

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MEEKER COUNTY
LITCHFIELD, MINNESOTA

YEAR ENDED DECEMBER 31, 2008

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, 2008



**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, 2008

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Jim Swenson	District 1	January 2011
Board Member	Dave Gabrielson	District 2	January 2011
Vice Chair	Amy Wilde	District 3	January 2011
Board Member	Wallace Strand	District 4	January 2011
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
 Appointed			
Assessor	Robert Anderson		January 2009
Court Administrator	Theresa Fredrickson		Indefinite
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 Department of Motor Vehicles	Michael Hirman		Indefinite
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, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of (1) the Meeker Memorial Hospital, which represent the amounts shown as the business-type activities and the major proprietary fund; and (2) the Meeker County Housing and Redevelopment Authority, which represents 11 percent, 100 percent, and 41 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinion, insofar as it relates to the amounts included for the Meeker Memorial Hospital Enterprise Fund and the Housing and Redevelopment Authority component unit, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Meeker Memorial Hospital 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons 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.

As discussed in Note 5 to the financial statements, during the year ended December 31, 2008, Meeker County has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are 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 supplementary information and other schedule listed in 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 November 23, 2009, 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(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, 2008. 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, 2008, by \$81,775,730 (net assets). Of this amount, \$24,061,741 (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 \$6,125,535 in 2008. This is attributed primarily to an increase in activity.
- As of the close of 2008, Meeker County's governmental funds reported combined ending fund balances of \$15,093,860, an increase of \$299,053 in comparison with the prior year. Of this fund balance amount, \$2,029,956 was unreserved and undesignated by Meeker County and thus available for spending at the government's discretion.
- At the end of 2008, unreserved fund balance for the General Fund was \$5,518,924, or 61.14 percent of the total General Fund expenditures for that year.
- Meeker County's total debt increased by \$2,237,829, or 6.37 percent. The key factor in the increase was the issuance of General Obligation State Aid Highway 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 basic financial statements are composed of: (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 only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

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

The government-wide statements include not only the financial data for Meeker County itself (known as the primary government) but also the legally separate component units of the Economic Development Authority and 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 that is used to maintain control over resources that have been segregated for specific activities or objectives. Meeker County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of Meeker County can be divided into three categories: governmental funds, proprietary 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 provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Governmental fund financial statements can be found on Exhibits 3 through 9 of this report.

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

Proprietary fund financial statements can be found on Exhibits 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 operations. In addition, the agency funds are not reflected in the government-wide financial statements because these resources are not available to support the County's programs.

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

The notes to the financial statements can be found on pages 39 through 82 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 \$81,775,730 at the close of 2008. The largest portion of Meeker County's net assets (64.29 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	
	2008	2007 (Restated)	2008	2007	2008	2007 (Restated)
Assets						
Current and other assets	\$ 19,226,659	\$ 18,621,188	\$ 32,203,595	\$ 41,315,242	\$ 51,430,254	\$ 59,936,430
Capital assets	55,325,794	49,011,687	21,624,448	9,098,135	76,950,242	58,109,822
Total Assets	\$ 74,552,453	\$ 67,632,875	\$ 53,828,043	\$ 50,413,377	\$ 128,380,496	\$ 118,046,252
Liabilities						
Long-term liabilities	\$ 12,563,063	\$ 10,082,228	\$ 27,017,121	\$ 27,047,911	\$ 39,580,184	\$ 37,130,139
Other liabilities	2,687,193	2,093,355	4,337,389	3,172,563	7,024,582	5,265,918
Total Liabilities	\$ 15,250,256	\$ 12,175,583	\$ 31,354,510	\$ 30,220,474	\$ 46,604,766	\$ 42,396,057
Net Assets						
Invested in capital assets, net of related debt	\$ 44,937,485	\$ 40,543,383	\$ 7,638,411	\$ 4,326,058	\$ 52,575,896	\$ 44,869,441
Restricted	2,100,322	5,806,117	3,037,771	2,726,366	5,138,093	8,532,483
Unrestricted	12,264,390	9,107,792	11,797,351	13,140,479	24,061,741	22,248,271
Total Net Assets	\$ 59,302,197	\$ 55,457,292	\$ 22,473,533	\$ 20,192,903	\$ 81,775,730	\$ 75,650,195

The unrestricted net assets amount of \$24,061,741 as of December 31, 2008, may be used to meet the County's ongoing obligations to citizens and creditors. Business-type activities reported in 2008 are Meeker Memorial Hospital, an enterprise fund of the primary government.

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007 (Restated)	2008	2007	2008	2007 (Restated)
Revenues						
Program revenues						
Charges for services	\$ 5,413,930	\$ 5,154,314	\$ 21,380,213	\$ 19,387,570	\$ 26,794,143	\$ 24,541,884
Operating grants and contributions	5,999,343	6,218,429	-	-	5,999,343	6,218,429
Capital grants and contributions	1,656,384	479,514	259,083	786,819	1,915,467	1,266,333
General revenues						
Property taxes	9,636,727	8,703,375	-	-	9,636,727	8,703,375
Gravel taxes	41,232	38,862	-	-	41,232	38,862
Mortgage registry taxes	15,241	20,415	-	-	15,241	20,415
Other taxes	59,282	53,410	-	-	59,282	53,410
Grants and contributions not restricted to specific programs	1,766,972	2,003,981	-	-	1,766,972	2,003,981
Gifts and contributions	-	-	151,608	171,333	151,608	171,333
Investment income	577,842	880,124	504,597	538,260	1,082,439	1,418,384
Gain on sale of capital assets	17,775	63,387	2,249	-	20,024	63,387
Miscellaneous	10,370	10,460	-	-	10,370	10,460
Total Revenues	\$ 25,195,098	\$ 23,626,271	\$ 22,297,750	\$ 20,883,982	\$ 47,492,848	\$ 44,510,253
Expenses						
General government	\$ 4,660,650	\$ 7,484,019	\$ -	\$ -	\$ 4,660,650	\$ 7,484,019
Public safety	3,955,592	3,945,025	-	-	3,955,592	3,945,025
Highways and streets	4,192,668	2,080,572	-	-	4,192,668	2,080,572
Sanitation	237,828	171,668	-	-	237,828	171,668
Human services	5,474,129	4,952,136	-	-	5,474,129	4,952,136
Hospital	-	-	20,017,120	18,681,222	20,017,120	18,681,222
Health	1,376,203	1,214,519	-	-	1,376,203	1,214,519
Culture and recreation	472,826	395,550	-	-	472,826	395,550
Conservation of natural resources	384,017	262,569	-	-	384,017	262,569
Economic development	272,250	126,073	-	-	272,250	126,073
Interest	324,030	293,851	-	-	324,030	293,851
Total Expenses	\$ 21,350,193	\$ 20,925,982	\$ 20,017,120	\$ 18,681,222	\$ 41,367,313	\$ 39,607,204
Increase in Net Assets	\$ 3,844,905	\$ 2,700,289	\$ 2,280,630	\$ 2,202,760	\$ 6,125,535	\$ 4,903,049
Net Assets - January 1, Restated	55,457,292	52,757,003	20,192,903	17,990,143	75,650,195	70,747,146
Net Assets - December 31	\$ 59,302,197	\$ 55,457,292	\$ 22,473,533	\$ 20,192,903	\$ 81,775,730	\$ 75,650,195

Governmental Activities

Meeker County's governmental activities increased the County's net assets during 2008 by \$3,844,905.

Business-Type Activities

Business-type activities of the Meeker Memorial Hospital increased Meeker County's net assets by \$2,280,630, accounting for 25.49 percent of the total growth in the County's net assets. Charges for services increased \$1,992,643, or 10.27 percent, while expenses were up only \$1,335,898, or 7.15 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 \$15,093,860, an increase of \$299,053 from the prior year. The majority of this amount, \$13,350,845, 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 \$5,518,924, while total fund balance was \$6,156,253. 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 61.14 percent of total General Fund expenditures. In 2008, ending fund balance in the General Fund increased by \$269,146. The primary reason for this increase was less expense than budgeted.

The Road and Bridge Special Revenue Fund's unreserved fund balance of \$865,371 at year-end represents 10.17 percent of the fund's annual expenditures. Unreserved fund balance increased \$476,033 during 2008, primarily due to an increase in liabilities.

The Human Services Special Revenue Fund's unreserved fund balance of \$4,269,188 at year-end represents 75.55 percent of the fund's annual expenditures. Unreserved fund balance increased \$146,121 during 2008, primarily due to revenues exceeding budgeted expenses.

The Revolving Loan Special Revenue Fund's unreserved fund balance of \$583,692 at year-end represents an increase of \$17,349 during 2008 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 2008 expenditure budget.)

Actual revenues exceeded budgeted revenues by \$699,864, primarily due to increased intergovernmental revenues, investment income, and charges for services.

Actual expenditures exceeded budgeted expenditures by \$370,718, primarily due to unbudgeted capital outlay and unplanned appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Meeker County's capital assets for its governmental activities at December 31, 2008, totaled \$55,325,794 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$6,314,107, or 12.88 percent from the previous year. The major capital asset events were additions to infrastructure.

Governmental Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,264,991	\$ 2,080,147	\$ 1,340,234	\$ 1,156,731	\$ 3,605,225	\$ 3,236,878
Land improvements	-	-	70,310	85,310	70,310	85,310
Infrastructure	34,466,092	30,115,353	-	-	34,466,092	30,115,353
Buildings	12,290,490	12,576,533	1,381,848	1,613,383	13,672,338	14,189,916
Building improvements	3,507,257	1,270,778	-	-	3,507,257	1,270,778
Machinery, equipment, and office furniture	2,688,758	2,684,411	3,147,282	3,412,072	5,836,040	6,096,483
Construction in progress	108,206	284,465	15,684,774	2,830,639	15,792,980	3,115,104
Total Capital Assets	\$ 55,325,794	\$ 49,011,687	\$ 21,624,448	\$ 9,098,135	\$ 76,950,242	\$ 58,109,822

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, Meeker County had total outstanding debt of \$37,384,777. The governmental activities portion is backed by the full faith and credit of the government; the business-type activities portion is a limited obligation of Meeker County, payable solely from gross revenues of the Meeker County Memorial Hospital.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 9,870,000	\$ 7,365,000	\$ -	\$ -	\$ 9,870,000	\$ 7,365,000
Gross revenue hospital facilities bonds	-	-	26,675,000	26,675,000	26,675,000	26,675,000
Certificates of participation	825,000	1,085,000	-	-	825,000	1,085,000
Loan payable	14,777	21,948	-	-	14,777	21,948
Total	\$ 10,709,777	\$ 8,471,948	\$ 26,675,000	\$ 26,675,000	\$ 37,384,777	\$ 35,146,948

The County's debt related to general obligation bonds, gross revenue hospital facilities bonds, certificates of participation, capital notes, and loans increased by \$2,237,829 (6.37 percent) during the fiscal year due to the issuance of \$3,000,000 in General Obligation State Aid Highway Bonds.

