

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MEEKER COUNTY
LITCHFIELD, MINNESOTA

YEAR ENDED DECEMBER 31, 2010

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Year Ended December 31, 2010



**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, 2010

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Jim Swenson	District 1	January 2011
Vice Chair	Dave Gabrielson	District 2	January 2011
Board Member	Amy Wilde	District 3	January 2011
Chair	Wallace Strand	District 4	January 2011
Board Member	Roney Kutzke	District 5	January 2013
Attorney	Stephanie Beckman		January 2011
Auditor	Barbara Loch		January 2011
Treasurer	Sharon Euerle		January 2011
Recorder	Elaine Lenhard		January 2011
Sheriff	Jeff Norlin		January 2011
Appointed			
Assessor	Robert Anderson		January 2012
Court Administrator	Theresa Fredrickson		Indefinite
Coroner	A. Quinn Strobl, M.D.		Indefinite
Examiner of Titles	Mark Wood		Indefinite
Highway Engineer	Ronald Mortensen		May 2014
Surveyor	Doug Huhn		December 2010
Veterans Service Officer	Charles Unterberger		May 2011
Welfare Director	Clark Gustafson		Indefinite
Emergency Management Director Department of Motor Vehicles	Jeff Norlin		Indefinite
Registrar	Sharon Euerle		Indefinite
County Administrator	Paul Virnig		Indefinite
Planning and Zoning Administrator	Kristin Cote		Indefinite

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Meeker County

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, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of (1) the Meeker Memorial Hospital, which represent the amounts shown as the business-type activities and the major proprietary fund; and (2) the Meeker County Housing and Redevelopment Authority, which represents 14 percent, 127 percent, and 37 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinion, insofar as it relates to the amounts included for the Meeker Memorial Hospital Enterprise Fund and the Housing and Redevelopment Authority component unit, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Meeker Memorial Hospital were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes

assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meeker County's basic financial statements taken as a whole. The supplementary information, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2011, 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

September 27, 2011

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(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, 2010. 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, 2010, by \$89,013,981 (net assets). Of this amount, \$29,468,327 (unrestricted net assets) may be used to meet Meeker County's ongoing obligations to citizens and creditors.
- Meeker County's total net assets increased by \$4,602,902 in 2010. This is attributed primarily to an increase in activity.
- As of the close of 2010, Meeker County's governmental funds reported combined ending fund balances of \$15,398,605, an increase of \$1,196,725 in comparison with the prior year. Of this fund balance amount, \$952,286 was unreserved and undesignated by Meeker County, and thus available for spending at the government's discretion.
- At the end of 2010, unreserved fund balance for the General Fund was \$5,317,513, or 58.59 percent, of the total General Fund expenditures for that year.
- Meeker County's total debt increased by \$783,813, or 2.18 percent. The key factor in the increase was the issuance of capital notes that exceeded payment on principal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Level Financial Statements

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

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

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

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

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

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

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

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

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

The notes to the financial statements can be found on pages 37 through 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 \$89,013,981 at the close of 2010. The largest portion of Meeker County's net assets (61.07 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	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 19,915,310	\$ 19,397,727	\$ 22,269,242	\$ 21,358,407	\$ 42,184,552	\$ 40,756,134
Capital assets	60,265,662	56,915,139	31,154,614	32,163,366	91,420,276	89,078,505
Total Assets	\$ 80,180,972	\$ 76,312,866	\$ 53,423,856	\$ 53,521,773	\$ 133,604,828	\$ 129,834,639
Liabilities						
Long-term liabilities	\$ 13,599,918	\$ 12,439,378	\$ 26,524,558	\$ 26,983,760	\$ 40,124,476	\$ 39,423,138
Other liabilities	2,152,638	2,739,402	2,313,733	3,261,020	4,466,371	6,000,422
Total Liabilities	\$ 15,752,556	\$ 15,178,780	\$ 28,838,291	\$ 30,244,780	\$ 44,590,847	\$ 45,423,560
Net Assets						
Invested in capital assets, net of related debt	\$ 49,827,675	\$ 47,585,610	\$ 4,630,056	\$ 4,562,169	\$ 54,457,731	\$ 52,147,779
Restricted	2,642,198	1,263,936	2,445,725	3,540,738	5,087,923	4,804,674
Unrestricted	11,958,543	12,284,540	17,509,784	15,174,086	29,468,327	27,458,626
Total Net Assets	\$ 64,428,416	\$ 61,134,086	\$ 24,585,565	\$ 23,276,993	\$ 89,013,981	\$ 84,411,079

The unrestricted net assets amount of \$29,468,327 as of December 31, 2010, may be used to meet the County's ongoing obligations to citizens and creditors. Business-type activities reported in 2010 are Meeker Memorial Hospital, an enterprise fund of the primary government.

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	\$ 5,218,731	\$ 4,628,708	\$ 26,226,552	\$ 23,556,613	\$ 31,445,283	\$ 28,185,321
Operating grants and contributions	7,153,441	6,090,224	-	-	7,153,441	6,090,224
Capital grants and contributions	2,047,725	2,217,636	40,505	222,563	2,088,230	2,440,199
General revenues						
Property taxes	11,081,943	10,284,579	-	-	11,081,943	10,284,579
Gravel taxes	48,242	70,069	-	-	48,242	70,069
Mortgage registry taxes	14,921	17,049	-	-	14,921	17,049
Other taxes	72,279	66,743	-	-	72,279	66,743
Grants and contributions not restricted to specific programs	1,495,955	1,911,602	-	-	1,495,955	1,911,602
Gifts and contributions	-	-	30,065	26,162	30,065	26,162
Investment income	247,821	189,980	280,346	107,722	528,167	297,702
Gain on sale of capital assets	66,413	28,428	18,323	10,454	84,736	38,882
Miscellaneous	6,403	10,932	-	-	6,403	10,932
Total Revenues	\$ 27,453,874	\$ 25,515,950	\$ 26,595,791	\$ 23,923,514	\$ 54,049,665	\$ 49,439,464
Expenses						
General government	\$ 5,774,829	\$ 5,446,830	-	-	\$ 5,774,829	\$ 5,446,830
Public safety	4,777,287	4,238,542	-	-	4,777,287	4,238,542
Highways and streets	4,398,307	4,416,577	-	-	4,398,307	4,416,577
Sanitation	235,153	222,504	-	-	235,153	222,504
Human services	6,284,246	6,168,879	-	-	6,284,246	6,168,879
Hospital	-	-	25,287,219	23,120,054	25,287,219	23,120,054
Health	1,435,166	1,458,415	-	-	1,435,166	1,458,415
Culture and recreation	421,878	446,704	-	-	421,878	446,704
Conservation of natural resources	339,360	377,131	-	-	339,360	377,131
Economic development	122,500	186,893	-	-	122,500	186,893
Interest	370,818	337,870	-	-	370,818	337,870
Total Expenses	\$ 24,159,544	\$ 23,300,345	\$ 25,287,219	\$ 23,120,054	\$ 49,446,763	\$ 46,420,399
Increase in Net Assets	\$ 3,294,330	\$ 2,215,605	\$ 1,308,572	\$ 803,460	\$ 4,602,902	\$ 3,019,065
Net Assets - January 1	61,134,086	58,918,481	23,276,993	22,473,533	84,411,079	81,392,014
Net Assets - December 31	\$ 64,428,416	\$ 61,134,086	\$ 24,585,565	\$ 23,276,993	\$ 89,013,981	\$ 84,411,079

Governmental Activities

Meeker County's governmental activities increased the County's net assets during 2010 by \$3,294,330.

