Public 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 members, and all Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. 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 Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

2. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

2. Funding Policy (Continued)

contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	2007	2008
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2007	\$ 783,978	\$ 86,881	\$ 43,074
2006	719,299	85,261	36,336
2005	637,433	68,313	30,410

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

B. Defined Contribution Plan

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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4. Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five 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, 2007, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 2,608	\$ 2,608
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. 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 for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. 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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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5. Risk Management (Continued)

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 \$400,000 per claim in 2007 and \$410,000 per claim in 2008. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The Hospital is covered by professional liability insurance on a claims-made basis. Individual and aggregate claims coverage is \$1,000,000 and \$3,000,000, respectively. Hospital management is of the opinion that insurance coverage is adequate to cover anticipated losses, if any.

6. Summary of Significant Contingencies and Other Items

A. Subsequent Events

On September 9, 2008, the County Board approved the issuance and sale of \$3,000,000 General Obligation State-Aid Highway Bonds, Series 2008A.

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**

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6. 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.16, 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**

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6. 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. 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**

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6. 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 Board

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn Stat. §§ 471.59 and 145A.17 and a joint powers agreement, effective June 5, 2007. The Board consists 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 Office, 2385 Hennepin Avenue North, Glencoe, Minnesota 55336.

7. 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. 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**

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7. 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 each presented as single enterprise funds. The EDA does not prepare separate audited financial statements.

Basis of Accounting

The Meeker County HRA and the Meeker County EDA are 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.

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables at December 31, 2007, for each discretely presented component unit, including the applicable allowances for uncollectible accounts, are as follows:

	<u>EDA</u>	<u>HRA</u>	<u>Total Receivables</u>
Accounts	\$ 1,773	\$ 731	\$ 2,504
Accrued interest	5,198	-	5,198
Due from other funds	-	200	200
Loans	<u>1,422,829</u>	<u>-</u>	<u>1,422,829</u>
Total Component Units	<u>\$ 1,429,800</u>	<u>\$ 931</u>	<u>\$ 1,430,731</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

7. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets (Continued)

Loans 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. For some loans, repayment is contingent and only required if specified loan provisions are not met. For these loans, the receivable is offset by due to other governments in the statement of net assets.

Capital Assets

Component unit capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
EDA	\$ 155,453	\$ 535	\$ -	\$ 155,988
HRA	63,966	-	-	63,966
Total capital assets not depreciated	\$ 219,419	\$ 535	\$ -	\$ 219,954
Capital assets depreciated				
Buildings and equipment				
EDA	\$ 5,139,861	\$ 25,077	\$ -	\$ 5,164,938
HRA	1,090,890	70,491	-	1,161,381
Total capital assets depreciated	\$ 6,230,751	\$ 95,568	\$ -	\$ 6,326,319
Less: accumulated depreciation for				
Buildings and equipment				
EDA	\$ 1,054,899	\$ 179,378	\$ -	\$ 1,234,277
HRA	711,529	46,755	-	758,284
Total accumulated depreciation	\$ 1,766,428	\$ 226,133	\$ -	\$ 1,992,561
Total capital assets depreciated, net	\$ 4,464,323	\$ (130,565)	\$ -	\$ 4,333,758
Total Capital Assets, Net	\$ 4,683,742	\$ (130,030)	\$ -	\$ 4,553,712

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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7. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

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

EDA	\$	179,378
HRA		46,755
Total Depreciation Expense	\$	226,133

2. Liabilities

Payables

Payables at December 31, 2007, were as follows:

	EDA	HRA	Total Payables
Accounts	\$ 13,313	\$ 2,759	\$ 16,072
Other accrued expenses	-	12,392	12,392
Due to other governments	1,002,330	-	1,002,330
Total Payables	\$ 1,015,643	\$ 15,151	\$ 1,030,794

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

7. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Long-Term Debt

Long-term debt outstanding at December 31, 2007, for the EDA consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Monthly Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
1998 Essential Function Housing Development Revenue Bonds	2029	\$ 9,511	4.75	\$ 1,810,000	\$ 1,528,778
1999 Essential Function Housing Development Revenue Bonds	2030	7,367	4.75	1,400,000	1,228,120
2001 Essential Function Housing Development Revenue Bonds	2032	6,272	4.75	1,200,000	1,092,480
2002 Essential Function Housing Development Revenue Bonds	2033	4,861	4.75	<u>930,000</u>	<u>854,051</u>
Totals				<u>\$ 5,340,000</u>	<u>\$ 4,703,429</u>

Debt Service Requirements

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 105,392	\$ 202,726
2009	120,319	215,810
2010	126,160	209,969
2011	132,285	203,844
2012	138,707	197,422
2013 - 2017	801,325	879,318
2018 - 2022	1,015,664	664,979
2023 - 2027	1,287,334	393,309
2028 - 2032	966,582	94,740
2033	<u>9,661</u>	<u>58</u>
Total	<u>\$ 4,703,429</u>	<u>\$ 3,062,175</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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7. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the EDA for the year ended December 31, 2007.