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

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2008, Meeker County is well below the three percent debt limit imposed by state statutes.

Additional information on the County's long-term debt can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The unemployment rate for Meeker County at the end of 2008 was 8.9 percent. This compares with the state unemployment rate of 6.8 percent and shows an increase from the rate of 1.9 percent of one year ago.

By the end of 2008, Meeker County approved its balanced 2009 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, 2008**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 14,876,406	\$ 1,704,034	\$ 16,580,440	\$ 260,663
Petty cash and change funds	2,690	-	2,690	-
Investments	9,771	-	9,771	141,000
Taxes receivable				
Prior - net	288,167	-	288,167	-
Special assessments receivable				
Prior - net	5,232	-	5,232	-
Noncurrent - net	99,790	-	99,790	-
Accounts receivable - net	104,051	3,823,027	3,927,078	49,863
Accrued interest receivable	121,060	-	121,060	4,386
Due from other governments	1,975,733	-	1,975,733	-
Notes receivable	312,000	-	312,000	-
Loans receivable	879,833	-	879,833	1,399,940
Leases receivable	169,664	-	169,664	-
Inventories	223,952	541,433	765,385	-
Prepaid items	53,971	330,872	384,843	26,876
Restricted assets				
Investments	-	11,072,065	11,072,065	-
Restricted by bond indenture	-	13,383,958	13,383,958	-
Restricted by donor	-	600,592	600,592	-
Deferred charges	104,339	-	104,339	45,914
Other assets	-	375,387	375,387	-
Investment in joint venture	-	372,227	372,227	-
Capital assets				
Non-depreciable	2,373,197	17,025,008	19,398,205	219,954
Depreciable - net of accumulated depreciation	52,952,597	4,599,440	57,552,037	4,149,503
Total Assets	\$ 74,552,453	\$ 53,828,043	\$ 128,380,496	\$ 6,298,099

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Liabilities</u>				
Accounts payable	\$ 686,940	\$ 1,043,473	\$ 1,730,413	\$ 14,593
Salaries payable	545,916	1,377,596	1,923,512	-
Other accrued liabilities	-	-	-	16,495
Contracts payable	309,881	1,694,717	2,004,598	-
Due to other governments	194,906	-	194,906	1,000,000
Accrued interest payable	140,641	221,603	362,244	2,415
Unearned revenue	808,909	-	808,909	-
Deferred rent income	-	-	-	4,121
Payable from restricted assets				
Rent deposits	-	-	-	44,155
Tenant security deposits	-	-	-	8,324
Long-term liabilities				
Due within one year	2,098,720	29,843	2,128,563	110,509
Due in more than one year	10,464,343	26,987,278	37,451,621	4,477,718
Total Liabilities	\$ 15,250,256	\$ 31,354,510	\$ 46,604,766	\$ 5,678,330
<u>Net Assets</u>				
Invested in capital assets - net of related debt	\$ 44,937,485	\$ 7,638,411	\$ 52,575,896	\$ 452,248
Restricted for				
Highways and streets	1,285,260	-	1,285,260	-
Capital projects	413,714	-	413,714	-
Debt service	348,972	-	348,972	-
Restricted by bond indenture	-	1,978,215	1,978,215	-
Restricted by donor	-	1,059,556	1,059,556	-
Other purposes	52,376	-	52,376	-
Unrestricted	12,264,390	11,797,351	24,061,741	167,521
Total Net Assets	\$ 59,302,197	\$ 22,473,533	\$ 81,775,730	\$ 619,769

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Primary government			
Governmental activities			
General government	\$ 4,660,650	\$ 1,956,428	\$ 16,676
Public safety	3,955,592	1,364,992	1,154,635
Highways and streets	4,192,668	526,693	1,333,293
Sanitation	237,828	166,180	-
Human services	5,474,129	476,954	2,509,884
Health	1,376,203	612,946	879,540
Culture and recreation	472,826	82,530	2,800
Conservation of natural resources	384,017	55,938	102,515
Economic development	272,250	171,269	-
Interest	324,030	-	-
Total governmental activities	\$ 21,350,193	\$ 5,413,930	\$ 5,999,343
Business-type activities			
Hospital	20,017,120	21,380,213	-
Total Primary Government	\$ 41,367,313	\$ 26,794,143	\$ 5,999,343
Discretely Presented Component Units	\$ 1,009,148	\$ 626,488	\$ 245,435

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, as restated (see Note 2.D)

Net Assets - December 31

EXHIBIT 2

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Discretely Presented Component Units</u>
	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	
\$ -	\$ (2,687,546)	\$ -	\$ (2,687,546)	
-	(1,435,965)	-	(1,435,965)	
1,656,384	(676,298)	-	(676,298)	
-	(71,648)	-	(71,648)	
-	(2,487,291)	-	(2,487,291)	
-	116,283	-	116,283	
-	(387,496)	-	(387,496)	
-	(225,564)	-	(225,564)	
-	(100,981)	-	(100,981)	
-	(324,030)	-	(324,030)	
\$ 1,656,384	\$ (8,280,536)	\$ -	\$ (8,280,536)	
259,083	-	1,622,176	1,622,176	
\$ 1,915,467	\$ (8,280,536)	\$ 1,622,176	\$ (6,658,360)	
\$ 73,447				\$ (63,778)
	\$ 9,636,727	\$ -	\$ 9,636,727	\$ -
	41,232	-	41,232	-
	15,241	-	15,241	-
	59,282	-	59,282	-
	1,766,972	-	1,766,972	-
	-	151,608	151,608	-
	577,842	504,597	1,082,439	8,205
	17,775	2,249	20,024	-
	10,370	-	10,370	4,636
	\$ 12,125,441	\$ 658,454	\$ 12,783,895	\$ 12,841
	\$ 3,844,905	\$ 2,280,630	\$ 6,125,535	\$ (50,937)
	55,457,292	20,192,903	75,650,195	670,706
	\$ 59,302,197	\$ 22,473,533	\$ 81,775,730	\$ 619,769

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 5,878,229	\$ 1,380,542
Petty cash and change funds	2,690	-
Investments	9,771	-
Taxes receivable		
Delinquent	155,038	38,123
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable - net	29,451	-
Accrued interest receivable	121,060	-
Due from other funds	8,721	12,270
Due from other governments	220,147	1,380,701
Notes receivable	312,000	-
Loans receivable	-	-
Leases receivable	-	-
Inventories	-	223,952
Advances to other funds	41,636	-
Prepaid items	47,146	-
	\$ 6,825,889	\$ 3,035,588
Total Assets	\$ 6,825,889	\$ 3,035,588

EXHIBIT 3

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,504,318	\$ 583,692	\$ 190,897	\$ 2,338,728	\$ 14,876,406
-	-	-	-	2,690
-	-	-	-	9,771
67,300	-	54	27,652	288,167
-	-	-	5,232	5,232
-	-	-	99,790	99,790
15,955	-	-	58,645	104,051
-	-	-	-	121,060
902	-	-	15,682	37,575
198,727	-	50,000	126,158	1,975,733
-	-	-	-	312,000
-	548,373	330,000	1,460	879,833
-	-	8,400	161,264	169,664
-	-	-	-	223,952
-	-	-	-	41,636
2,860	-	-	3,965	53,971
<u>\$ 4,790,062</u>	<u>\$ 1,132,065</u>	<u>\$ 579,351</u>	<u>\$ 2,838,576</u>	<u>\$ 19,201,531</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 108,228	\$ 368,888
Salaries payable	260,947	92,556
Contracts payable	-	202,698
Due to other funds	24,710	608
Due to other governments	56,920	1,642
Deferred revenue - unavailable	127,959	1,083,936
Advances from other funds - governmental	-	-
Deferred revenue - unearned	90,872	-
	\$ 669,636	\$ 1,750,328
Fund Balances		
Reserved for		
Debt service	\$ -	\$ -
Missing heirs	3,502	-
Advances to other funds	41,636	-
Note receivable	312,000	-
Prepaid items	47,146	-
Recorder's equipment	1,172	-
Inventories	-	223,952
Encumbrances	-	195,937
Long-term receivables	-	-
Gravel tax	48,874	-
Recorder's compliance	182,999	-
Unreserved		
Designated for cash flows	4,340,760	865,371
Designated for economic development	-	-
Designated for future expenditures	-	-
Designated for highway projects	1,178,164	-
Unreserved, reported in nonmajor Special revenue funds	-	-
	\$ 6,156,253	\$ 1,285,260
Total Liabilities and Fund Balances	\$ 6,825,889	\$ 3,035,588

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>
\$ 177,930	\$ -	\$ -	\$ 31,894	\$ 686,940
124,406	-	-	68,007	545,916
-	-	107,183	-	309,881
8,754	-	-	3,503	37,575
116,352	-	-	19,992	194,906
90,572	-	50,054	129,387	1,481,908
-	-	-	41,636	41,636
-	548,373	8,400	161,264	808,909
\$ 518,014	\$ 548,373	\$ 165,637	\$ 455,683	\$ 4,107,671
\$ -	\$ -	\$ -	\$ 348,972	\$ 348,972
-	-	-	-	3,502
-	-	-	-	41,636
-	-	-	-	312,000
2,860	-	-	3,965	53,971
-	-	-	-	1,172
-	-	-	-	223,952
-	-	-	-	195,937
-	-	330,000	-	330,000
-	-	-	-	48,874
-	-	-	-	182,999
2,581,182	-	-	-	7,787,313
-	583,692	-	-	583,692
1,688,006	-	83,714	-	1,771,720
-	-	-	-	1,178,164
-	-	-	2,029,956	2,029,956
\$ 4,272,048	\$ 583,692	\$ 413,714	\$ 2,382,893	\$ 15,093,860
\$ 4,790,062	\$ 1,132,065	\$ 579,351	\$ 2,838,576	\$ 19,201,531

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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, 2008**