Business-Type Activities

Business-type activities of the Meeker Memorial Hospital increased Meeker County's net assets by \$1,308,572, accounting for 28.43 percent of the total growth in the County's net assets. Fees, charges, fines, and others increased \$2,669,939, or 11.33 percent, while expenses were up \$2,167,165, or 9.37 percent.

Financial Analysis of the Government's Funds

As noted earlier, Meeker County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, 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 \$15,398,605, an increase of \$1,196,725 in comparison with the prior year. The majority of this amount, \$13,606,488, 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 \$5,317,513, while total fund balance was \$6,101,617. 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 58.59 percent of total General Fund expenditures. In 2010, ending fund balance in the General Fund increased by \$320,717. The primary reason for this increase was a decrease in liabilities.

The Road and Bridge Special Revenue Fund's unreserved fund balance of \$654,087 at year-end represents 10.79 percent of the fund's annual expenditures. Fund balance increased \$394,849 during 2010, primarily due to less expenditures.

The Human Services Special Revenue Fund's unreserved fund balance of \$3,741,015 at year-end represents 57.95 percent of the fund's annual expenditures. Unreserved fund balance decreased \$652,704 during 2010, primarily due to planned reduction in fund balance.

The Revolving Loan Special Revenue Fund's unreserved fund balance of \$740,776 at year-end represents an increase of \$112,041 during 2010, due to decreased liabilities and increased fund balance with no new loans issued during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

There are no differences between the original expenditure budget and the final amended budget. (Meeker County did not amend the 2010 expenditure budget.)

Actual revenues exceeded budgeted revenues by \$355,934, primarily due to increased charges for services revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Meeker County's capital assets for its governmental activities at December 31, 2010, totaled \$60,265,662 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$3,350,523, or 5.89 percent, from the previous year. The major capital asset events were infrastructure.

Governmental Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,499,575	\$ 2,362,556	\$ 1,779,215	\$ 1,551,009	\$ 4,278,790	\$ 3,913,565
Land improvements	-	-	1,071,650	1,007,041	1,071,650	1,007,041
Infrastructure	37,905,342	36,976,424	-	-	37,905,342	36,976,424
Buildings	11,708,331	11,911,897	21,819,862	21,722,267	33,528,193	33,634,164
Buildings improvements	2,817,678	2,967,832	-	-	2,817,678	2,967,832
Machinery, equipment, and office furniture	5,233,148	2,677,412	6,483,887	5,634,667	11,717,035	8,312,079
Construction in progress	101,588	19,018	-	2,248,382	101,588	2,267,400
Total Capital Assets	\$ 60,265,662	\$ 56,915,139	\$ 31,154,614	\$ 32,163,366	\$ 91,420,276	\$ 89,078,505

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

Long-Term Debt

At the end of the current fiscal year, Meeker County had a total outstanding debt of \$36,786,275. The governmental activities portion is backed by the full faith and credit of the government; the business-type activities portion is a limited obligation of Meeker County, payable solely from gross revenues of the Meeker Memorial Hospital.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 7,630,000	\$ 8,760,000	\$ -	\$ -	\$ 7,630,000	\$ 8,760,000
General obligation capital notes	2,500,000	-	-	-	2,500,000	-
Gross revenue hospital facilities bonds	-	-	26,250,000	26,675,000	26,250,000	26,675,000
Certificates of participation	285,000	560,000	-	-	285,000	560,000
Loan payable	121,275	7,462	-	-	121,275	7,462
Total	\$ 10,536,275	\$ 9,327,462	\$ 26,250,000	\$ 26,675,000	\$ 36,786,275	\$ 36,002,462

The County's debt related to general obligation bonds, general obligation notes, gross revenue hospital facilities bonds, certificates of participation, capital notes, and loans increased by \$783,813, or 2.18 percent, during the fiscal year due to the issuance of capital notes that exceeded payment on principal.

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 2010, 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 2010 was 8.5 percent. This compares with the state unemployment rate of 6.8 percent and shows a County decrease from the rate of one year ago of 0.9 percent.

By the end of 2010, Meeker County approved its balanced 2011 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, 2010**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 15,211,457	\$ 5,222,544	\$ 20,434,001	\$ 253,523
Petty cash and change funds	2,690	-	2,690	-
Investments	2,630	-	2,630	253,630
Taxes receivable				
Prior - net	418,356	-	418,356	-
Special assessments receivable				
Prior - net	8,541	-	8,541	-
Noncurrent - net	199,499	-	199,499	-
Accounts receivable - net	57,342	3,615,140	3,672,482	30,082
Accrued interest receivable	123,878	-	123,878	987
Due from other governments	2,617,352	-	2,617,352	-
Notes receivable	306,000	-	306,000	-
Loans receivable	547,846	-	547,846	350,587
Leases receivable	53,767	-	53,767	-
Inventories	183,967	425,667	609,634	-
Prepaid items	80,955	230,032	310,987	29,303
Restricted assets				
Investments	-	9,410,377	9,410,377	-
Restricted by bond indenture	-	1,973,816	1,973,816	-
Restricted by donor	-	203,398	203,398	-
Deferred charges	101,030	-	101,030	41,770
Other assets	-	361,896	361,896	-
Investment in joint venture	-	826,372	826,372	-
Capital assets				
Non-depreciable	2,601,163	1,779,215	4,380,378	219,954
Depreciable - net of accumulated depreciation	57,664,499	29,375,399	87,039,898	3,796,332
Total Assets	\$ 80,180,972	\$ 53,423,856	\$ 133,604,828	\$ 4,976,168

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Liabilities</u>				
Accounts payable	\$ 594,558	\$ 583,933	\$ 1,178,491	\$ 18,247
Salaries payable	595,740	1,334,721	1,930,461	4,710
Other accrued liabilities	-	-	-	9,664
Contracts payable	194,675	-	194,675	-
Due to other governments	118,282	-	118,282	-
Accrued interest payable	132,106	246,858	378,964	2,578
Estimated third-party payor settlements	-	148,221	148,221	-
Unearned revenue	517,277	-	517,277	-
Deferred rent income	-	-	-	189
Payable from restricted assets				
Customer deposits	-	-	-	44,150
Tenant security deposits	-	-	-	6,200
Long-term liabilities				
Due within one year	2,482,940	458,290	2,941,230	125,872
Due in more than one year	11,116,978	26,066,268	37,183,246	4,225,576
Total Liabilities	\$ 15,752,556	\$ 28,838,291	\$ 44,590,847	\$ 4,437,186
<u>Net Assets</u>				
Invested in capital assets - net of related debt	\$ 49,827,675	\$ 4,630,056	\$ 54,457,731	\$ 457,116
Restricted for				
Highways and streets	925,117	-	925,117	-
Capital projects	1,113,787	-	1,113,787	-
Debt service	490,812	-	490,812	-
Restricted by bond indenture	-	1,973,816	1,973,816	-
Restricted by donor	-	471,909	471,909	-
Other purposes	112,482	-	112,482	32,993
Unrestricted	11,958,543	17,509,784	29,468,327	48,873
Total Net Assets	\$ 64,428,416	\$ 24,585,565	\$ 89,013,981	\$ 538,982