	<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	\$ 1,570,093	\$ -	\$ 41,315	\$ 1,528,778	\$ 38,816
1999	1,256,577	-	28,457	1,228,120	28,113
2001	1,115,265	-	22,785	1,092,480	21,857
2002	<u>870,984</u>	<u>-</u>	<u>16,933</u>	<u>854,051</u>	<u>16,606</u>
EDA Long-Term Liabilities	<u>\$ 4,812,919</u>	<u>\$ -</u>	<u>\$ 109,490</u>	<u>\$ 4,703,429</u>	<u>\$ 105,392</u>

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**SUPPLEMENTARY INFORMATION**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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 restricted to expenditures for specified purposes. The Ditch Fund, the Septic System Loan Program Fund, the Forfeit Property, 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**

**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, 2007**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 91,152	\$ 63,196	\$ 322,238	\$ 136,003
Taxes receivable				
Delinquent	-	4,275	-	-
Special assessments receivable				
Delinquent	-	-	-	6,935
Noncurrent	-	-	-	144,707
Accounts receivable - net	-	-	1,969	10,495
Due from other funds	-	-	24,806	2,920
Due from other governments	9,297	-	106,115	4,325
Loans receivable	-	-	-	-
Leases receivable	-	-	-	-
Prepaid items	-	-	3,744	-
<b>Total Assets</b>	<b><u>\$ 100,449</u></b>	<b><u>\$ 67,471</u></b>	<b><u>\$ 458,872</u></b>	<b><u>\$ 305,385</u></b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 8,003	\$ -	\$ 11,180	\$ 85
Salaries payable	6,176	-	45,165	-
Due to other funds	18	-	1,454	3,363
Due to other governments	15	-	1,347	171
Deferred revenue - unavailable	-	3,239	-	151,642
Deferred revenue - unearned	-	-	-	-
Advance from other funds	-	-	-	57,667
<b>Total Liabilities</b>	<b><u>\$ 14,212</u></b>	<b><u>\$ 3,239</u></b>	<b><u>\$ 59,146</u></b>	<b><u>\$ 212,928</u></b>
<b>Fund Balances</b>				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Unreserved				
Designated for cash flows	86,237	61,063	399,726	-
Designated for debt service	-	-	-	-
Undesignated	-	3,169	-	92,457
<b>Total Fund Balances</b>	<b><u>\$ 86,237</u></b>	<b><u>\$ 64,232</u></b>	<b><u>\$ 399,726</u></b>	<b><u>\$ 92,457</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 100,449</u></b>	<b><u>\$ 67,471</u></b>	<b><u>\$ 458,872</u></b>	<b><u>\$ 305,385</u></b>