Fund balance - total governmental funds		\$ 15,093,860
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.		55,325,794
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.		104,339
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,481,908
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	\$ (10,714,017)	
Loan payable	(14,777)	
Compensated absences	(1,747,330)	
Accrued interest payable	(140,641)	
Other postemployment benefits	(86,939)	(12,703,704)
Net Assets of Governmental Activities		<u>\$ 59,302,197</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Road and Bridge
Revenues		
Taxes	\$ 5,219,483	\$ 1,258,498
Special assessments	-	-
Licenses and permits	18,068	-
Intergovernmental	1,669,469	4,288,968
Charges for services	1,813,396	469,836
Fines and forfeits	31,656	-
Gifts and contributions	2,743	-
Investment earnings	568,512	-
Miscellaneous	554,188	121,857
	\$ 9,877,515	\$ 6,139,159
Expenditures		
Current		
General government	\$ 4,434,936	\$ -
Public safety	3,962,918	-
Highways and streets	-	8,213,346
Sanitation	104,270	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	286,852	-
Economic development	109,000	-
Capital outlay	128,491	-
Intergovernmental	-	283,029
Debt service		
Principal	-	-
Interest	-	-
Bond issuance costs	-	12,300
	\$ 9,026,467	\$ 8,508,675
Excess of Revenues Over (Under) Expenditures	\$ 851,048	\$ (2,369,516)

EXHIBIT 5

Human Services	Revolving Loan	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,155,516	\$ -	\$ -	\$ 932,262	\$ 9,565,759
-	-	-	97,355	97,355
-	-	-	-	18,068
3,167,625	-	-	707,796	9,833,858
242,426	-	-	845,015	3,370,673
-	-	-	2,286	33,942
-	-	-	2,850	5,593
-	9,330	-	-	577,842
234,528	171,269	733,459	558,844	2,374,145
\$ 5,800,095	\$ 180,599	\$ 733,459	\$ 3,146,408	\$ 25,877,235
\$ -	\$ -	\$ -	\$ 327,256	\$ 4,762,192
-	-	-	-	3,962,918
-	-	-	-	8,213,346
-	-	-	115,741	220,011
5,651,114	-	-	-	5,651,114
-	-	-	1,469,439	1,469,439
-	-	-	469,586	469,586
-	-	-	97,165	384,017
-	163,250	-	-	272,250
-	-	1,602,298	54,497	1,785,286
-	-	-	-	283,029
-	-	-	762,171	762,171
-	-	-	302,776	302,776
-	-	-	-	12,300
\$ 5,651,114	\$ 163,250	\$ 1,602,298	\$ 3,598,631	\$ 28,550,435
\$ 148,981	\$ 17,349	\$ (868,839)	\$ (452,223)	\$ (2,673,200)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ 50,000
Transfers out	(581,902)	(50,000)
Bonds issued	-	3,000,000
Premium on bonds/notes issued	-	300
	\$ (581,902)	\$ 3,000,300
Net Change in Fund Balances	\$ 269,146	\$ 630,784
Fund Balances - January 1	5,887,107	682,523
Increase (decrease) in reserved for inventories	-	(28,047)
	\$ 6,156,253	\$ 1,285,260
Fund Balances - December 31	\$ 6,156,253	\$ 1,285,260

EXHIBIT 5
(Continued)

Human Services	Revolving Loan	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 50,000	\$ 872,015	\$ 972,015
-	-	(50,000)	(290,113)	(972,015)
-	-	-	-	3,000,000
-	-	-	-	300
\$ -	\$ -	\$ -	\$ 581,902	\$ 3,000,300
\$ 148,981	\$ 17,349	\$ (868,839)	\$ 129,679	\$ 327,100
4,123,067	566,343	1,282,553	2,253,214	14,794,807
-	-	-	-	(28,047)
\$ 4,272,048	\$ 583,692	\$ 413,714	\$ 2,382,893	\$ 15,093,860

**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, 2008**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 327,100

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and statement of activities is the increase or decrease in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 1,481,908	
Deferred revenue - January 1	<u>(350,841)</u>	1,131,067

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	\$ 8,451,315	
Net book value of assets sold	(123,803)	
Current year depreciation	<u>(2,013,405)</u>	6,314,107

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

Debt issuance	\$ (3,000,000)	
Premiums of bonds sold	(300)	
Bond issuance cost	<u>12,300</u>	(2,988,000)

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	\$ 495,000	
Capital notes	260,000	
Loan payable	<u>7,171</u>	762,171

Prior period adjustment (Note 2.D.) (1,409,946)

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	\$ (10,262)	
Amortization of discounts/premiums and deferred issuance charges	(10,992)	
Change in compensated absences	(155,354)	
Change in inventories	(28,047)	
Change in other postemployment benefits	<u>(86,939)</u>	<u>(291,594)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 3,844,905

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,249,692	\$ 5,249,692	\$ 5,219,483	\$ (30,209)
Licenses and permits	11,210	11,210	18,068	6,858
Intergovernmental	1,678,102	1,678,102	1,669,469	(8,633)
Charges for services	1,433,877	1,433,877	1,813,396	379,519
Fines and forfeits	30,785	30,785	31,656	871
Gifts and contributions	50	50	2,743	2,693
Investment earnings	475,000	475,000	568,512	93,512
Miscellaneous	298,935	298,935	554,188	255,253
Total Revenues	\$ 9,177,651	\$ 9,177,651	\$ 9,877,515	\$ 699,864
Expenditures				
Current				
General government				
Commissioners	\$ 213,523	\$ 213,523	\$ 210,218	\$ 3,305
Courts	8,500	8,500	18,406	(9,906)
Court services	387,359	387,359	351,571	35,788
Law library	30,685	30,685	37,661	(6,976)
County administration	107,465	107,465	111,014	(3,549)
County auditor	296,252	296,252	278,849	17,403
County treasurer	316,806	316,806	298,427	18,379
County assessor	282,176	282,176	241,857	40,319
Accounting and auditing	52,000	52,000	62,558	(10,558)
Data processing	240,045	240,045	253,804	(13,759)
Central services	89,000	89,000	65,084	23,916
Attorney	582,475	582,475	581,024	1,451
Recorder	210,907	210,907	166,474	44,433
Surveyor	13,000	13,000	5,430	7,570
Planning and zoning	490,727	490,727	434,282	56,445
Maintenance	400,573	400,573	412,413	(11,840)
Veterans service officer	140,613	140,613	134,595	6,018
Appropriations	183,600	183,600	231,674	(48,074)
Other	251,688	251,688	539,595	(287,907)
Total general government	\$ 4,297,394	\$ 4,297,394	\$ 4,434,936	\$ (137,542)
Public safety				
Sheriff	\$ 3,638,460	\$ 3,638,460	\$ 3,742,817	\$ (104,357)
Emergency services	64,158	64,158	85,465	(21,307)
Coroner	63,803	63,803	63,722	81
E-911 system	100,000	100,000	70,914	29,086
Total public safety	\$ 3,866,421	\$ 3,866,421	\$ 3,962,918	\$ (96,497)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

*EXHIBIT 7
(Continued)*

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 107,401	\$ 107,401	\$ 104,270	\$ 3,131
Conservation of natural resources				
County extension	\$ 173,956	\$ 173,956	\$ 170,586	\$ 3,370
Water and soil resources	93,577	93,577	108,808	(15,231)
Extension committee	3,000	3,000	2,458	542
Agricultural inspections	5,000	5,000	5,000	-
Total conservation of natural resources	<u>\$ 275,533</u>	<u>\$ 275,533</u>	<u>\$ 286,852</u>	<u>\$ (11,319)</u>
Economic development				
Community development	\$ 109,000	\$ 109,000	\$ 109,000	\$ -
Capital outlay				
General government	\$ -	\$ -	\$ 128,491	\$ (128,491)
Total Expenditures	<u>\$ 8,655,749</u>	<u>\$ 8,655,749</u>	<u>\$ 9,026,467</u>	<u>\$ (370,718)</u>
Excess of Revenues Over (Under) Expenditures	\$ 521,902	\$ 521,902	\$ 851,048	\$ 329,146
Other Financing Sources (Uses)				
Transfers out	(521,902)	(521,902)	(581,902)	(60,000)
Net Change in Fund Balance	\$ -	\$ -	\$ 269,146	\$ 269,146
Fund Balance - January 1	<u>5,887,107</u>	<u>5,887,107</u>	<u>5,887,107</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 5,887,107</u></u>	<u><u>\$ 5,887,107</u></u>	<u><u>\$ 6,156,253</u></u>	<u><u>\$ 269,146</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 8

**BUDGETARY COMPARISON STATEMENT
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,254,721	\$ 1,254,721	\$ 1,258,498	\$ 3,777
Intergovernmental	3,971,750	3,971,750	4,288,968	317,218
Charges for services	672,000	672,000	469,836	(202,164)
Miscellaneous	88,726	88,726	121,857	33,131
Total Revenues	\$ 5,987,197	\$ 5,987,197	\$ 6,139,159	\$ 151,962
Expenditures				
Current				
Highways and streets				
Administration	\$ 395,488	\$ 395,488	\$ 413,892	\$ (18,404)
Maintenance	1,455,634	1,455,634	1,304,110	151,524
Engineering/construction	2,929,664	2,929,664	5,383,026	(2,453,362)
Equipment, maintenance, and shop	903,411	903,411	1,112,318	(208,907)
Total highways and streets	\$ 5,684,197	\$ 5,684,197	\$ 8,213,346	\$ (2,529,149)
Capital outlay				
Highways and streets	\$ 3,000	\$ 3,000	\$ -	\$ 3,000
Debt service				
Bond issuance costs	\$ -	\$ -	\$ 12,300	\$ (12,300)
Intergovernmental				
Highways and streets	\$ 300,000	\$ 300,000	\$ 283,029	\$ 16,971
Total Expenditures	\$ 5,987,197	\$ 5,987,197	\$ 8,508,675	\$ (2,521,478)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (2,369,516)	\$ (2,369,516)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 50,000	\$ 50,000
Transfers out	-	-	(50,000)	(50,000)
Proceeds from sale of bonds	-	-	3,000,000	3,000,000
Premium on bonds/notes issued	-	-	300	300
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 3,000,300	\$ 3,000,300
Net Change in Fund Balance	\$ -	\$ -	\$ 630,784	\$ 630,784
Fund Balance - January 1	682,523	682,523	682,523	-
Increase (decrease) in reserved for inventories	-	-	(28,047)	(28,047)
Fund Balance - December 31	\$ 682,523	\$ 682,523	\$ 1,285,260	\$ 602,737

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 9

**BUDGETARY COMPARISON STATEMENT
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,155,843	\$ 2,155,843	\$ 2,155,516	\$ (327)
Intergovernmental	2,520,917	2,520,917	3,167,625	646,708
Charges for services	131,047	131,047	242,426	111,379
Miscellaneous	211,922	211,922	234,528	22,606
Total Revenues	\$ 5,019,729	\$ 5,019,729	\$ 5,800,095	\$ 780,366
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,516,238	\$ 1,516,238	\$ 1,621,872	\$ (105,634)
Social services	3,646,125	3,646,125	4,029,242	(383,117)
Total Expenditures	\$ 5,162,363	\$ 5,162,363	\$ 5,651,114	\$ (488,751)
Net Change in Fund Balance	\$ (142,634)	\$ (142,634)	\$ 148,981	\$ 291,615
Fund Balance - January 1	4,123,067	4,123,067	4,123,067	-
Fund Balance - December 31	\$ 3,980,433	\$ 3,980,433	\$ 4,272,048	\$ 291,615