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Primary government			
Governmental activities			
General government	\$ 5,774,829	\$ 1,643,353	\$ 5,806
Public safety	4,777,287	1,210,688	1,390,941
Highways and streets	4,398,307	732,823	1,541,603
Sanitation	235,153	103,831	-
Human services	6,284,246	771,319	2,546,242
Health	1,435,166	433,163	1,114,405
Culture and recreation	421,878	82,518	-
Conservation of natural resources	339,360	105,432	554,444
Economic development	122,500	135,604	-
Interest	120,818	-	-
Total governmental activities	\$ 23,909,544	\$ 5,218,731	\$ 7,153,441
Business-type activities			
Hospital	25,287,219	26,226,552	-
Total Primary Government	\$ 49,196,763	\$ 31,445,283	\$ 7,153,441
Discretely Presented Component Units	\$ 1,136,236	\$ 667,958	\$ 368,758

General Revenues

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

Total general revenues

Change in Net Assets

Net Assets - January 1

Net Assets - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Units
	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
\$ -	\$ (4,125,670)	\$ -	\$ (4,125,670)	
62,391	(2,113,267)	-	(2,113,267)	
1,985,334	(138,547)	-	(138,547)	
-	(131,322)	-	(131,322)	
-	(2,966,685)	-	(2,966,685)	
-	112,402	-	112,402	
-	(339,360)	-	(339,360)	
-	320,516	-	320,516	
-	13,104	-	13,104	
-	(120,818)	-	(120,818)	
\$ 2,047,725	\$ (9,489,647)	\$ -	\$ (9,489,647)	
40,505	-	979,838	979,838	
\$ 2,088,230	\$ (9,489,647)	\$ 979,838	\$ (8,509,809)	
\$ 44,952				\$ (54,568)
	\$ 11,081,943	\$ -	\$ 11,081,943	\$ -
	48,242	-	48,242	-
	14,921	-	14,921	-
	72,279	-	72,279	-
	1,495,955	-	1,495,955	-
	-	30,065	30,065	-
	247,821	280,346	528,167	3,124
	66,413	18,323	84,736	-
	6,403	-	6,403	-
	\$ 13,033,977	\$ 328,734	\$ 13,362,711	\$ 3,124
	\$ 3,544,330	\$ 1,308,572	\$ 4,852,902	\$ (51,444)
	61,134,086	23,276,993	84,411,079	590,426
	\$ 64,678,416	\$ 24,585,565	\$ 89,263,981	\$ 538,982

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 5,699,878	\$ 1,833,598
Petty cash and change funds	2,690	-
Investments	2,630	-
Taxes receivable		
Delinquent	225,368	49,300
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable - net	18,952	13
Accrued interest receivable	123,878	-
Due from other funds	16,080	508
Due from other governments	232,295	1,128,300
Notes receivable	306,000	-
Loans receivable	-	-
Leases receivable	-	-
Inventories	-	183,967
Advances to other funds	21,514	-
Prepaid items	76,890	-
	\$ 6,726,175	\$ 3,195,686
Total Assets	\$ 6,726,175	\$ 3,195,686

EXHIBIT 3

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,886,673	\$ 740,776	\$ 395,284	\$ 2,655,248	\$ 15,211,457
-	-	-	-	2,690
-	-	-	-	2,630
93,939	-	54	49,695	418,356
-	-	-	8,541	8,541
-	-	-	199,499	199,499
16,685	-	1,714	19,978	57,342
-	-	-	-	123,878
546	-	-	13,547	30,681
239,297	-	766,074	251,386	2,617,352
-	-	-	-	306,000
-	437,846	110,000	-	547,846
-	-	-	53,767	53,767
-	-	-	-	183,967
-	-	-	-	21,514
-	-	-	4,065	80,955
<u>\$ 4,237,140</u>	<u>\$ 1,178,622</u>	<u>\$ 1,273,126</u>	<u>\$ 3,255,726</u>	<u>\$ 19,866,475</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 81,204	\$ 127,634
Salaries payable	290,044	91,224
Contracts payable	-	194,675
Due to other funds	10,028	11,150
Due to other governments	31,255	3,532
Deferred revenue - unavailable	202,027	936,874
Advances from other funds - governmental	-	-
Advances from other governments	-	905,480
Deferred revenue - unearned	10,000	-
	\$ 624,558	\$ 2,270,569
Fund Balances		
Reserved for		
Debt service	\$ -	\$ -
Missing heirs	3,502	-
Advances to other funds	21,514	-
Note receivable	306,000	-
Prepaid items	76,890	-
Recorder's equipment	26,824	-
Inventories	-	183,967
Encumbrances	-	87,063
Long-term receivables	-	-
Gravel tax	108,980	-
Recorder's compliance	240,394	-
Unreserved		
Designated for cash flows	5,317,513	654,087
Designated for economic development	-	-
Designated for future expenditures	-	-
Unreserved, reported in nonmajor		
Special revenue funds	-	-
	\$ 6,101,617	\$ 925,117
Total Liabilities and Fund Balances	\$ 6,726,175	\$ 3,195,686

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>
\$ 181,861	\$ -	\$ 159,285	\$ 44,574	\$ 594,558
146,201	-	-	68,271	595,740
-	-	-	-	194,675
7,783	-	-	1,720	30,681
59,028	-	-	24,467	118,282
101,252	-	54	249,456	1,489,663
-	-	-	21,514	21,514
-	-	-	-	905,480
-	437,846	-	69,431	517,277
<u>\$ 496,125</u>	<u>\$ 437,846</u>	<u>\$ 159,339</u>	<u>\$ 479,433</u>	<u>\$ 4,467,870</u>
\$ -	\$ -	\$ -	\$ 622,918	\$ 622,918
-	-	-	-	3,502
-	-	-	-	21,514
-	-	-	-	306,000
-	-	-	4,065	80,955
-	-	-	-	26,824
-	-	-	-	183,967
-	-	-	-	87,063
-	-	110,000	-	110,000
-	-	-	-	108,980
-	-	-	-	240,394
3,106,454	-	-	-	9,078,054
-	740,776	-	-	740,776
634,561	-	1,003,787	-	1,638,348
-	-	-	2,149,310	2,149,310
<u>\$ 3,741,015</u>	<u>\$ 740,776</u>	<u>\$ 1,113,787</u>	<u>\$ 2,776,293</u>	<u>\$ 15,398,605</u>
<u>\$ 4,237,140</u>	<u>\$ 1,178,622</u>	<u>\$ 1,273,126</u>	<u>\$ 3,255,726</u>	<u>\$ 19,866,475</u>