Statement 1

<b>Special Revenue Funds</b>						
<b>Transfer Station</b>	<b>Family Services Building</b>	<b>Septic System Loan Program</b>	<b>Forfeit Property</b>	<b>Sheriff's Contingent</b>	<b>Debt Service Fund</b>	<b>Total</b>
\$ 879,837	\$ 338,188	\$ 19,458	\$ 195	\$ 13,554	\$ 357,589	\$ 2,221,410
-	3,286	-	-	-	18,279	25,840
-	-	-	-	-	-	6,935
-	-	-	-	-	-	144,707
12,403	-	-	-	-	-	24,867
-	-	-	-	-	-	27,726
-	25,949	-	-	497	-	146,183
-	-	3,691	-	-	-	3,691
-	161,755	-	-	-	-	161,755
-	-	-	-	-	-	3,744
<b>\$ 892,240</b>	<b>\$ 529,178</b>	<b>\$ 23,149</b>	<b>\$ 195</b>	<b>\$ 14,051</b>	<b>\$ 375,868</b>	<b>\$ 2,766,858</b>
\$ 1,489	\$ 13,084	\$ -	\$ -	\$ -	\$ 1,250	\$ 35,091
838	6,232	-	-	-	-	58,411
-	-	-	16,000	-	-	20,835
-	4,035	-	-	-	-	5,568
-	2,414	3,690	-	-	13,332	174,317
-	161,755	-	-	-	-	161,755
-	-	-	-	-	-	57,667
<b>\$ 2,327</b>	<b>\$ 187,520</b>	<b>\$ 3,690</b>	<b>\$ 16,000</b>	<b>\$ -</b>	<b>\$ 14,582</b>	<b>\$ 513,644</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 361,286	\$ 361,286
-	166,933	-	-	-	-	713,959
-	-	19,459	-	-	-	19,459
889,913	174,725	-	(15,805)	14,051	-	1,158,510
<b>\$ 889,913</b>	<b>\$ 341,658</b>	<b>\$ 19,459</b>	<b>\$ (15,805)</b>	<b>\$ 14,051</b>	<b>\$ 361,286</b>	<b>\$ 2,253,214</b>
<b>\$ 892,240</b>	<b>\$ 529,178</b>	<b>\$ 23,149</b>	<b>\$ 195</b>	<b>\$ 14,051</b>	<b>\$ 375,868</b>	<b>\$ 2,766,858</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<b>Revenues</b>				
Taxes	\$ -	\$ 134,176	\$ -	\$ -
Special assessments	-	-	-	146,494
Intergovernmental	500	32,917	633,830	-
Charges for services	66,024	-	357,254	-
Fines and forfeits	-	-	-	-
Gifts and contributions	1,250	-	1,000	-
Miscellaneous	3,819	-	1,867	14,952
<b>Total Revenues</b>	<b>\$ 71,593</b>	<b>\$ 167,093</b>	<b>\$ 993,951</b>	<b>\$ 161,446</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Health	-	-	1,301,037	-
Culture and recreation	209,610	165,075	-	-
Conservation of natural resources	-	-	-	87,352
<b>Capital outlay</b>	26,680	-	-	-
<b>Debt service</b>				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 236,290</b>	<b>\$ 165,075</b>	<b>\$ 1,301,037</b>	<b>\$ 87,352</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (164,697)</b>	<b>\$ 2,018</b>	<b>\$ (307,086)</b>	<b>\$ 74,094</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 168,476	\$ -	\$ 333,029	\$ -
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 168,476</b>	<b>\$ -</b>	<b>\$ 333,029</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 3,779</b>	<b>\$ 2,018</b>	<b>\$ 25,943</b>	<b>\$ 74,094</b>
<b>Fund Balance - January 1</b>	<b>82,458</b>	<b>62,214</b>	<b>373,783</b>	<b>18,363</b>
<b>Fund Balance - December 31</b>	<b>\$ 86,237</b>	<b>\$ 64,232</b>	<b>\$ 399,726</b>	<b>\$ 92,457</b>