PROPRIETARY FUND

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FUND NET ASSETS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2008**

Assets

Current assets

Cash and pooled investments	\$ 1,704,034
Accounts receivable - net	3,823,027
Inventories	541,433
Prepaid items	330,872

Total current assets **\$ 6,399,366**

Restricted assets

Investments	\$ 11,072,065
Restricted by bond indenture	13,383,958
Restricted by donor	600,592

Total restricted assets **\$ 25,056,615**

Noncurrent assets

Investment in joint venture	\$ 372,227
Other assets	375,387
Capital assets	
Nondepreciable	17,025,008
Depreciable - net	4,599,440

Total noncurrent assets **\$ 22,372,062**

Total Assets **\$ 53,828,043**

Liabilities

Current liabilities

Accounts payable	\$ 1,043,473
Salaries payable	1,377,596
Accrued interest payable	221,603
Contracts payable	1,694,717
Capital lease payable	29,843

Total current liabilities **\$ 4,367,232**

Noncurrent liabilities

Bonds payable	\$ 26,949,922
Capital lease payable	37,356

Total noncurrent liabilities **\$ 26,987,278**

Total Liabilities **\$ 31,354,510**

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 10
(Continued)**

**STATEMENT OF FUND NET ASSETS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2008**

Net Assets

Invested in capital assets - net of related debt	\$ 7,638,411
Restricted by bond indenture	1,978,215
Restricted by donor	1,059,556
Unrestricted	<u>11,797,351</u>
Total Net Assets	<u>\$ 22,473,533</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 11

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

Operating Revenues	
Patient services revenues	\$ 20,974,888
Miscellaneous	405,325
	<hr/>
Total Operating Revenues	\$ 21,380,213
	<hr/>
Operating Expenses	
Professional care of patients	\$ 13,686,962
Administration and fiscal services	3,878,878
Property, housekeeping, and laundry	956,749
Dietary	391,144
Depreciation	1,097,387
	<hr/>
Total Operating Expenses	\$ 20,011,120
	<hr/>
Operating Income (Loss)	\$ 1,369,093
	<hr/>
Nonoperating Revenues (Expenses)	
Noncapital contributions	\$ 151,608
Interest income	314,646
Unrealized gain (loss) on investments	189,951
Interest expense	(6,000)
Gain (loss) on disposal of assets and other	2,249
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 652,454
	<hr/>
Excess of Revenues Over (Under) Expenses Before Capital Contributions	\$ 2,021,547
	<hr/>
Capital contributions	259,083
	<hr/>
Change in Net Assets	\$ 2,280,630
	<hr/>
Net Assets - January 1	20,192,903
	<hr/>
Net Assets - December 31	\$ 22,473,533
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 12

**STATEMENT OF CASH FLOWS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

Cash Flows from Operating Activities	
Receipts from third-party payors and patients	\$ 21,474,166
Other receipts	239,717
Payments to suppliers	(9,933,160)
Payments to employees	(9,124,438)
	<hr/>
Net cash provided by (used in) operating activities	\$ 2,656,285
Cash Flows from Capital and Related Financing Activities	
Proceeds from sale of capital assets	\$ 315,890
Purchases of capital assets	(12,647,423)
Contributions received restricted for capital assets	242,651
Principal payments on long-term debt	(30,790)
Interest paid	(6,000)
	<hr/>
Net cash provided by (used in) capital and related financing activities	\$ (12,125,672)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	\$ 15,187,858
Purchase of investments	(5,497,720)
Investment earnings received	469,102
	<hr/>
Net cash provided by (used in) investing activities	\$ 10,159,240
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 689,853
Cash and Cash Equivalents - January 1	1,014,181
	<hr/>
Cash and Cash Equivalents - December 31	\$ 1,704,034
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 12
(Continued)**

**STATEMENT OF CASH FLOWS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 1,369,093
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 1,097,387
Equity in joint venture	(299,098)
Distributions received from joint venture	133,490
(Increase) decrease in accounts receivable	499,278
(Increase) decrease in inventories	(49,148)
(Increase) decrease in prepaid items	(47,367)
(Increase) decrease in accounts payable	(110,299)
(Increase) decrease in salaries payable	62,949
Total adjustments	\$ 1,287,192
Net Cash Provided by (Used in) Operating Activities	\$ 2,656,285
Noncash Investing, Capital, and Financing Activities	
Loss on disposal of capital assets	\$ (599)
Construction in progress financed with payables	1,694,717
Unrealized losses on investments	189,951

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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, 2008**

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	<u>6</u> <u>401,556</u>
<u>Liabilities</u>	
Due to other governments	<u>\$</u> <u>401,556</u>

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DISCRETELY PRESENTED COMPONENT UNITS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 14

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2008**

	Economic Development Authority	Housing and Redevelopment Authority	Total
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 76,418	\$ 184,245	\$ 260,663
Investments	141,000	-	141,000
Accounts receivable - net	27,953	21,910	49,863
Accrued interest receivable	4,386	-	4,386
Loans receivable	1,399,940	-	1,399,940
Prepaid items	20,483	6,393	26,876
Total current assets	\$ 1,670,180	\$ 212,548	\$ 1,882,728
Noncurrent assets			
Deferred debt issuance costs	\$ 45,914	\$ -	\$ 45,914
Capital assets			
Nondepreciable	155,988	81,934	237,922
Depreciable - net	3,761,221	370,314	4,131,535
Total noncurrent assets	\$ 3,963,123	\$ 452,248	\$ 4,415,371
Total Assets	\$ 5,633,303	\$ 664,796	\$ 6,298,099
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 12,702	\$ 1,891	\$ 14,593
Accrued expenses	-	16,495	16,495
Due to other governments	1,000,000	-	1,000,000
Deferred rent income	-	4,121	4,121
Accrued interest payable	2,415	-	2,415
Customer deposits	44,155	-	44,155
Tenant security deposits	-	8,324	8,324
Revenue bonds payable - current	110,509	-	110,509
Total current liabilities	\$ 1,169,781	\$ 30,831	\$ 1,200,612
Noncurrent liabilities			
Revenue bonds payable - long-term	4,477,718	-	4,477,718
Total Liabilities	\$ 5,647,499	\$ 30,831	\$ 5,678,330
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ -	\$ 452,248	\$ 452,248
Unrestricted	(14,196)	181,717	167,521
Total Net Assets	\$ (14,196)	\$ 633,965	\$ 619,769

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Economic Development Authority (EDA)	\$ 635,062	\$ 551,655
Housing and Redevelopment Authority (HRA)	374,086	74,833
Total Component Units	\$ 1,009,148	\$ 626,488
	General Revenues	
	Investment income	
	Miscellaneous	
	Total general revenues	
	Change in Net Assets	
	Net Assets - Beginning	
	Net Assets - Ending	

EXHIBIT 15

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	EDA	HRA	Total
\$ 540	\$ -	\$ (82,867)	\$ -	\$ (82,867)
244,895	73,447	-	19,089	19,089
\$ 245,435	\$ 73,447	\$ (82,867)	\$ 19,089	\$ (63,778)
		\$ 6,484	\$ 1,721	\$ 8,205
		4,636	-	4,636
		\$ 11,120	\$ 1,721	\$ 12,841
		\$ (71,747)	\$ 20,810	\$ (50,937)
		57,551	613,155	670,706
		\$ (14,196)	\$ 633,965	\$ 619,769

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

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, 2008. 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 seven members appointed by the County Commissioners. Meeker County is obligated for the debt and Any operating deficits of the EDA.	The Meeker County EDA does not issue separate financial statements.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

Meeker County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. Meeker County first utilizes restricted resources to finance qualifying activities.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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**

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, 2008, 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 2008 were \$577,842.

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**

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**

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 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**

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**

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 fund level. The Board made some supplemental budgetary appropriations throughout the year; however, none were material.

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 reappropriated and honored during the subsequent year.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of \$87,221 as of December 31, 2008, although 12 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:

37 ditches with positive balances	\$	124,516
12 ditches with deficit balances		(37,295)
Net Fund Balance	\$	87,221

C. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2008:

	Expenditures	Budget	Excess
Major governmental funds			
General Fund	\$ 9,026,467	\$ 8,655,749	\$ 370,718
Road and Bridge Special Revenue Fund	8,508,675	5,987,197	2,521,478
Human Services Special Revenue Fund	5,651,114	5,162,363	488,751
Other governmental funds			
County Parks Special Revenue Fund	330,410	232,895	97,515
County Nurse Special Revenue Fund	1,469,439	1,361,315	108,124
County Transfer Station Special Revenue Fund	115,741	114,000	1,741

D. Prior Period Adjustment

Net assets at January 1, 2008, for governmental funds have been restated to reflect the revenues related to the County's allotment of Minnesota highway user tax.

		Amount
Balance January 1, 2008, as previously reported	\$	54,047,346
Prior period adjustment for state-aid revenue		1,409,946
Balance January 1, 2008, as restated	\$	55,457,292

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 14,876,406
Petty cash and change funds	2,690
Investments	9,771
Business-type activities	
Cash and pooled investments	1,704,034
Investments, restricted	25,056,615
Statement of fiduciary net assets	
Cash and pooled investments	401,556
Total Cash and Investments	\$ 42,051,072
Deposits	\$ 8,506,437
Petty cash and change funds	2,690
Investments	33,541,945
Total Deposits, Cash on Hand, and Investments	\$ 42,051,072

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 at the close of the financial institution's banking day, not covered by insurance or bonds.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, the County complies with Minnesota statutes in establishing authorized collateral for its deposits. As of December 31, 2008, 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;

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptance of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Interest Rate Risk (Continued)

At December 31, 2008, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
U.S. government securities	\$ 1,379,521	\$ 1,015,732	\$ 363,789	\$ -
Treasury notes/bonds	4,442,077	587,393	1,919,945	1,934,739
Investment pool/MAGIC Fund	4,925,845	4,925,845	-	-
Negotiable certificates of deposit	2,182,331	2,182,331	-	-
Money markets	20,534,596	20,534,596	-	-
Equity securities	77,575	77,575	-	-
Total Investments	<u>\$ 33,541,945</u>	<u>\$ 29,323,472</u>	<u>\$ 2,283,734</u>	<u>\$ 1,934,739</u>

Credit Risk

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

The County's exposure to credit risk as of December 31, 2008, is as follows:

	S & P Rating	Fair Value
U.S. government securities	AAA	\$ 1,379,521
Treasury notes/bonds	AAA	4,442,077
Investment pool/MAGIC Fund	N/R	4,925,845
Negotiable certificates of deposit	N/A	2,182,331
Money markets	AAA	20,534,596
Equity securities	N/A	77,575
Total		<u>\$ 33,541,945</u>

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a specific policy for custodial credit risk. As of December 31, 2008, \$4,555,969 of U.S. government securities and Treasury notes in the County's investment balance of \$33,541,945 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>4,555,969</u>
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Concentration of Credit Risk

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

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

Issuer	Reported Amount
Wells Fargo Brokerage Services	\$ 2,861,857
PFM Asset Management	3,862,843
Wachovia	2,172,560
Treasury note	2,419,606

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables at December 31, 2008, 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	\$ 288,167	\$ -
Special assessments	105,022	99,790
Accounts	104,051	-
Accrued interest	121,060	-
Due from other governments	1,975,733	-
Notes	312,000	9,000
Loans	879,833	389,065
Leases	169,664	109,084
Total Governmental Activities	\$ 3,955,530	\$ 606,939
Business-Type Activities		
Accounts receivable - net	\$ 3,823,027	\$ -

Leases Receivable

Independent School District (ISD) 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, 2008, the building is carried in the County's capital assets at \$4,531,584, net of depreciation.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables

Leases Receivable (Continued)

- (1) For the auditorium lease of the Family Services Building, ISD 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 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.