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Fund balance - total governmental funds		\$ 15,398,605
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.		60,265,662
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.		101,030
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,489,663
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	\$ (7,642,341)	
Loan payable	(121,275)	
Certificates of participation	(285,000)	
Capital notes payable	(2,510,646)	
Compensated absences	(1,885,221)	
Accrued interest payable	(132,106)	
Other postemployment benefits	(249,955)	(12,826,544)
Net Assets of Governmental Activities		<u><u>\$ 64,428,416</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Road and Bridge
Revenues		
Taxes	\$ 6,006,267	\$ 1,234,505
Special assessments	-	-
Licenses and permits	14,268	-
Intergovernmental	1,598,978	3,688,892
Charges for services	1,894,154	454,317
Fines and forfeits	26,620	-
Gifts and contributions	1,050	-
Investment earnings	243,884	-
Miscellaneous	488,316	344,919
	\$ 10,273,537	\$ 5,722,633
Expenditures		
Current		
General government	\$ 4,352,862	\$ -
Public safety	4,219,943	-
Highways and streets	-	5,068,448
Sanitation	111,089	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	283,345	-
Economic development	95,000	-
Capital outlay	13,855	-
Intergovernmental	-	331,428
Debt service		
Principal	-	600,000
Interest	-	63,600
Note issuance costs	-	-
	\$ 9,076,094	\$ 6,063,476
Excess of Revenues Over (Under) Expenditures	\$ 1,197,443	\$ (340,843)

EXHIBIT 5

Human Services	Revolving Loan	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,389,436	\$ -	\$ -	\$ 1,468,560	\$ 11,098,768
-	-	-	72,443	72,443
-	-	-	-	14,268
3,141,972	-	1,254,929	1,076,242	10,761,013
504,775	-	-	611,393	3,464,639
-	-	-	2,318	28,938
-	-	-	-	1,050
-	3,937	-	-	247,821
266,544	135,604	189,531	589,292	2,014,206
\$ 6,302,727	\$ 139,541	\$ 1,444,460	\$ 3,820,248	\$ 27,703,146
\$ -	\$ -	\$ -	\$ 486,233	\$ 4,839,095
-	-	-	-	4,219,943
-	-	-	-	5,068,448
-	-	-	108,058	219,147
6,455,431	-	-	-	6,455,431
-	-	-	1,542,265	1,542,265
-	-	-	629,328	629,328
-	-	-	56,015	339,360
-	27,500	-	-	122,500
-	-	3,570,634	-	3,584,489
-	-	-	-	331,428
-	-	-	812,462	1,412,462
-	-	-	280,888	344,488
-	-	15,150	500	15,650
\$ 6,455,431	\$ 27,500	\$ 3,585,784	\$ 3,915,749	\$ 29,124,034
\$ (152,704)	\$ 112,041	\$ (2,141,324)	\$ (95,501)	\$ (1,420,888)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ 750,000
Transfers out	(876,726)	-
Loans issued	-	-
Notes issued	-	-
Premium on bonds/notes issued	-	-
	-	-
Total Other Financing Sources (Uses)	\$ (876,726)	\$ 750,000
Net Change in Fund Balances	\$ 320,717	\$ 409,157
Fund Balances - January 1	5,780,900	530,268
Increase (decrease) in reserved for inventories	-	(14,308)
Fund Balances - December 31	\$ 6,101,617	\$ 925,117

EXHIBIT 5
(Continued)

Human Services	Revolving Loan	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 300,000	\$ 866,169	\$ 1,916,169
(500,000)	-	-	(539,443)	(1,916,169)
-	-	-	121,275	121,275
-	-	2,500,000	-	2,500,000
-	-	10,646	-	10,646
<u>\$ (500,000)</u>	<u>\$ -</u>	<u>\$ 2,810,646</u>	<u>\$ 448,001</u>	<u>\$ 2,631,921</u>
\$ (652,704)	\$ 112,041	\$ 669,322	\$ 352,500	\$ 1,211,033
4,393,719	628,735	444,465	2,423,793	14,201,880
-	-	-	-	(14,308)
<u>\$ 3,741,015</u>	<u>\$ 740,776</u>	<u>\$ 1,113,787</u>	<u>\$ 2,776,293</u>	<u>\$ 15,398,605</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 6

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

Net change in fund balance - total governmental funds (Exhibit 5) \$ 1,211,033

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	\$ 1,489,663	
Deferred revenue - January 1	<u>(1,390,386)</u>	99,277

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

Expenditures for general capital assets and infrastructure	\$ 5,661,775	
Current year depreciation	<u>(2,311,252)</u>	3,350,523

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

Debt issued		
Capital notes	\$ (2,500,000)	
Loans	(121,275)	
Premiums of notes issued	<u>(10,646)</u>	(2,631,921)

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	\$ 1,130,000	
Certificates of participation	275,000	
Loan payable	<u>7,462</u>	1,412,462

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	\$ (7,438)	
Amortization of discounts/premiums and deferred issuance charges	(3,242)	
Change in compensated absences	(36,031)	
Change in inventories	(14,308)	
Change in other postemployment benefits	<u>(86,025)</u>	<u>(147,044)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 3,294,330

PROPRIETARY FUND

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET ASSETS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2010**

Assets

Current assets

Cash and pooled investments	\$ 5,222,544
Accounts receivable - net	3,615,140
Inventories	425,667
Prepaid items	230,032

Total current assets **\$ 9,493,383**

Restricted assets

Investments	\$ 9,410,377
Restricted by bond indenture	1,973,816
Restricted by donor	203,398

Total restricted assets **\$ 11,587,591**

Noncurrent assets

Investment in joint venture	\$ 826,372
Other assets	361,896
Capital assets	
Nondepreciable	1,779,215
Depreciable - net	29,375,399

Total noncurrent assets **\$ 32,342,882**

Total Assets **\$ 53,423,856**

Liabilities

Current liabilities

Accounts payable	\$ 583,933
Salaries payable	1,334,721
Accrued interest payable	246,858
Estimated third-party payor settlements	148,221
Bonds payable	450,000
Capital lease payable	8,290

Total current liabilities **\$ 2,772,023**

Noncurrent liabilities

Bonds payable	\$ 26,065,104
Capital lease payable	1,164

Total noncurrent liabilities **\$ 26,066,268**

Total Liabilities **\$ 28,838,291**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT 7
(Continued)***

**STATEMENT OF FUND NET ASSETS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2010**

Net Assets

Invested in capital assets, net of related debt	\$ 4,630,056
Restricted by bond indenture	1,973,816
Restricted by donor	471,909
Unrestricted	<u>17,509,784</u>
Total Net Assets	<u>\$ 24,585,565</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