Statement 2

**Special Revenue Funds**

<u>Transfer Station</u>	<u>Family Services Building</u>	<u>Septic System Loan Program</u>	<u>Forfeit Property</u>	<u>Sheriff's Contingent</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ -	\$ 104,683	\$ -	\$ 963	\$ -	\$ 605,731	\$ 845,553
-	-	5,685	-	-	-	152,179
-	25,913	-	-	-	59,792	752,952
185,960	-	-	-	-	-	609,238
-	-	-	-	3,569	-	3,569
-	-	-	-	-	-	2,250
2,549	506,524	-	-	-	-	529,711
<b>\$ 188,509</b>	<b>\$ 637,120</b>	<b>\$ 5,685</b>	<b>\$ 963</b>	<b>\$ 3,569</b>	<b>\$ 665,523</b>	<b>\$ 2,895,452</b>
\$ -	\$ 332,354	\$ -	\$ 16,768	\$ -	\$ 3,178	\$ 352,300
56,377	-	-	-	-	-	56,377
-	-	-	-	-	-	1,301,037
-	-	-	-	-	-	374,685
-	-	-	-	-	-	87,352
-	-	-	-	-	-	26,680
-	-	7,030	-	-	615,000	622,030
-	-	544	-	-	321,472	322,016
<b>\$ 56,377</b>	<b>\$ 332,354</b>	<b>\$ 7,574</b>	<b>\$ 16,768</b>	<b>\$ -</b>	<b>\$ 939,650</b>	<b>\$ 3,142,477</b>
<b>\$ 132,132</b>	<b>\$ 304,766</b>	<b>\$ (1,889)</b>	<b>\$ (15,805)</b>	<b>\$ 3,569</b>	<b>\$ (274,127)</b>	<b>\$ (247,025)</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 286,176	\$ 787,681
-	(286,176)	-	-	-	-	(286,176)
<b>\$ -</b>	<b>\$ (286,176)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 286,176</b>	<b>\$ 501,505</b>
\$ 132,132	\$ 18,590	\$ (1,889)	\$ (15,805)	\$ 3,569	\$ 12,049	\$ 254,480
757,781	323,068	21,348	-	10,482	349,237	1,998,734
<b>\$ 889,913</b>	<b>\$ 341,658</b>	<b>\$ 19,459</b>	<b>\$ (15,805)</b>	<b>\$ 14,051</b>	<b>\$ 361,286</b>	<b>\$ 2,253,214</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Statement 3*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY PARKS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 500	\$ 500
Charges for services	64,093	64,093	66,024	1,931
Gifts and contributions	-	-	1,250	1,250
Miscellaneous	2,800	2,800	3,819	1,019
<b>Total Revenues</b>	<b>\$ 66,893</b>	<b>\$ 66,893</b>	<b>\$ 71,593</b>	<b>\$ 4,700</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	\$ 235,369	\$ 235,369	\$ 209,610	\$ 25,759
<b>Capital outlay</b>				
Culture and recreation	-	-	26,680	(26,680)
<b>Total Expenditures</b>	<b>\$ 235,369</b>	<b>\$ 235,369</b>	<b>\$ 236,290</b>	<b>\$ (921)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (168,476)</b>	<b>\$ (168,476)</b>	<b>\$ (164,697)</b>	<b>\$ 3,779</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	168,476	168,476	168,476	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,779</b>	<b>\$ 3,779</b>
<b>Fund Balance - January 1</b>	<b>82,458</b>	<b>82,458</b>	<b>82,458</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 82,458</b>	<b>\$ 82,458</b>	<b>\$ 86,237</b>	<b>\$ 3,779</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Statement 4*

**BUDGETARY COMPARISON SCHEDULE  
REGIONAL LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 133,166	\$ 133,166	\$ 134,176	\$ 1,010
Intergovernmental	31,909	31,909	32,917	1,008
<b>Total Revenues</b>	<b>\$ 165,075</b>	<b>\$ 165,075</b>	<b>\$ 167,093</b>	<b>\$ 2,018</b>
<b>Expenditures</b>				
<b>Current</b>				
Culture and recreation	165,075	165,075	165,075	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,018</b>	<b>\$ 2,018</b>
<b>Fund Balance - January 1</b>	<b>62,214</b>	<b>62,214</b>	<b>62,214</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 62,214</b>	<b>\$ 62,214</b>	<b>\$ 64,232</b>	<b>\$ 2,018</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Statement 5*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY NURSE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 526,280	\$ 526,280	\$ 633,830	\$ 107,550
Charges for services	263,162	263,162	357,254	94,092
Gifts and contributions	-	-	1,000	1,000
Miscellaneous	-	-	1,867	1,867
<b>Total Revenues</b>	<b>\$ 789,442</b>	<b>\$ 789,442</b>	<b>\$ 993,951</b>	<b>\$ 204,509</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	1,122,471	1,122,471	1,301,037	(178,566)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (333,029)</b>	<b>\$ (333,029)</b>	<b>\$ (307,086)</b>	<b>\$ 25,943</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	333,029	333,029	333,029	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,943</b>	<b>\$ 25,943</b>
<b>Fund Balance - January 1</b>	<b>373,783</b>	<b>373,783</b>	<b>373,783</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 373,783</b>	<b>\$ 373,783</b>	<b>\$ 399,726</b>	<b>\$ 25,943</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Statement 6*

**BUDGETARY COMPARISON SCHEDULE  
TRANSFER STATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 95,000	\$ 95,000	\$ 185,960	\$ 90,960
Miscellaneous	-	-	2,549	2,549
<b>Total Revenues</b>	<b>\$ 95,000</b>	<b>\$ 95,000</b>	<b>\$ 188,509</b>	<b>\$ 93,509</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	95,000	95,000	56,377	38,623
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 132,132</b>	<b>\$ 132,132</b>
<b>Fund Balance - January 1</b>	<b>757,781</b>	<b>757,781</b>	<b>757,781</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 757,781</b>	<b>\$ 757,781</b>	<b>\$ 889,913</b>	<b>\$ 132,132</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Statement 7*