Amounts due under the lease agreements have been recorded as leases receivable and deferred revenue in the Family Services Building Fund at December 31, 2008.

The additional payments are as follows:

	<u>ISD 465 Auditorium</u>	<u>ISD 465 Office Space</u>	<u>Heartland Community Action Agency</u>	<u>Meeker County Food Shelf</u>	<u>Total</u>
2009	\$ 20,759	\$ 32,621	\$ 3,600	\$ 3,600	\$ 60,580
2010	21,046	33,072	600	600	55,318
2011	20,909	32,857	-	-	53,766
Total	<u>\$ 62,714</u>	<u>\$ 98,550</u>	<u>\$ 4,200</u>	<u>\$ 4,200</u>	<u>\$ 169,664</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, 2008, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,080,147	\$ 184,844	\$ -	\$ 2,264,991
Construction in progress	284,465	88,862	265,121	108,206
Total capital assets not depreciated	<u>\$ 2,364,612</u>	<u>\$ 273,706</u>	<u>\$ 265,121</u>	<u>\$ 2,373,197</u>
Capital assets depreciated				
Buildings	\$ 18,078,910	\$ 132,440	\$ -	\$ 18,211,350
Building improvements	1,491,423	2,338,073	-	3,829,496
Office furniture and equipment	2,882,186	197,517	125,141	2,954,562
Machinery and equipment	5,914,749	559,232	282,111	6,191,870
Infrastructure	38,242,129	5,215,468	-	43,457,597
Total capital assets depreciated	<u>\$ 66,609,397</u>	<u>\$ 8,442,730</u>	<u>\$ 407,252</u>	<u>\$ 74,644,875</u>
Less: accumulated depreciation for				
Buildings	\$ 5,502,377	\$ 418,483	\$ -	\$ 5,920,860
Building improvements	220,645	101,594	-	322,239
Office furniture and equipment	2,114,317	188,424	76,287	2,226,454
Machinery and equipment	3,998,207	440,175	207,162	4,231,220
Infrastructure	8,126,776	864,729	-	8,991,505
Total accumulated depreciation	<u>\$ 19,962,322</u>	<u>\$ 2,013,405</u>	<u>\$ 283,449</u>	<u>\$ 21,692,278</u>
Total capital assets depreciated, net	<u>\$ 46,647,075</u>	<u>\$ 6,429,325</u>	<u>\$ 123,803</u>	<u>\$ 52,952,597</u>
Governmental Activities Capital Assets, Net	<u>\$ 49,011,687</u>	<u>\$ 6,703,031</u>	<u>\$ 388,924</u>	<u>\$ 55,325,794</u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,156,731	\$ 111,451	\$ (72,052)	\$ 1,340,234
Construction in progress	2,830,639	12,854,135	-	15,684,774
Total capital assets not depreciated	<u>\$ 3,987,370</u>	<u>\$ 12,965,586</u>	<u>\$ (72,052)</u>	<u>\$ 17,025,008</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Business-Type Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Land improvements	\$ 317,664	\$ -	\$ -	\$ 317,664
Buildings	4,850,785	45,030	72,052	4,823,763
Machinery, furniture, and equipment	11,846,633	613,683	156,824	12,303,492
Total capital assets depreciated	\$ 17,015,082	\$ 658,713	\$ 228,876	\$ 17,444,919
Less: accumulated depreciation for				
Land improvements	\$ 232,354	\$ 15,000	\$ -	\$ 247,354
Buildings	3,237,402	204,513	-	3,441,915
Machinery, furniture, and equipment	8,434,561	877,874	156,225	9,156,210
Total accumulated depreciation	\$ 11,904,317	\$ 1,097,387	\$ 156,225	\$ 12,845,479
Total capital assets depreciated, net	\$ 5,110,765	\$ (438,674)	\$ 72,651	\$ 4,599,440
Business-Type Activities				
Capital Assets, Net	\$ 9,098,135	\$ 12,526,912	\$ 599	\$ 21,624,448

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

Governmental Activities	
General government	\$ 519,304
Public safety	154,154
Highways and streets, including depreciation of infrastructure assets	1,292,162
Human services	5,728
Health	1,653
Culture and recreation	22,237
Sanitation	17,817
Conservation of natural resources	350
Total Depreciation Expense - Governmental Activities	\$ 2,013,405
Business-Type Activities	
Hospital	\$ 1,097,387

**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, 2008, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 608
	Human Services	5,959
	Other governmental	2,154
Total due to General Fund		\$ 8,721
Road and Bridge	General	\$ 11,481
	Other governmental	789
Total due to Road and Bridge Special Revenue Fund		\$ 12,270
Human Services	General	\$ 342
	Other governmental	560
Total due to Human Services Special Revenue Fund		\$ 902
Other governmental	General	\$ 12,887
	Human Services	2,795
Total due to other governmental funds		\$ 15,682
Total Due To/From Other Funds		\$ 37,575

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental	\$ 41,636

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfer to Capital Projects Fund from Road and Bridge Special Revenue Fund	\$ 50,000	Building project
Transfers to other governmental funds from General Fund	\$ 581,902	Annual appropriation and capital project funding
Other governmental funds	290,113	Debt service requirements
Total transfers to other governmental funds	<u>\$ 872,015</u>	
Transfer to Road and Bridge Special Revenue Fund from Capital Projects Fund	\$ 50,000	Reimburse loan funds
Total Interfund Transfers	<u>\$ 972,015</u>	

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 686,940	\$ 1,043,473
Salaries	545,916	1,377,596
Contracts	309,881	1,694,717
Due to other governments	194,906	-
Total Payables	<u>\$ 1,737,643</u>	<u>\$ 4,115,786</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Construction Commitments

The County has active construction projects as of December 31, 2008. The projects include the following:

Governmental Activities

	<u>Spent-to-Date</u>	<u>Commitment</u>
Road and Bridge Special Revenue Fund		
Roads and bridges	\$ 2,013,854	\$ 195,937
Capital Projects Fund		
Building improvements	162,300	-
Total Governmental Activities	\$ 2,176,154	\$ 195,937

Business-Type Activities

Hospital		
Hospital renovations	\$ 14,796,000	\$ 10,964,000

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 Meeker Memorial Hospital Enterprise Fund as a capital asset at the net book value of \$65,400. The capital lease obligation is payable in monthly installments of \$2,854, discounted at a rate of 6.9 percent.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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>
2009	\$ 37,115
2010	31,406
2011	2,863
2012	<u>1,192</u>
Total lease payments	\$ 72,576
Less: amount representing interest	<u>(5,377)</u>
Total Principal Payments	<u>\$ 67,199</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 2008, the County issued \$3,000,000 in General Obligation State Aid Highway Bonds to finance improvement projects within the County.

**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, 2008</u>
General obligation bonds					
2002 G.O. EDA Lease Revenue Bonds	2012	\$100,000 - \$145,000	3.00 - 4.50	\$ 1,200,000	\$ 540,000
2005 Refunding G.O. Law Enforcement Bonds	2018	\$165,000 - \$245,000	3.00 - 3.65	2,210,000	2,045,000
2006 G.O. Capital Improvement Bonds	2026	\$105,000 - \$295,000	3.875 - 4.05	4,600,000	4,285,000
2008 G.O. State Aid Highway Bonds	2013	\$600,000	2.25 - 3.00	<u>3,000,000</u>	<u>3,000,000</u>
Total General Obligation Bonds				<u>\$ 11,010,000</u>	<u>\$ 9,870,000</u>
Refunding Certificates of Participation 2003	2011	\$240,000 - \$285,000	2.00 - 3.50	<u>\$ 2,060,000</u>	<u>\$ 825,000</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, 2008</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, 2008</u>
2001 Septic Loans	2010	\$3,104 - \$3,750	2.00	\$ 68,343	\$ 14,777

5. Debt Service Requirements

Debt service requirements at December 31, 2008, 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>
2009	\$ 1,110,000	\$ 331,265	\$ 265,000	\$ 22,888
2010	1,130,000	295,775	275,000	14,444
2011	1,160,000	261,430	285,000	4,988
2012	1,180,000	225,028	-	-
2013	1,050,000	189,488	-	-
2014 - 2018	2,420,000	593,120	-	-
2019 - 2023	1,065,000	263,305	-	-
2024 - 2028	755,000	46,879	-	-
Total	\$ 9,870,000	\$ 2,206,290	\$ 825,000	\$ 42,320

<u>Year Ending December 31</u>	<u>Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 7,315	\$ 259
2010	7,462	112
Total	\$ 14,777	\$ 371

**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
2009	\$ -	\$ 1,502,394
2010	425,000	1,502,394
2011	450,000	1,481,144
2012	470,000	1,458,644
2013	495,000	1,435,144
2014 - 2018	2,875,000	8,207,708
2019 - 2023	3,750,000	5,896,469
2024 - 2028	4,945,000	4,699,188
2029 - 2033	6,545,000	3,103,276
2034 - 2037	6,720,000	993,313
Total	\$ 26,675,000	\$ 30,279,674