Operating Revenues	
Patient services revenues	\$ 25,496,516
Miscellaneous	730,036
	<hr/>
Total Operating Revenues	\$ 26,226,552
Operating Expenses	
Professional care of patients	\$ 15,116,623
Administration and fiscal services	4,188,272
Property, housekeeping, and laundry	1,262,369
Dietary	407,877
Depreciation and amortization	2,818,853
	<hr/>
Total Operating Expenses	\$ 23,793,994
Operating Income (Loss)	\$ 2,432,558
Nonoperating Revenues (Expenses)	
Noncapital contributions	\$ 30,065
Interest income	408,447
Unrealized gain (loss) on investments	(128,101)
Interest expense	(1,493,225)
Gain (loss) on disposal of assets and other	18,323
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (1,164,491)
Excess of Revenues Over (Under) Expenses Before Capital Contributions	\$ 1,268,067
Capital contributions	40,505
	<hr/>
Change in Net Assets	\$ 1,308,572
Net Assets - January 1	23,276,993
	<hr/>
Net Assets - December 31	\$ 24,585,565
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

Cash Flows from Operating Activities	
Receipts from third-party payors and patients	\$ 26,241,602
Other receipts	474,302
Payments to suppliers	(10,690,223)
Payments to employees	(10,525,036)
	<hr/>
Net cash provided by (used in) operating activities	\$ 5,500,645
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	\$ (1,796,610)
Contributions received restricted for capital assets	145,152
Principal payments on long-term debt	(449,384)
Interest paid	(1,496,766)
	<hr/>
Net cash provided by (used in) capital and related financing activities	\$ (3,597,608)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	\$ 9,488,109
Purchase of investments	(10,388,556)
Investment earnings received	456,835
	<hr/>
Net cash provided by (used in) investing activities	\$ (443,612)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,459,425
Cash and Cash Equivalents - January 1	3,763,119
	<hr/>
Cash and Cash Equivalents - December 31	\$ 5,222,544
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
MEEKER MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ <u>2,432,558</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 2,818,853
Equity in joint venture	(561,043)
Distributions received from joint venture	305,309
(Increase) decrease in accounts receivable	745,086
(Increase) decrease in inventories	43,982
(Increase) decrease in prepaid items	190,444
(Increase) decrease in accounts payable	(544,164)
(Increase) decrease in salaries payable	<u>69,620</u>
Total adjustments	\$ <u>3,068,087</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>5,500,645</u></u>
Noncash Investing, Capital, and Financing Activities	
Unrealized losses on investments	\$ (128,101)

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FIDUCIARY FUNDS

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MEEKER COUNTY
LITCHFIELD, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	\$ <u><u>448,670</u></u>
<u>Liabilities</u>	
Due to other governments	\$ <u><u>448,670</u></u>

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DISCRETELY PRESENTED COMPONENT UNITS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 11

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2010**

	<u>Economic Development Authority</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 142,936	\$ 110,587	\$ 253,523
Investments	141,000	112,630	253,630
Accounts receivable - net	10,324	19,758	30,082
Accrued interest receivable	987	-	987
Loans receivable	350,587	-	350,587
Prepaid items	22,193	7,110	29,303
Total current assets	<u>\$ 668,027</u>	<u>\$ 250,085</u>	<u>\$ 918,112</u>
Noncurrent assets			
Deferred debt issuance costs	\$ 41,770	\$ -	\$ 41,770
Capital assets			
Nondepreciable	155,988	63,966	219,954
Depreciable - net	3,403,182	393,150	3,796,332
Total noncurrent assets	<u>\$ 3,600,940</u>	<u>\$ 457,116</u>	<u>\$ 4,058,056</u>
Total Assets	<u>\$ 4,268,967</u>	<u>\$ 707,201</u>	<u>\$ 4,976,168</u>
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 12,549	\$ 5,698	\$ 18,247
Salaries payable	4,710	-	4,710
Accrued expenses	-	9,664	9,664
Deferred rent income	-	189	189
Accrued interest payable	2,578	-	2,578
Customer deposits	44,150	-	44,150
Tenant security deposits	-	6,200	6,200
Compensated absences payable - current	4,376	-	4,376
Revenue bonds payable - current	121,496	-	121,496
Total current liabilities	<u>\$ 189,859</u>	<u>\$ 21,751</u>	<u>\$ 211,610</u>
Noncurrent liabilities			
Compensated absences payable - long-term	\$ 6,298	\$ -	\$ 6,298
Revenue bonds payable - long-term	4,219,278	-	4,219,278
Total noncurrent liabilities	<u>\$ 4,225,576</u>	<u>\$ -</u>	<u>\$ 4,225,576</u>
Total Liabilities	<u>\$ 4,415,435</u>	<u>\$ 21,751</u>	<u>\$ 4,437,186</u>

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT 11
(Continued)***

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2010**

	<u>Economic Development Authority</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ -	\$ 457,116	\$ 457,116
Restricted for other purposes	-	32,993	32,993
Unrestricted	<u>(146,468)</u>	<u>195,341</u>	<u>48,873</u>
Total Net Assets	<u><u>\$ (146,468)</u></u>	<u><u>\$ 685,450</u></u>	<u><u>\$ 538,982</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Economic Development Authority (EDA)	\$ 745,734	\$ 583,881
Housing and Redevelopment Authority (HRA)	390,502	84,077
Total Component Units	\$ 1,136,236	\$ 667,958
	General Revenues	
	Investment income	
	Change in Net Assets	
	Net Assets - Beginning	
	Net Assets - Ending	

EXHIBIT 12

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	EDA	HRA	Total
\$ 95,000	\$ -	\$ (66,853)	\$ -	\$ (66,853)
273,758	44,952	-	12,285	12,285
\$ 368,758	\$ 44,952	\$ (66,853)	\$ 12,285	\$ (54,568)
		1,585	1,539	3,124
		\$ (65,268)	\$ 13,824	\$ (51,444)
		(81,200)	671,626	590,426
		\$ (146,468)	\$ 685,450	\$ 538,982

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Units

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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 types:

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

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

**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, 2010, 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 2010 were \$247,821.

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.

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net 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, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

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

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

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

7. Compensated Absences

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

8. Deferred Revenue

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriation--is the fund or departmental 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 re-appropriated and honored during the subsequent year.

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive balance of \$126,107 as of December 31, 2010, although seven ditches had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

43 ditches with positive balances	\$	160,992
7 ditches with deficit balances		(34,885)
Net Fund Balance	\$	126,107

C. Excess of Expenditures Over Budget

The following nonmajor funds and departments had expenditures in excess of budget for the year ended December 31, 2010:

	Expenditures	Budget	Excess
Other governmental funds			
County Parks Special Revenue Fund			
Culture and recreation			
Parks	\$ 422,496	\$ 260,375	\$ 162,121
County Nurse Special Revenue Fund			
Health			
Nursing service	1,542,265	1,510,631	31,634

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 15,211,457
Petty cash and change funds	2,690
Investments	2,630
Business-type activities	
Cash and pooled investments	5,222,544
Investments, restricted	11,587,591
Statement of fiduciary net assets	
Cash and pooled investments	448,670
Total Cash and Investments	\$ 32,475,582
Deposits	\$ 14,681,482
Petty cash and change funds	2,690
Investments	17,791,410
Total Deposits, Cash on Hand, and Investments	\$ 32,475,582

a. Deposits

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, the County complies with Minnesota statutes in establishing authorized collateral for its deposits. As of December 31, 2010, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