**BUDGETARY COMPARISON SCHEDULE  
FAMILY SERVICES BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 101,267	\$ 101,267	\$ 104,683	\$ 3,416
Intergovernmental	28,364	28,364	25,913	(2,451)
Miscellaneous	490,410	490,410	506,524	16,114
<b>Total Revenues</b>	<b>\$ 620,041</b>	<b>\$ 620,041</b>	<b>\$ 637,120</b>	<b>\$ 17,079</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Central services	333,865	333,865	332,354	1,511
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 286,176</b>	<b>\$ 286,176</b>	<b>\$ 304,766</b>	<b>\$ 18,590</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(286,176)	(286,176)	(286,176)	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,590</b>	<b>\$ 18,590</b>
<b>Fund Balance - January 1</b>	<b>323,068</b>	<b>323,068</b>	<b>323,068</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 323,068</b>	<b>\$ 323,068</b>	<b>\$ 341,658</b>	<b>\$ 18,590</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

The Escrows and Held Monies Fund accounts for plat contractor fees pertaining to compliance of new developments.

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Statement 8*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 206,166</u>	<u>\$ 22,311,689</u>	<u>\$ 22,103,983</u>	<u>\$ 413,872</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 206,166</u>	<u>\$ 22,311,689</u>	<u>\$ 22,103,983</u>	<u>\$ 413,872</u>
 <b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 82,278</u>	<u>\$ 2,154,293</u>	<u>\$ 2,150,964</u>	<u>\$ 85,607</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 82,278</u>	<u>\$ 2,154,293</u>	<u>\$ 2,150,964</u>	<u>\$ 85,607</u>
 <b><u>SELECT ACCOUNT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 73,908</u>	<u>\$ 168,731</u>	<u>\$ 151,932</u>	<u>\$ 90,707</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 73,908</u>	<u>\$ 168,731</u>	<u>\$ 151,932</u>	<u>\$ 90,707</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Statement 8  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>ESCROWS AND HELD MONIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 13,988	\$ -	\$ 13,988	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ 13,988	\$ -	\$ 13,988	\$ -
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 376,340	\$ 24,634,713	\$ 24,420,867	\$ 590,186
<b><u>Liabilities</u></b>				
Due to other governments	\$ 376,340	\$ 24,634,713	\$ 24,420,867	\$ 590,186

**ECONOMIC DEVELOPMENT AUTHORITY**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Statement 9**

**STATEMENT OF NET ASSETS  
ECONOMIC DEVELOPMENT AUTHORITY  
DECEMBER 31, 2007**

**Assets**

**Current assets**

Cash and pooled investments	\$ 96,636
Investments	141,000
Accounts receivable - net	1,773
Accrued interest receivable	5,198
Loans receivable	1,422,829
Prepaid items	17,828

**Total current assets** **\$ 1,685,264**

**Noncurrent assets**

Deferred debt issuance costs	\$ 47,986
Capital assets	
Nondepreciable	155,988
Depreciable - net	3,930,661

**Total noncurrent assets** **\$ 4,134,635**

**Total Assets** **\$ 5,819,899**

**Liabilities**

**Current liabilities**

Accounts payable	\$ 13,313
Due to other governments	1,000,000
Accrued interest payable	2,330
Customer deposits	43,275
Revenue bonds payable - current	105,392

**Total current liabilities** **\$ 1,164,310**

**Noncurrent liabilities**

Revenue bonds payable - long-term	4,598,038
-----------------------------------	-----------

**Total Liabilities** **\$ 5,762,348**

**Net Assets**

Unrestricted **\$ 57,551**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Statement 10**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
ECONOMIC DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Operating Revenues</b>	
Tenant rents	\$ 554,957
Miscellaneous	1,420
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 556,377</b>
<b>Operating Expenses</b>	
General services - repairs and maintenance	\$ 61,028
Administration and fiscal services	12,077
Management and caretaking	47,554
Real estate taxes	28,054
Snowplowing	5,958
Utilities	8,194
Water reimbursement	355
Advertising	3,741
Background checks	1,338
Insurance	29,885
Bad debts	2,957
Interest	432
Miscellaneous	226
Depreciation	179,378
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 381,177</b>
<b>Operating Income (Loss)</b>	<b>\$ 175,200</b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 7,550
Management fees	750
Intergovernmental - Meeker County	(12,651)
Repayment to contributors	(12,650)
Interest expense	(226,639)
Bond issue expense	(2,072)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (245,712)</b>
<b>Change in Net Assets</b>	<b>\$ (70,512)</b>
<b>Net Assets - January 1</b>	<b>128,063</b>
	<hr/>
<b>Net Assets - December 31</b>	<b>\$ 57,551</b>
	<hr/> <hr/>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Statement 11**