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, 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	\$ 7,365,000	\$ 3,000,000	\$ 495,000	\$ 9,870,000	\$ 1,110,000
Certificates of participation	1,085,000	-	260,000	825,000	265,000
Add: unamortized premium	23,920	300	1,459	22,761	-
Less: deferred amounts for issuance discounts	(5,616)	-	(1,872)	(3,744)	-
Total bonds payable	\$ 8,468,304	\$ 3,000,300	\$ 754,587	\$ 10,714,017	\$ 1,375,000
Loans payable	21,948	-	7,171	14,777	7,315
Other postemployment benefits	-	86,939	-	86,939	-
Compensated absences	1,591,976	839,152	683,798	1,747,330	716,405
Governmental Activities Long-Term Liabilities	\$ 10,082,228	\$ 3,926,391	\$ 1,445,556	\$ 12,563,063	\$ 2,098,720

**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	274,922	-	-	274,922	-
Total bonds payable	\$ 26,949,922	\$ -	\$ -	\$ 26,949,922	\$ -
Capital lease payable	97,989	-	30,790	67,199	29,843
Business-Type Activities Long-Term Liabilities	\$ 27,047,911	\$ -	\$ 30,790	\$ 27,017,121	\$ 29,843

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. 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, 2008, the amount of defeased debt outstanding not included in the financial statements was \$820,000.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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**

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. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the 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; 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 6.00 percent, respectively, of their annual covered

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

2. Funding Policy (Continued)

salary in 2008. Public Employees Police and Fire Fund members were required to contribute 8.60 percent of their annual covered salary in 2008. That rate increased to 9.40 percent in 2009. 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 2008 and 2009:

	2008	2009
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2008, 2007, and 2006, 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
2008	\$ 448,765	\$ 117,372	\$ 44,225
2007	783,978	86,881	43,074
2006	719,299	85,261	36,336

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans (Continued)

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,588	\$ 4,588
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Postemployment Healthcare Plan

Beginning in 2008, Meeker County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement required the County to calculate and record a net other postemployment benefit obligation (NOPEBO) at December 31, 2008. The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2008.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Healthcare Plan (Continued)

A. Plan Description

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

B. Funding Policy

Retirees and their spouses contribute to the healthcare plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the County based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2008, the County contributed \$25,462. As of January 1, 2008, there were approximately five retirees receiving health benefits from the County's health plan.

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$	112,401
Interest on net OPEB obligation		-
Adjustment to ARC		-
		-
Annual OPEB cost (expense)	\$	112,401
Contributions made		(25,462)
		86,939
Increase in net OPEB obligation	\$	86,939
Net OPEB obligation - beginning of year		-
		86,939
Net OPEB obligation - end of year	\$	86,939

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Healthcare Plan

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 112,401	22.7%	\$ 86,939

D. Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the County has no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$747,876 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$747,876. The covered payroll (annual payroll of active employees covered by the plan) was \$8,158,691, and the ratio of the UAAL to the covered payroll was 9.2 percent.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Healthcare Plan (Continued)

E. Actuarial Methods and Assumptions

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

In the January 1, 2008, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (6.5 percent, long-term, similar to a pension plan) or unfunded (4.5 percent, shorter term, based on County's general assets). The County currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual healthcare cost trend rate was calculated to be nine percent initially, reduced incrementally to five percent after eight years. Both percents included a three percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at January 1, 2008, was 30 years.

6. Risk Management

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

6. 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 \$410,000 per claim in 2008 and \$430,000 per claim in 2009. 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.

7. Summary of Significant Contingencies and Other Items

A. Subsequent Events

On January 6, 2009, the County Board approved the issuance of a \$234,253 General Obligation Certificate of Indebtedness.

B. Contingent Liabilities

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

C. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

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

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

Meeker-McLeod-Sibley Community Health Services Board

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

The joint venture is financed primarily from state and federal grants. McLeod County is the fiscal agent. Current financial statements are available at its offices at 114 North Holcombe Avenue, Suite 250, Litchfield, Minnesota 55355.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Prime West Central County-Based Purchasing Initiative (Continued)

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.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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.

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entities

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

The Meeker County Housing and Redevelopment Authority (HRA) is governed by a five-member Board appointed by the County Commissioners. The HRA has a year-end of June 30, 2008. Meeker County is obligated for the debt and any operating deficits of the HRA.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

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. Stewardship, Compliance, and Accountability

At December 31, 2008, the EDA had deficit net assets of \$14,196. Increased revenues are expected to get rid of this deficit.

C. Detailed Notes

1. Assets

Receivables

Receivables at December 31, 2008, for the EDA, and at June 30, 2008, for the HRA, including the applicable allowances for uncollectible accounts, are as follows:

	<u>EDA</u>	<u>HRA</u>	<u>Total Receivables</u>
Accounts	\$ 27,953	\$ 21,910	\$ 49,863
Accrued interest	4,386	-	4,386
Loans	1,399,940	-	1,399,940
Total Component Units	<u>\$ 1,432,279</u>	<u>\$ 21,910</u>	<u>\$ 1,454,189</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

C. Detailed Notes

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, 2008, for the EDA, and June 30, 2008, for the HRA, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
EDA	\$ 155,988	\$ -	\$ -	\$ 155,988
HRA	63,966	-	-	63,966
Total capital assets not depreciated - land	\$ 219,954	\$ -	\$ -	\$ 219,954
Construction in progress				
HRA	-	17,968	-	17,968
Total capital assets not depreciated	\$ 219,954	\$ 17,968	\$ -	\$ 237,922
Capital assets depreciated				
Buildings and equipment				
EDA	\$ 5,164,938	\$ 11,040	\$ -	\$ 5,175,978
HRA	1,161,381	15,284	-	1,176,665
Total capital assets depreciated - buildings and equipment	\$ 6,326,319	\$ 26,324	\$ -	\$ 6,352,643

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

C. Detailed Notes

1. Assets

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for Buildings and equipment				
EDA	\$ 1,234,277	\$ 180,480	\$ -	\$ 1,414,757
HRA	<u>758,284</u>	<u>48,067</u>	<u>-</u>	<u>806,351</u>
Total accumulated depreciation	<u>\$ 1,992,561</u>	<u>\$ 228,547</u>	<u>\$ -</u>	<u>\$ 2,221,108</u>
Total capital assets depreciated, net	<u>\$ 4,333,758</u>	<u>\$ (202,223)</u>	<u>\$ -</u>	<u>\$ 4,131,535</u>
Total Capital Assets, Net	<u><u>\$ 4,553,712</u></u>	<u><u>\$ (184,255)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,369,457</u></u>

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

EDA	\$ 180,480
HRA	<u>48,067</u>
Total Depreciation Expense	<u><u>\$ 228,547</u></u>

2. Liabilities

Payables

Payables at December 31, 2008, for the EDA, and at June 30, 2008, for the HRA were as follows:

	<u>EDA</u>	<u>HRA</u>	<u>Total Payables</u>
Accounts	\$ 12,702	\$ 1,891	\$ 14,593
Accrued expenses	-	16,495	16,495
Due to other governments	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total Payables	<u><u>\$ 1,012,702</u></u>	<u><u>\$ 18,386</u></u>	<u><u>\$ 1,031,088</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

C. Detailed Notes

2. Liabilities (Continued)

Long-Term Debt

Long-term debt outstanding at December 31, 2008, 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	\$ 1,486,349
1999 Essential Function Housing Development Revenue Bonds	2030	7,367	4.75	1,400,000	1,197,390
2001 Essential Function Housing Development Revenue Bonds	2032	6,272	4.75	1,200,000	1,068,589
2002 Essential Function Housing Development Revenue Bonds	2033	4,861	4.75	<u>930,000</u>	<u>835,899</u>
Totals				<u>\$ 5,340,000</u>	<u>\$ 4,588,227</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>
2009	\$ 110,509	\$ 197,609
2010	126,160	209,969
2011	132,285	203,844
2012	138,707	197,422
2013	145,440	190,688
2014 - 2018	840,227	840,415
2019 - 2023	1,064,972	615,671
2024 - 2028	1,349,830	330,811
2029 - 2033	<u>680,097</u>	<u>54,818</u>
Total	<u>\$ 4,588,227</u>	<u>\$ 2,841,247</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

C. Detailed Notes

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, 2008.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Essential Function Housing Development Revenue Bonds for					
1998	\$ 1,528,778	\$ -	\$ 42,429	\$ 1,486,349	\$ 40,700
1999	1,228,120	-	30,730	1,197,390	29,478
2001	1,092,480	-	23,892	1,068,589	22,918
2002	854,051	-	18,152	835,899	17,413
EDA Long-Term Liabilities	<u>\$ 4,703,429</u>	<u>\$ -</u>	<u>\$ 115,203</u>	<u>\$ 4,588,227</u>	<u>\$ 110,509</u>

D. Other Information - EDA

The EDA entered into an agreement with Meeker Memorial Hospital to move three residential properties and ready them for livability. The EDA was reimbursed by Meeker Memorial Hospital for the costs incurred. These transactions are not reflected in the financial statements of the EDA since these properties were not originally in the possession of the EDA.

9. Subsequent Event

A claim against Meeker County has recently been settled in the amount of \$1.75 million. The County is responsible only for its \$2,000 deductible; insurance will be covering the remainder.

REQUIRED SUPPLEMENTARY INFORMATION

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 1

**SCHEDULE OF FUNDING PROGRESS
POSTEMPLOYMENT BENEFITS PLAN
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$ 747,876	\$ 747,876	0.0%	\$ 8,158,691	9.2%

Multi-year trend information is not available at this time, as Governmental Accounting Standards Board Statement 45 was implemented in 2008.