At December 31, 2010, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
U.S. government securities	\$ 3,079,835	\$ 767,206	\$ 500,398	\$ 1,812,231
Treasury notes/bonds	1,370,359	309,340	781,078	279,941
Investment pool/MAGIC Fund	8,040,772	8,040,772	-	-
Negotiable certificates of deposit	484,468	2,630	481,838	-
Money markets	4,737,136	4,737,136	-	-
Equity securities	78,840	78,840	-	-
Total Investments	\$ 17,791,410	\$ 13,935,924	\$ 1,763,314	\$ 2,092,172

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

The County's exposure to credit risk as of December 31, 2010, is as follows:

	S & P Rating	Fair Value
U.S. government securities	AAA	\$ 3,079,835
Treasury notes/bonds	AAA	1,370,359
Investment pool/MAGIC Fund	N/R	8,040,772
Negotiable certificates of deposit	N/A	484,468
Money markets	AAA	4,737,136
Equity securities	N/A	78,840
Total		\$ 17,791,410

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a specific policy for custodial credit risk. As of December 31, 2010, \$7,228,891 of U.S. government securities and Treasury notes in the County's investment balance of \$17,791,410 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	\$ 7,228,891
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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

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

Issuer	Reported Amount
Federal National Mortgage Assn.	\$ 1,316,335
Federal Home Loan Mtg. Corp	1,244,557

2. Receivables

Receivables at December 31, 2010, 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	\$ 418,356	\$ -
Special assessments	208,040	199,499
Accounts	57,342	-
Accrued interest	123,878	-
Due from other governments	2,617,352	-
Notes	306,000	3,000
Loans	547,846	183,463
Leases	53,767	-
Total Governmental Activities	\$ 4,332,581	\$ 385,962

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Accounts receivable - net	\$ 3,615,140	\$ -

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, 2010, the building is carried in the County's capital assets at \$4,207,898, net of depreciation.

- (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 ended on March 14, 2010; both leases are now on a month-to-month agreement. 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, 2010.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables

Leases Receivable (Continued)

The additional payments are as follows:

	ISD 465 Auditorium	ISD 465 Office Space	Total
2011	\$ 20,910	\$ 32,857	\$ 53,767

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,362,556	\$ 137,019	\$ -	\$ 2,499,575
Construction in progress	19,018	101,247	18,677	101,588
Total capital assets not depreciated	\$ 2,381,574	\$ 238,266	\$ 18,677	\$ 2,601,163
Capital assets depreciated				
Buildings	\$ 18,251,350	\$ 218,016	\$ 17,013	\$ 18,452,353
Building improvements	3,463,559	24,598	-	3,488,157
Office furniture and equipment	3,006,707	2,898,742	58,240	5,847,209
Machinery and equipment	6,598,025	400,295	242,468	6,755,852
Infrastructure	46,901,535	1,900,535	-	48,802,070
Total capital assets depreciated	\$ 78,221,176	\$ 5,442,186	\$ 317,721	\$ 83,345,641
Less: accumulated depreciation for				
Buildings	\$ 6,339,453	\$ 421,582	\$ 17,013	\$ 6,744,022
Building improvements	495,727	174,752	-	670,479
Office furniture and equipment	2,340,653	260,539	58,240	2,542,952
Machinery and equipment	4,586,667	482,762	242,468	4,826,961
Infrastructure	9,925,111	971,617	-	10,896,728
Total accumulated depreciation	\$ 23,687,611	\$ 2,311,252	\$ 317,721	\$ 25,681,142
Total capital assets depreciated, net	\$ 54,533,565	\$ 3,130,934	\$ -	\$ 57,664,499
Governmental Activities Capital Assets, Net	\$ 56,915,139	\$ 3,369,200	\$ 18,677	\$ 60,265,662

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,551,009	\$ 228,206	\$ -	\$ 1,779,215
Construction in progress	2,248,382	-	2,248,382	-
Total capital assets not depreciated	\$ 3,799,391	\$ 228,206	\$ 2,248,382	\$ 1,779,215
Capital assets depreciated				
Land improvements	\$ 1,300,573	\$ 164,622	\$ -	\$ 1,465,195
Buildings	25,963,371	1,605,797	-	27,569,168
Machinery, furniture, and equipment	15,240,045	2,046,367	203,805	17,082,607
Total capital assets depreciated	\$ 42,503,989	\$ 3,816,786	\$ 203,805	\$ 46,116,970
Less: accumulated depreciation for				
Land improvements	\$ 293,532	\$ 100,013	\$ -	\$ 393,545
Buildings	4,241,104	1,508,202	-	5,749,306
Machinery, furniture, and equipment	9,605,378	1,197,147	203,805	10,598,720
Total accumulated depreciation	\$ 14,140,014	\$ 2,805,362	\$ 203,805	\$ 16,741,571
Total capital assets depreciated, net	\$ 28,363,975	\$ 1,011,424	\$ -	\$ 29,375,399
Business-Type Activities				
Capital Assets, Net	\$ 32,163,366	\$ 1,239,630	\$ 2,248,382	\$ 31,154,614

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

Governmental Activities	
General government	\$ 620,023
Public safety	270,378
Highways and streets, including depreciation of infrastructure assets	1,356,464
Human services	14,072
Health	4,502
Culture and recreation	29,807
Sanitation	16,006
Total Depreciation Expense - Governmental Activities	<u>\$ 2,311,252</u>

Business-Type Activities	
Hospital	<u>\$ 2,805,362</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 11,150
	Human Services	4,012
	Other governmental	918
		\$ 16,080
Total due to General Fund		
Road and Bridge	Other governmental	\$ 508
Human Services	General	\$ 252
	Other governmental	294
		\$ 546
Total due to Human Service Special Revenue Fund		
Other governmental	General	\$ 9,776
	Human Services	3,771
		\$ 13,547
Total due to other governmental funds		
Total Due To/From Other Funds		\$ 30,681

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental	\$ 21,514

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, 2010, consisted of the following:

Transfer to Road and Bridge Special Revenue Fund from		
Other governmental funds	\$ 250,000	Debt service requirements
Human Service Fund	<u>500,000</u>	Road construction projects
Total transfers to Road and Bridge Special Revenue Fund	<u>\$ 750,000</u>	
Transfer to Capital Project Special Revenue Fund from General Fund	<u>\$ 300,000</u>	Cash flow
Transfers to other governmental funds from General Fund	\$ 576,726	Annual appropriation
Other governmental funds	<u>289,443</u>	Debt service requirements
Total transfers to other governmental funds	<u>\$ 866,169</u>	
Total Interfund Transfers	<u><u>\$ 1,916,169</u></u>	

C. Liabilities

1. Payables

Payables at December 31, 2010, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 549,558	\$ 583,933
Salaries	595,740	1,334,721
Contracts	194,675	-
Due to other governments	<u>118,282</u>	<u>-</u>
Total Payables	<u><u>\$ 1,458,255</u></u>	<u><u>\$ 1,918,654</u></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, 2010. The projects include the following:

Governmental Activities

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Road and Bridge Special Revenue Fund		
Roads and bridges	\$ 2,234,842	\$ 87,063

3. Short-Term Debt

On July 21, 2010, the County Board approved the issuance of a \$250,000 General Obligation Certificate of Indebtedness to finance the acquisition of capital equipment. The certificate had an interest rate of 2.0 percent and matured in 2010. Interest cost on the note was \$1,723.