**STATEMENT OF CASH FLOWS  
ECONOMIC DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 586,291
Payments to suppliers	<u>(194,130)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 392,161</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Contributions	\$ (12,650)
Intergovernmental expense - Meeker County	<u>(12,651)</u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>\$ (25,301)</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal paid on long-term debt	\$ (109,489)
Interest paid on long-term debt	(226,719)
Purchases of capital assets	<u>(25,612)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (361,820)</u></b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	<u>\$ 7,119</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 12,159</b>
<b>Cash and Cash Equivalents at January 1</b>	<u>225,477</u>
<b>Cash and Cash Equivalents at December 31</b>	<b><u>\$ 237,636</u></b>
<b>Cash and Cash Equivalents - Statement 9</b>	
Cash and pooled investments	\$ 96,636
Investments	<u>141,000</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 237,636</u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Statement 11**  
***(Continued)***

**STATEMENT OF CASH FLOWS  
ECONOMIC DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Increase (Decrease) in Cash and Cash Equivalents**

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

<b>Operating income (loss)</b>	<b><u>\$ 175,200</u></b>
 <b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 179,378
Other miscellaneous receipts	750
(Increase) decrease in accounts receivable	4,103
(Increase) decrease in prepaid items	2,035
(Increase) decrease in loans receivable	25,301
Increase (decrease) in customer deposits	(240)
Increase (decrease) in accounts payable	<u>5,634</u>
 <b>Total adjustments</b>	 <b><u>\$ 216,961</u></b>
 <b>Net Cash Provided by (Used in) Operating Activities</b>	 <b><u><u>\$ 392,161</u></u></b>

**OTHER SCHEDULE**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Schedule 1**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**Shared Revenue**

**State**

Highway users tax	\$	2,265,479
HACA		1,063,280
Market value credit		727,432
Market value credit - mobile home		5,781
Market value credit - agricultural		146,036
PERA rate reimbursement		24,144
Disparity reduction aid		15,511
Police aid		83,116
Agricultural conservation credit		21,797
State financing revenue		2,253
E-911		99,767
Joint facility contribution		199,210
		199,210

**Total Shared Revenue** **\$ 4,653,806**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	1,211,164
Minnesota Department of Health		47,660
		47,660

**Total Reimbursement for Services** **\$ 1,258,824**

**Local**

Local contributions	\$	500
Payments in lieu of taxes		53,410
		53,410

**Total Local** **\$ 53,910**

**Grants**

**State**

Minnesota Department of Corrections	\$	54,969
Public Safety		89,116
Health		196,889
Natural Resources		124,172
Human Services		861,734
Other		111,322
Miscellaneous		3,120
Pollution Control Agency		54,746
		54,746

**Total State** **\$ 1,496,068**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Schedule 1**  
***(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 126,509
Justice	46,160
Transportation	18,434
Health and Human Services	442,852
Homeland Security	78,484
Environmental Protection Agency	19,044

**Total Federal** **\$ 731,483**

**Total State and Federal Grants** **\$ 2,227,551**

**Total Intergovernmental Revenue** **\$ 8,194,091**



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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Schedule 2*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

- A. Our report expresses unqualified opinions on the basic financial statements of Meeker County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Meeker County and are reported in the "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*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Meeker County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Meeker County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:
  - Temporary Assistance for Needy Families                      CFDA #93.558
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Meeker County was determined to be a low-risk auditee.

**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

Due to the limited number of office personnel within various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Offices that do not have sufficient segregation of duties include the County Auditor, Highway, Social Services, and the Economic Development Authority component unit. 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.

We understand the County's management has acknowledged this condition and is taking steps to address it when possible. We encourage the County to continue with these efforts.

Client's Response:

*Meeker County's management is aware that staff size does not provide for adequate segregation of accounting duties and responsibilities. The offices continue to implement more internal controls.*

06-1 Accounting Policies and Procedures

The County and the Economic Development Authority (EDA) do not have comprehensive manuals of accounting policies and procedures. Written policies and procedures should exist to set forth requirements to account for such matters as:

- receipt and deposit of funds;
- cash and investment activities;
- investment practices and restrictions;
- purchase of goods and services;
- contracting practices;
- establishing charge accounts at local stores;
- approval and payment of bills;

*Schedule 2*  
*(Continued)*

- accounting for payroll activities;
- accounting for capital assets (capitalization process and related depreciation);
- physical counts of inventory items;
- upgrades to software;
- access to applications and the network;
- creating, changing, and updating passwords;
- data back-ups; and
- annual financial reporting practices.