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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, 2008**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<u>Assets</u>				
Cash and pooled investments	\$ 66,924	\$ 62,057	\$ 409,644	\$ 122,059
Taxes receivable				
Delinquent	-	4,796	-	-
Special assessments receivable				
Delinquent	-	-	-	5,232
Noncurrent	-	-	-	99,790
Accounts receivable - net	-	-	45,938	5,641
Due from other funds	-	-	15,682	-
Due from other governments	16,463	-	28,620	3,263
Loans receivable	-	-	-	-
Leases receivable	-	-	-	-
Prepaid items	-	-	3,965	-
Total Assets	<u>\$ 83,387</u>	<u>\$ 66,853</u>	<u>\$ 503,849</u>	<u>\$ 235,985</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 2,309	\$ -	\$ 14,050	\$ 170
Salaries payable	4,523	-	55,392	-
Due to other funds	14	-	1,635	1,854
Due to other governments	-	-	3,715	82
Deferred revenue - unavailable	-	3,982	-	105,022
Deferred revenue - unearned	-	-	-	-
Advance from other funds	-	-	-	41,636
Total Liabilities	<u>\$ 6,846</u>	<u>\$ 3,982</u>	<u>\$ 74,792</u>	<u>\$ 148,764</u>
Fund Balances				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Reserved for prepaid items	-	-	3,965	-
Unreserved				
Designated for cash flows	-	62,871	-	-
Designated for future expenditures	76,541	-	425,092	87,221
Designated for debt service	-	-	-	-
Undesignated	-	-	-	-
Total Fund Balances	<u>\$ 76,541</u>	<u>\$ 62,871</u>	<u>\$ 429,057</u>	<u>\$ 87,221</u>
Total Liabilities and Fund Balances	<u>\$ 83,387</u>	<u>\$ 66,853</u>	<u>\$ 503,849</u>	<u>\$ 235,985</u>

Statement 1

<u>Special Revenue Funds</u>							
<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>	
\$ 926,353	\$ 358,586	\$ 14,924	\$ 16,215	\$ 16,326	\$ 345,640	\$ 2,338,728	
-	3,462	-	-	-	19,394	27,652	
-	-	-	-	-	-	5,232	
-	-	-	-	-	-	99,790	
7,066	-	-	-	-	-	58,645	
-	-	-	-	-	-	15,682	
-	77,801	-	-	11	-	126,158	
-	-	1,460	-	-	-	1,460	
-	161,264	-	-	-	-	161,264	
-	-	-	-	-	-	3,965	
\$ 933,419	\$ 601,113	\$ 16,384	\$ 16,215	\$ 16,337	\$ 365,034	\$ 2,838,576	
\$ 2,456	\$ 12,909	\$ -	\$ -	\$ -	\$ -	\$ 31,894	
918	7,174	-	-	-	-	68,007	
-	-	-	-	-	-	3,503	
-	5,746	-	10,449	-	-	19,992	
-	2,861	1,460	-	-	16,062	129,387	
-	161,264	-	-	-	-	161,264	
-	-	-	-	-	-	41,636	
\$ 3,374	\$ 189,954	\$ 1,460	\$ 10,449	\$ -	\$ 16,062	\$ 455,683	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 348,972	\$ 348,972	
-	-	-	-	-	-	3,965	
-	175,391	-	-	-	-	238,262	
-	235,768	-	5,766	16,337	-	846,725	
-	-	14,924	-	-	-	14,924	
930,045	-	-	-	-	-	930,045	
\$ 930,045	\$ 411,159	\$ 14,924	\$ 5,766	\$ 16,337	\$ 348,972	\$ 2,382,893	
\$ 933,419	\$ 601,113	\$ 16,384	\$ 16,215	\$ 16,337	\$ 365,034	\$ 2,838,576	

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
Revenues				
Taxes	\$ -	\$ 161,914	\$ -	\$ -
Special assessments	-	-	-	94,316
Intergovernmental	-	30,398	536,036	-
Charges for services	79,897	-	609,245	-
Fines and forfeits	-	-	-	-
Gifts and contributions	2,800	-	50	-
Miscellaneous	5,853	-	3,701	-
Total Revenues	\$ 88,550	\$ 192,312	\$ 1,149,032	\$ 94,316
Expenditures				
Current				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Health	-	-	1,469,439	-
Culture and recreation	275,913	193,673	-	-
Conservation of natural resources	-	-	-	97,165
Capital outlay	54,497	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	2,387
Total Expenditures	\$ 330,410	\$ 193,673	\$ 1,469,439	\$ 99,552
Excess of Revenues Over (Under)				
Expenditures	\$ (241,860)	\$ (1,361)	\$ (320,407)	\$ (5,236)
Other Financing Sources (Uses)				
Transfers in	\$ 232,164	\$ -	\$ 349,738	\$ -
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	\$ 232,164	\$ -	\$ 349,738	\$ -
Net Change in Fund Balance	\$ (9,696)	\$ (1,361)	\$ 29,331	\$ (5,236)
Fund Balance - January 1	86,237	64,232	399,726	92,457
Fund Balance - December 31	\$ 76,541	\$ 62,871	\$ 429,057	\$ 87,221

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>
\$ -	\$ 112,391	\$ -	\$ 23,541	\$ -	\$ 634,416	\$ 932,262
-	-	3,039	-	-	-	97,355
-	21,269	-	-	-	120,093	707,796
155,873	-	-	-	-	-	845,015
-	-	-	-	2,286	-	2,286
-	-	-	-	-	-	2,850
-	549,290	-	-	-	-	558,844
\$ 155,873	\$ 682,950	\$ 3,039	\$ 23,541	\$ 2,286	\$ 754,509	\$ 3,146,408
\$ -	\$ 323,336	\$ -	\$ 1,970	\$ -	\$ 1,950	\$ 327,256
115,741	-	-	-	-	-	115,741
-	-	-	-	-	-	1,469,439
-	-	-	-	-	-	469,586
-	-	-	-	-	-	97,165
-	-	-	-	-	-	54,497
-	-	7,171	-	-	755,000	762,171
-	-	403	-	-	299,986	302,776
\$ 115,741	\$ 323,336	\$ 7,574	\$ 1,970	\$ -	\$ 1,056,936	\$ 3,598,631
\$ 40,132	\$ 359,614	\$ (4,535)	\$ 21,571	\$ 2,286	\$ (302,427)	\$ (452,223)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290,113	\$ 872,015
-	(290,113)	-	-	-	-	(290,113)
\$ -	\$ (290,113)	\$ -	\$ -	\$ -	\$ 290,113	\$ 581,902
\$ 40,132	\$ 69,501	\$ (4,535)	\$ 21,571	\$ 2,286	\$ (12,314)	\$ 129,679
889,913	341,658	19,459	(15,805)	14,051	361,286	2,253,214
\$ 930,045	\$ 411,159	\$ 14,924	\$ 5,766	\$ 16,337	\$ 348,972	\$ 2,382,893

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 3

**BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 57,931	\$ 57,931	\$ 79,897	\$ 21,966
Gifts and contributions	-	-	2,800	2,800
Miscellaneous	2,800	2,800	5,853	3,053
Total Revenues	\$ 60,731	\$ 60,731	\$ 88,550	\$ 27,819
Expenditures				
Current				
Culture and recreation				
Parks	\$ 232,895	\$ 232,895	\$ 275,913	\$ (43,018)
Capital outlay				
Culture and recreation	-	-	54,497	(54,497)
Total Expenditures	\$ 232,895	\$ 232,895	\$ 330,410	\$ (97,515)
Excess of Revenues Over (Under) Expenditures	\$ (172,164)	\$ (172,164)	\$ (241,860)	\$ (69,696)
Other Financing Sources (Uses)				
Transfers in	172,164	172,164	232,164	60,000
Net Change in Fund Balance	\$ -	\$ -	\$ (9,696)	\$ (9,696)
Fund Balance - January 1	86,237	86,237	86,237	-
Fund Balance - December 31	\$ 86,237	\$ 86,237	\$ 76,541	\$ (9,696)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 4

**BUDGETARY COMPARISON SCHEDULE
REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 161,376	\$ 161,376	\$ 161,914	\$ 538
Intergovernmental	<u>32,297</u>	<u>32,297</u>	<u>30,398</u>	<u>(1,899)</u>
Total Revenues	\$ 193,673	\$ 193,673	\$ 192,312	\$ (1,361)
Expenditures				
Current				
Culture and recreation	<u>193,673</u>	<u>193,673</u>	<u>193,673</u>	<u>-</u>
Net Change in Fund Balance	\$ -	\$ -	\$ (1,361)	\$ (1,361)
Fund Balance - January 1	<u>64,232</u>	<u>64,232</u>	<u>64,232</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 64,232</u></u>	<u><u>\$ 64,232</u></u>	<u><u>\$ 62,871</u></u>	<u><u>\$ (1,361)</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 5

**BUDGETARY COMPARISON SCHEDULE
COUNTY NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 596,882	\$ 596,882	\$ 536,036	\$ (60,846)
Charges for services	414,695	414,695	609,245	194,550
Gifts and contributions	-	-	50	50
Miscellaneous	-	-	3,701	3,701
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 1,011,577	\$ 1,011,577	\$ 1,149,032	\$ 137,455
Expenditures				
Current				
Health				
Nursing service	1,361,315	1,361,315	1,469,439	(108,124)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	\$ (349,738)	\$ (349,738)	\$ (320,407)	\$ 29,331
Other Financing Sources (Uses)				
Transfers in	349,738	349,738	349,738	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	\$ -	\$ -	\$ 29,331	\$ 29,331
Fund Balance - January 1	399,726	399,726	399,726	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - December 31	\$ 399,726	\$ 399,726	\$ 429,057	\$ 29,331
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 6

**BUDGETARY COMPARISON SCHEDULE
TRANSFER STATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 114,000	\$ 114,000	\$ 155,873	\$ 41,873
Expenditures				
Current				
Sanitation				
Solid waste	114,000	114,000	115,741	(1,741)
Net Change in Fund Balance	\$ -	\$ -	\$ 40,132	\$ 40,132
Fund Balance - January 1	889,913	889,913	889,913	-
Fund Balance - December 31	<u>889,913</u>	<u>889,913</u>	<u>930,045</u>	<u>40,132</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 7

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 109,902	\$ 109,902	\$ 112,391	\$ 2,489
Intergovernmental	25,503	25,503	21,269	(4,234)
Miscellaneous	505,490	505,490	549,290	43,800
Total Revenues	\$ 640,895	\$ 640,895	\$ 682,950	\$ 42,055
Expenditures				
Current				
General government				
Central services	350,782	350,782	323,336	27,446
Excess of Revenues Over (Under)				
Expenditures	\$ 290,113	\$ 290,113	\$ 359,614	\$ 69,501
Other Financing Sources (Uses)				
Transfers out	(290,113)	(290,113)	(290,113)	-
Net Change in Fund Balance	\$ -	\$ -	\$ 69,501	\$ 69,501
Fund Balance - January 1	341,658	341,658	341,658	-
Fund Balance - December 31	\$ 341,658	\$ 341,658	\$ 411,159	\$ 69,501

**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, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 413,872	\$ 24,482,435	\$ 24,662,661	\$ 233,646
<u>Liabilities</u>				
Due to other governments	\$ 413,872	\$ 24,482,435	\$ 24,662,661	\$ 233,646
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 85,607	\$ 2,649,300	\$ 2,655,575	\$ 79,332
<u>Liabilities</u>				
Due to other governments	\$ 85,607	\$ 2,649,300	\$ 2,655,575	\$ 79,332
 <u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 90,707	\$ 180,283	\$ 182,412	\$ 88,578
<u>Liabilities</u>				
Due to other governments	\$ 90,707	\$ 180,283	\$ 182,412	\$ 88,578