Changes in short-term debt payable for the year ended December 31, 2010:

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

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

Bonds and Notes

Governmental Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2010</u>
General obligation bonds					
2002 G.O. EDA Lease Revenue Bonds	2012	\$100,000 - \$145,000	3.00 - 4.50	\$ 1,200,000	\$ 285,000
2005 Refunding G.O. Law Enforcement Bonds	2018	\$165,000 - \$245,000	3.00 - 3.65	2,210,000	1,700,000
2006 G.O. Capital Improvement Bonds	2026	\$105,000 - \$295,000	3.875 - 4.05	4,600,000	3,845,000
2008 G.O. State Aid Highway Bonds	2013	\$600,000	2.25 - 3.00	<u>3,000,000</u>	<u>1,800,000</u>
Total General Obligation Bonds				<u>\$ 11,010,000</u>	<u>\$ 7,630,000</u>
2010 G.O. Capital Notes	2018	\$265,000 - \$340,000	2.00 - 2.75	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Refunding Certificates of Participation 2003	2011	\$240,000 - \$285,000	2.00 - 3.50	<u>\$ 2,060,000</u>	<u>\$ 285,000</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt

Bonds and Notes (Continued)

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, 2010</u>
2007 Gross Revenue Hospital Facilities Bonds	2037	\$425,000 - \$1,825,000	5.00 - 5.75	<u>\$ 26,675,000</u>	<u>\$ 26,250,000</u>

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. The remaining balance of \$7,462 was paid by the County in 2010.

In 2010, the County entered into a loan agreement with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. The loan is secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much as \$200,000. The total amount disbursed through December 31, 2010, was \$121,275. Repayment is estimated to begin in 2013.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2011	\$ 1,160,000	\$ 261,430	\$ 285,000	\$ 4,988
2012	1,180,000	225,027	-	-
2013	1,050,000	189,487	-	-
2014	465,000	154,960	-	-
2015	485,000	137,587	-	-
2016 - 2020	1,870,000	431,358	-	-
2021 - 2025	1,155,000	174,033	-	-
2026	265,000	5,367	-	-
Total	<u>\$ 7,630,000</u>	<u>\$ 1,579,249</u>	<u>\$ 285,000</u>	<u>\$ 4,988</u>

Year Ending December 31	Capital Notes	
	Principal	Interest
2011	\$ 265,000	\$ 52,363
2012	305,000	46,663
2013	310,000	40,513
2014	310,000	34,313
2015	315,000	28,063
2016 - 2018	995,000	39,406
Total	<u>\$ 2,500,000</u>	<u>\$ 241,321</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	Gross Hospital Facilities Bonds	
	Principal	Interest
2011	\$ 450,000	\$ 1,481,144
2012	470,000	1,458,644
2013	495,000	1,435,144
2014	520,000	1,410,394
2015	545,000	1,384,394
2016 - 2020	3,190,000	6,458,201
2021 - 2025	4,180,000	5,459,594
2026 - 2030	5,535,000	4,114,126
2031 - 2035	7,315,000	2,329,038
2036 - 2037	3,550,000	309,063
Total	<u>\$ 26,250,000</u>	<u>\$ 25,839,742</u>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, 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	\$ 8,760,000	\$ -	\$ 1,130,000	\$ 7,630,000	\$ 1,160,000
Certificates of participation	560,000	-	275,000	285,000	285,000
Capital notes	-	2,500,000	-	2,500,000	265,000
Add: unamortized premium	21,241	10,646	1,520	30,367	-
Less: deferred discounts	(11,712)	-	(4,332)	(7,380)	-
Total bonds payable	\$ 9,329,529	\$ 2,510,646	\$ 1,402,188	\$ 10,437,987	\$ 1,710,000

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Changes in Long-Term Liabilities

Governmental Activities (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans payable	7,462	121,275	7,462	121,275	-
Advance from other governments	1,089,267	905,480	1,089,267	905,480	-
Other postemployment benefits	163,930	86,025	-	249,955	-
Compensated absences	1,849,190	1,145,131	1,109,100	1,885,221	772,940
Governmental Activities Long-Term Liabilities	<u>\$ 12,439,378</u>	<u>\$ 4,768,557</u>	<u>\$ 3,608,017</u>	<u>\$ 13,599,918</u>	<u>\$ 2,482,940</u>

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities Long-term liabilities					
Bonds payable					
Gross revenue hospital facilities bonds	\$ 26,675,000	\$ -	\$ 425,000	\$ 26,250,000	\$ 450,000
Add: unamortized premium	274,922	-	9,818	265,104	-
Total bonds payable	\$ 26,949,922	\$ -	\$ 434,818	\$ 26,515,104	\$ 450,000
Capital lease payable	33,838	-	24,384	9,454	8,290
Business-Type Activities Long-Term Liabilities	<u>\$ 26,983,760</u>	<u>\$ -</u>	<u>\$ 459,202</u>	<u>\$ 26,524,558</u>	<u>\$ 458,290</u>

7. Prior Year's Refunded Debt

In 2003, the County defeased certificates of participation issued July 1, 1995, by creating a separate irrevocable fund. Refunding certificates of participation of 2003 in the principal amount of \$2,060,000 were issued, and the proceeds were used to purchase U.S. government securities that were placed in the trust fund. The investments and earnings on the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes,

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Prior Year's Refunded Debt (Continued)

the debt has been considered defeased and, therefore, removed as a liability from the County's government-wide financial statements. As of December 31, 2010, the amount of defeased debt outstanding not included in the financial statements was \$290,000.

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description

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

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

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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

Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

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

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

2. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

2. Funding Policy (Continued)

The County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Employees Retirement Fund	\$ 514,132	\$ 494,578	\$ 448,765
Public Employees Police and Fire Fund	154,865	144,664	117,372
Public Employees Correctional Fund	45,759	51,442	44,225

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

B. Defined Contribution Plan

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2010, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,863	\$ 6,863
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Postemployment Health Care Plan

A. Plan Description

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

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the County based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2010, the County contributed \$24,894. As of January 1, 2010, there were approximately four retirees receiving health benefits from the County's health plan.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Health Care Plan (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$	113,387
Interest on net OPEB obligation		7,377
Adjustment to ARC		(9,845)

Annual OPEB cost (expense)	\$	110,919
Contributions made		(24,894)

Increase in net OPEB obligation	\$	86,025
Net OPEB Obligation - Beginning of Year		163,930

Net OPEB Obligation - End of Year	\$	249,955

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008, 2009, and 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$ 112,401	\$ 25,462	22.7%	\$ 86,939
December 31, 2009	112,401	35,410	31.5	163,930
December 31, 2010	110,919	24,894	22.4	249,955

D. Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the County has no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$776,300, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$776,300. The covered payroll (annual payroll of active employees covered by the plan) was \$8,692,073, and the ratio of the UAAL to the covered payroll was 8.9 percent.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Postemployment Health Care Plan

D. Funded Status and Funding Progress (Continued)

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

E. Actuarial Methods and Assumptions

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

In the January 1, 2010, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (6.5 percent, long-term, similar to a pension plan) or unfunded (4.5 percent, shorter term, based on County's general assets). The County currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 8.5 percent initially, reduced incrementally to 5.0 percent after 7 years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at January 1, 2010, was 28 years.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

6. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in both 2010 and 2011. 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 June 7, 2011, the County Board approved the issuance of a \$250,000 General Obligation Certificate of Indebtedness to finance the acquisition of capital equipment. The certificate has an interest rate of 2.0 percent and will mature within one year.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

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.