Written policies and procedures should exist to ensure that the County's and EDA's practices are followed as intended by management. A formalized manual will also provide guidance for future staff and provide a standard for management to monitor compliance against. Management should periodically evaluate its policies and procedures to assess whether internal controls that have been established are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

We recommend a policies and procedures manual be developed for the County's and EDA's accounting practices. A single manual developed by the County could be endorsed by the EDA. We further recommend that the manual(s) be adopted by the County Board and EDA Board. We recommend that the policies and procedures manuals document significant internal controls in the accounting systems, including a risk assessment and the process used to minimize the risks. We also recommend that a formal plan be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should be documented to show the results of the review, any changes required, and who performed the work.

Client's Response:

*Meeker County understands the need for monitoring the County's internal controls in the accounting systems. Meeker County is in the process of adopting a formal policy and procedures manual for the County. The County intends to implement a comprehensive manual for both the County and EDA. Due to the extensive nature of the project, we plan to have board approval by policy as they are compiled.*

ITEMS ARISING THIS YEAR

07-1 Payroll Review

Our review of Meeker County's payroll process found there is no review of information entered into the payroll system prior to paychecks being issued. Department heads are provided a payroll journal to review, but are not required by policy to sign the journal as having reviewed it for accuracy. Also, during the budget process, department heads are provided with their department's personal services costs for the year. Although both of these processes allow department heads to review certain payroll information, it is not reviewed for the purposes of ensuring that the amount of hours that an employee worked is what they will be given credit for on their paycheck. We recommend that payroll information entered as a basis for the amount on the paychecks be verified by another individual prior to the paychecks being issued.

Client's Response:

*The Auditor's Office has implemented a process where another person other than the individual making the entry will review entries affecting employee paychecks prior to paychecks being issued. Department Heads will continue to be provided with a payroll journal for their review.*

07-2 Audit Adjustments

A control deficiency 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 misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified the following material adjustments:

- Leases receivable and deferred revenue were reduced to reflect lease payments received of \$107,801 in the Family Services Building Special Revenue Fund.
- Contracts payable and related expenses were increased by \$50,000 in the Capital Projects Fund.

- Charges for services increased by \$1,000,918, and federal revenue increased by \$35,897, both offset by a decrease in local intergovernmental revenue.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. However, by definition, independent external auditors cannot be considered part of the County's internal control.

We recommend the County establish internal controls necessary to determine that all adjusting entries are made to ensure the County's annual financial statements are reported in accordance with generally accepted accounting principles.

Client's Response:

*Meeker County will continue to implement internal controls to determine that all adjusting entries required for the financial statements are in accordance with generally accepted accounting principles.*

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 Ditch Special Revenue Fund - Cash and Equity Balances

Previous reports have noted deficit cash and equity balances in the County's ditch system. At December 31, 2007, 11 of 49 individual drainage systems had deficit cash balances totaling \$21,222, a slight improvement over the year-end 2006 cash deficits of \$22,253. Thirteen of 49 individual systems had deficit equity balances totaling \$66,216, an improvement from 2006, which had deficits totaling \$91,979.

Minn. Stat. § 385.31 permits the payment of expenditures provided the fund has money for that purpose. Minn. Stat. § 103E.655, subd. 2, allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay its bills. Allowing ditch systems to incur deficit cash flows, in effect, constitutes an interest-free loan from other funds and, as such, is in noncompliance with Minnesota statutes. Minn. Stat. § 103E.735, subd. 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We recognize County management's efforts in reducing the cash deficits during 2007. We recommend that these efforts continue. Cash deficits may be eliminated either by loans from other eligible funds of the County or through ongoing cash management practices over the ditch systems. We also recommend that the County levy assessments sufficient to eliminate the equity deficits to the extent allowed by statute.

Client's Response:

*Meeker County levies assessments annually to recover money for expenditures made against the County Ditch Accounts. Cash deficits are most noticeable at year-end due to the number of projects done after harvest and the timing of collections. The cash balances do not reflect assessments made to landowners to be collected with subsequent year's taxes as well as assessments on scheduled deferred payment plans. Meeker County has not taken the approach allowed in statute to make assessments to obtain reserve balances.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Contracting Procedures (06-2)**

Our previous report discussed contracting practices including written quotes that could not be provided for review, quotes not being obtained for the purchase of digital video recorders, and quotes being used in the purchase of three vehicles when Minn. Stat. § 471.345 requires something different.