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

*Statement 8
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>ESCROWS AND HELD MONIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ -	\$ -	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ -	\$ -	\$ -
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 590,186	\$ 27,312,018	\$ 27,500,648	\$ 401,556
<u>Liabilities</u>				
Due to other governments	\$ 590,186	\$ 27,312,018	\$ 27,500,648	\$ 401,556

ECONOMIC DEVELOPMENT AUTHORITY

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 9

**STATEMENT OF NET ASSETS
ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2008**

Assets

Current assets

Cash and pooled investments	\$ 76,418
Investments	141,000
Accounts receivable - net	27,953
Accrued interest receivable	4,386
Loans receivable	1,399,940
Prepaid items	20,483

Total current assets **\$ 1,670,180**

Noncurrent assets

Deferred debt issuance costs	\$ 45,914
Capital assets	
Nondepreciable	155,988
Depreciable - net	3,761,221

Total noncurrent assets **\$ 3,963,123**

Total Assets **\$ 5,633,303**

Liabilities

Current liabilities

Accounts payable	\$ 12,702
Due to other governments	1,000,000
Accrued interest payable	2,415
Customer deposits	44,155
Revenue bonds payable - current	110,509

Total current liabilities **\$ 1,169,781**

Noncurrent liabilities

Revenue bonds payable - long-term	4,477,718
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Total Liabilities **\$ 5,647,499**

Net Assets

Unrestricted **\$ (14,196)**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 10

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2008**

Operating Revenues	
Tenant rents	\$ 551,655
Miscellaneous	540
	<hr/>
Total Operating Revenues	\$ 552,195
Operating Expenses	
General services - repairs and maintenance	\$ 70,406
Administration and fiscal services	4,035
Management and caretaking	48,727
Real estate taxes	27,805
Snowplowing	12,228
Utilities	9,248
Water reimbursement	7
Advertising	4,403
Background checks	557
Insurance	29,324
Bad debts	640
Interest	436
Miscellaneous	878
Depreciation	180,480
	<hr/>
Total Operating Expenses	\$ 389,174
Operating Income (Loss)	\$ 163,021
Nonoperating Revenues (Expenses)	
Interest income	\$ 6,484
Management fees	4,636
Intergovernmental - Meeker County	(11,445)
Repayment to contributors	(11,445)
Interest expense	(220,926)
Bond issue expense	(2,072)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (234,768)
Change in Net Assets	\$ (71,747)
Net Assets - January 1	57,551
	<hr/>
Net Assets - December 31	\$ (14,196)
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 11

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2008
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 554,420
Payments to suppliers	<u>(211,960)</u>
Net cash provided by (used in) operating activities	<u>\$ 342,460</u>
Cash Flows from Noncapital Financing Activities	
Contributions	\$ (11,445)
Intergovernmental expense - Meeker County	<u>(11,445)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ (22,890)</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (115,203)
Interest paid on long-term debt	(220,841)
Purchases of capital assets	<u>(11,040)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (347,084)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 7,296</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (20,218)
Cash and Cash Equivalents at January 1	<u>237,636</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 217,418</u></u>
Cash and Cash Equivalents - Statement 9	
Cash and pooled investments	\$ 76,418
Investments	<u>141,000</u>
Total Cash and Cash Equivalents	<u><u>\$ 217,418</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 11
(Continued)

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2008
Increase (Decrease) in Cash and Cash Equivalents**

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

Operating income (loss)	\$ <u>163,021</u>
 Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 180,480
Other miscellaneous receipts	4,636
(Increase) decrease in accounts receivable	(26,180)
(Increase) decrease in prepaid items	(2,655)
(Increase) decrease in loans receivable	22,889
Increase (decrease) in customer deposits	880
Increase (decrease) in accounts payable	<u>(611)</u>
 Total adjustments	 \$ <u>179,439</u>
 Net Cash Provided by (Used in) Operating Activities	 \$ <u><u>342,460</u></u>

OTHER SCHEDULE

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Shared Revenue

State

Highway users tax	\$	3,337,205
HACA		836,651
Market value credit		713,862
Market value credit - mobile home		5,224
Market value credit - agricultural		173,232
PERA rate reimbursement		24,144
Disparity reduction aid		13,859
Police aid		96,870
E-911		99,767
		99,767

Total Shared Revenue

\$ 5,300,814

Reimbursement for Services

State

Minnesota Department of Human Services	\$	445,440
		445,440

Local

Local contributions	\$	69,620
Payments in lieu of taxes		59,282
		59,282

Total Local

\$ 128,902

Grants

State

Minnesota Department/Board of		
Corrections	\$	140,783
Public Safety		57,806
Transportation		9,942
Health		179,823
Natural Resources		8,843
Human Services		1,160,655
Soil and Water Resources		93,672
Veteran's Affairs		11,771
Miscellaneous		4,905
Pollution Control Agency		59,805
		59,805

Total State

\$ 1,728,005

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 2
(Continued)

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 243,259
Justice	3,361
Transportation	721,205
Education	2,603
Health and Human Services	1,217,319
Homeland Security	32,100
Environmental Protection Agency	10,850

Total Federal **\$ 2,230,697**

Total State and Federal Grants **\$ 3,958,702**

Total Intergovernmental Revenue **\$ 9,833,858**

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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 programs 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 programs 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 programs are:

Highway Planning and Construction	CFDA #20.205
Child Support Enforcement Title IV-D	CFDA #93.563
Medical Assistance	CFDA #93.778
- 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, and the Economic Development Authority component unit. Other smaller County offices may also have insufficient segregation of duties. 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;
- purchase of goods and services;
- contracting practices;
- establishing charge accounts at local stores;
- approval and payment of bills;

Schedule 3
(Continued)

- accounting for payroll activities;
- accounting for capital assets (capitalization process and related depreciation);
- physical counts of inventory items;
- access to applications and the network;
- creating, changing, and updating passwords; 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. 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.

The County is in the process of preparing a comprehensive accounting policies and procedures manual that will be presented to the County Board for approval upon completion. We recommend the County continue its efforts in developing this manual. A single manual developed by the County could be endorsed by the EDA and approved by the 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. The County has adopted and implemented several individual policies and procedures. Meeker County is in the process of adopting a comprehensive Policy and Procedures Manual.

EDA intends to endorse formalized policies and procedures as set forth in the County Manual upon its completion.

PREVIOUSLY REPORTED ITEMS RESOLVED

Payroll Review (07-1)

Our previous report identified that Meeker County's payroll process did not include a review of information entered into the payroll system prior to paychecks being issued.

Resolution

Our review of the payroll process for the current year found that another employee in the County Auditor's Office is now reviewing the information entered into the payroll system before the paychecks are issued.

Audit Adjustments (07-2)

Our previous report identified material audit adjustments proposed during the audit and subsequently reflected in the financial statements.

Resolution

Our audit of the County's financial information did not result in material audit adjustments.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

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

Previous reports have noted deficit cash and equity balances in the County's ditch system. At December 31, 2008, 10 of 49 individual drainage systems had deficit cash balances totaling \$14,293, an improvement over the year-end 2007 cash deficits of \$21,222. Twelve of 49 individual systems had deficit equity balances totaling \$37,295, an improvement from 2007, which had deficits totaling \$66,216. Minnesota Statutes § 385.31 permits the payment of expenditures provided the fund has money for that purpose. Minnesota Statutes § 103E.655, subd. 2, allows for loans to be made from ditch

Schedule 3
(Continued)

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. Minnesota Statutes § 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 continuing efforts in reducing the cash deficits during 2008. 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 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.

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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, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 23, 2009. 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 Memorial Hospital, an enterprise fund of Meeker County, and the Meeker County Housing and Redevelopment Authority, a discretely presented component unit of Meeker County, as described in our report on Meeker County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Meeker Memorial Hospital 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 and 06-1 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 neither 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 seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories.

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

Meeker County's written responses to the 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 23, 2009

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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 each of its major federal programs for the year ended December 31, 2008. Meeker County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Meeker County's financial statements include the operations of the Housing and Redevelopment Authority (HRA), a discretely presented component unit, which expended \$279,779 in federal awards during the year ended June 30, 2008, 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 each of its major federal programs for the year ended December 31, 2008.

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 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 Meeker County's 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 significant deficiencies or material weaknesses.

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, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 23, 2009. We did not audit the financial statements of the Meeker Memorial Hospital, an enterprise fund of Meeker County, or the Meeker County HRA, a discretely presented component unit of Meeker County. Those reports were audited by other auditors. 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 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 23, 2009

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 130,594
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	<u>112,665</u>
Total U.S. Department of Agriculture		<u>\$ 243,259</u>
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	\$ 1,874
Passed Through Minnesota Department of Public Safety Enforcing Underage Drinking Laws Program	16.727	<u>1,487</u>
Total U.S. Department of Justice		<u>\$ 3,361</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 703,231
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	7,696
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>10,278</u>
Total U.S. Department of Transportation		<u>\$ 721,205</u>
U.S. Environmental Protection Agency		
Passed Through Meeker-McLeod-Sibley Community Health Services State Indoor Radon Grants	66.032	\$ 8,021
Passed Through Minnesota Department of Health State Indoor Radon Grants	66.032	<u>2,829</u>
Total U.S. Environmental Protection Agency		<u>\$ 10,850</u>
U.S. Department of Education		
Passed Through Meeker and Wright Special Education Cooperative Special Education Grant for Infants	84.181	<u>\$ 2,603</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***Schedule 4
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Meeker-McLeod-Sibley Community Health Services		
Drug-Free Community Support	93.276	\$ 26,052
Center for Disease Control and Prevention Block Grant	93.283	29,108
Temporary Assistance for Needy Families (TANF)	93.558	13,475
Maternal and Child Health Services Block Grant	93.994	22,701
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	14,319
Temporary Assistance for Needy Families (TANF)	93.558	173,826
Child Support Enforcement Program	93.563	316,821
Refugee and Entrance Assistance Grant	93.566	295
Child Care Cluster		
Child Care Development Block Grant	93.575	7,960
Child Care Mandatory and Matching Funds	93.596	1,728
Foster Care Title IV-E	93.658	53,852
Social Services Block Grant Title XX	93.667	124,260
Chafee Foster Care Independent Living	93.674	3,283
State Children's Insurance Premiums	93.767	294
Medical Assistance	93.778	421,042
Bioterrorism Hospital Preparedness	93.889	5,242
Community Mental Health Block Grant	93.958	3,061
Total U.S. Department of Health and Human Services		\$ 1,217,319
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 3,480
Passed Through Minnesota Department of Public Safety		
Homeland Security Grant Program	97.067	28,620
Total U.S. Department of Homeland Security		\$ 32,100
Total Federal Awards		\$ 2,230,697

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 4
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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.