**Resolution**

Our review of contract procedures for 2007 found that the County followed the appropriate process of obtaining quotes, as indicated by Minnesota statutes, and all were on file.

B. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees, such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statement, accounting for OPEB is now similar to the accounting used by governments for pension plans.

This year, the legislature enacted a new law, Minn. Stat. § 471.6175, intended to help local governments address their OPEB liability in at least three important ways:

- it allows governments to create both irrevocable and revocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both irrevocable and revocable OPEB trusts; and
- it also permits governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

*Schedule 2*  
*(Continued)*

Some of the issues that the County Board will need to address in order to comply with GASB Statement 45 are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to comply with the new legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;
- if an OPEB trust will be established, the County Board will have to decide whether to establish an irrevocable or a revocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

If applicable for Meeker County, GASB Statement 45 would be implemented for the year ended December 31, 2008.



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, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 5, 2008. Our report was modified to include 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 County 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 County Memorial Hospital and the Meeker County Housing and Redevelopment Authority were not audited in accordance with *Government Auditing Standards*.

### 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-2, 06-1, 07-1, and 07-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Meeker County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above are material weaknesses.

### 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 Local Government*, 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 Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

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.

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

Meeker County's written responses to the significant deficiencies and legal compliance finding 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*

REBECCA OTTO  
STATE AUDITOR

December 5, 2008

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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REBECCA OTTO  
STATE AUDITOR

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners  
Meeker County

### Compliance

We have audited the compliance of Meeker County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. Meeker County's major federal program is 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 its major federal program 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 financial statements include the operations of the Housing and Redevelopment Authority (HRA), a discretely presented component unit, which expended \$343,222 in federal awards during the year ended June 30, 2007, which are not included in the accompanying 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 are applicable to its major federal program for the year ended December 31, 2007.

### Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Meeker County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Schedule of Expenditures of Federal Awards

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, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 5, 2008. We did not audit the financial statements of the Meeker County Memorial Hospital, an enterprise fund of Meeker County, or the Meeker County HRA, a discretely presented component unit of Meeker County. Our audit was performed for the purpose of forming opinions on Meeker County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the 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

December 5, 2008

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Schedule 3**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 119,026
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	<u>7,483</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 126,509</u></b>
<b>U.S. Department of Justice</b>		
Direct		
Bulletproof Vest Partnership Program	16.607	\$ 750
Passed Through Minnesota Department of Public Safety		
Crime Victim Assistance Grant	16.575	43,410
Enforcing Underage Drinking Laws Program	16.727	<u>2,000</u>
<b>Total U.S. Department of Justice</b>		<b><u>\$ 46,160</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Public Safety		
Highway Safety Cluster		
State and Community Highway Safety	20.600	\$ 10,643
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	<u>7,791</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 18,434</u></b>
<b>U.S. Environmental Protection Agency</b>		
Passed Through Meeker-McLeod-Sibley Community Health Services		
State Indoor Radon Grants	66.032	<b><u>\$ 19,044</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Meeker-McLeod-Sibley Community Health Services		
Drug-Free Community Support	93.276	\$ 32,388
Center for Disease Control and Prevention Block Grant	93.283	33,639
Temporary Assistance for Needy Families	93.558	15,678
Maternal and Child Health Services Block Grant	93.994	22,104

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Schedule 3**  
***(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services		
Temporary Assistance for Needy Families	93.558	172,593
Child Care Cluster		
Child Care Development Block Grant	93.575	3,709
Child Care Mandatory and Matching Funds	93.596	3,406
Child Welfare Services - State Grant	93.645	4,042
Foster Care Title IV-E	93.658	24,629
Social Services Block Grant Title XX	93.667	125,381
Chafee Foster Care Independent Living	93.674	3,900
Community Mental Health Block Grant	93.958	1,383
		<hr/>
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 442,852</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources		
Flood Hazard MAPS Maintenance	97.045	\$ 35,897
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	11,893
Homeland Security Grant Program	97.067	30,694
		<hr/>
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 78,484</b>
		<hr/>
<b>Total Federal Awards</b>		<b>\$ 731,483</b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Meeker County. The County's reporting entity is defined in Note 1 to the basic financial statements. The Meeker County Housing and Redevelopment Authority federal expenditures are not included in this schedule.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. Meeker County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.