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 COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Crow River Joint Powers Agreement

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

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

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

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective June 5, 2007. The Board is composed of 12 members, which consist of an appointed Commissioner from each participating county. McLeod County is the fiscal agent. The primary purpose of the joint venture is to improve the health and life course of low-income, first-time mothers and their children.

The joint venture is financed primarily by contributions from participating counties. Audited financial statements are available at the McLeod County Auditor's-Treasurer's Office, 2385 Hennepin Avenue North, Glencoe, Minnesota 55336.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Central Minnesota Regional Radio Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Regional Radio Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota. The Central Minnesota Regional Radio Board is composed of one Commissioner of each county appointed by the respective County Board and one City Council member from each city appointed by the respective City Council, as provided in the Central Minnesota Regional Radio Board's by-laws.

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Central Minnesota Diagnostics, Inc

The Meeker Memorial Hospital and other hospitals (all unrelated parties to the Hospital) formed a non-profit corporation known as Central Minnesota Diagnostic, Inc. (CMDI). CMDI was organized to provide certain agreed upon shared services to those hospitals who are members of this corporation. CMDI operates as a non-profit cooperative and allocates income to its member hospitals based on the services the member hospitals purchase from CMDI. The Medical Center records its investment in CMDI on the equity method of accounting, which approximates the Hospital's equity in the underlying book value of CMDI.

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, 2010. 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.

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

Cash and Pooled Investments

All cash and investments of the Meeker County EDA are on deposit with the County and so are cash and cash equivalents for the purposes of cash flows.

Cash of the Meeker County HRA is in the custody of the HRA. All checking, savings, certificates of deposit, and cash on hand are cash and cash equivalents.

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated paid time off. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments. Compensated absences are accrued when incurred.

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables at December 31, 2010, for the EDA, and at June 30, 2010, for the HRA, including the applicable allowances for uncollectible accounts, are as follows:

	<u>EDA</u>	<u>HRA</u>	<u>Total Receivables</u>
Accounts	\$ 10,324	\$ 19,758	\$ 30,082
Accrued interest	987	-	987
Loans	<u>350,587</u>	<u>-</u>	<u>350,587</u>
Total Component Units	<u>\$ 361,898</u>	<u>\$ 19,758</u>	<u>\$ 381,656</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets (Continued)

Loans Receivable

Loans receivable represent amounts owing from businesses within the County for redevelopment purposes. Funding for these loans was contributed from Meeker County, other local governments, and private organizations. For some loans, repayment is contingent and only required if specified loan provisions are not met.

Capital Assets

Component unit capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
EDA	\$ 155,988	\$ -	\$ -	\$ 155,988
HRA	63,966	-	-	63,966
Total capital assets not depreciated	\$ 219,954	\$ -	\$ -	\$ 219,954
Capital assets depreciated				
Buildings and equipment				
EDA	\$ 5,175,978	\$ 1,341	\$ -	\$ 5,177,319
HRA	1,263,375	38,907	-	1,302,282
Total capital assets depreciated - buildings and equipment	\$ 6,439,353	\$ 40,248	\$ -	\$ 6,479,601
Less: accumulated depreciation for Buildings and equipment				
EDA	\$ 1,595,453	\$ 178,684	\$ -	\$ 1,774,137
HRA	856,341	52,791	-	909,132
Total accumulated depreciation	\$ 2,451,794	\$ 231,475	\$ -	\$ 2,683,269
Total capital assets depreciated, net	\$ 3,987,559	\$ (191,227)	\$ -	\$ 3,796,332
Total Capital Assets, Net	\$ 4,207,513	\$ (191,227)	\$ -	\$ 4,016,286

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

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

EDA	\$	178,684
HRA		52,791
Total Depreciation Expense	\$	231,475

2. Liabilities

Payables

Payables at December 31, 2010, were as follows:

	EDA	HRA	Total Payables
Accounts	\$ 12,549	\$ 5,698	\$ 18,247
Salaries	4,710	-	4,710
Total Payables	\$ 17,259	\$ 5,698	\$ 22,957

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Long-Term Debt

Long-term debt outstanding at December 31, 2010, 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	\$ 1,395,213
1999 Essential Function Housing Development Revenue Bonds	2030	7,367	4.75	1,400,000	1,131,384
2001 Essential Function Housing Development Revenue Bonds	2032	6,272	4.75	1,200,000	1,017,269
2002 Essential Function Housing Development Revenue Bonds	2033	4,861	4.75	930,000	796,908
Totals				<u>\$ 5,340,000</u>	<u>\$ 4,340,774</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>
2011	\$ 121,496	\$ 186,619
2012	138,707	197,422
2013	145,441	190,688
2014	152,502	183,627
2015	159,905	176,223
2016 - 2020	923,790	756,853
2021 - 2025	1,170,887	509,757
2026 - 2030	1,282,024	203,181
2031 - 2033	246,022	12,076
Total	<u>\$ 4,340,774</u>	<u>\$ 2,416,446</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

8. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the EDA for the year ended December 31, 2010.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Essential Function Housing Development Revenue Bonds for					
1998	\$ 1,441,861	\$ -	\$ 46,648	\$ 1,395,213	\$ 44,748
1999	1,165,170	-	33,786	1,131,384	32,406
2001	1,043,536	-	26,267	1,017,269	25,198
2002	816,865	-	19,957	796,908	19,144
Total Essential Function Housing Development Revenue Bonds	\$ 4,467,432	\$ -	\$ 126,658	\$ 4,340,774	\$ 121,496
Compensated absences	8,089	2,585	-	10,674	4,376
EDA Long-Term Liabilities	<u>\$ 4,475,521</u>	<u>\$ 2,585</u>	<u>\$ 126,658</u>	<u>\$ 4,351,448</u>	<u>\$ 125,872</u>

REQUIRED SUPPLEMENTARY INFORMATION

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,024,215	\$ 6,024,215	\$ 6,006,267	\$ (17,948)
Licenses and permits	13,185	13,185	14,268	1,083
Intergovernmental	1,632,331	1,632,331	1,598,978	(33,353)
Charges for services	1,609,222	1,609,222	1,894,154	284,932
Fines and forfeits	30,050	30,050	26,620	(3,430)
Gifts and contributions	600	600	1,050	450
Investment earnings	300,000	300,000	243,884	(56,116)
Miscellaneous	308,000	308,000	488,316	180,316
Total Revenues	\$ 9,917,603	\$ 9,917,603	\$ 10,273,537	\$ 355,934
Expenditures				
Current				
General government				
Commissioners	\$ 219,331	\$ 219,331	\$ 210,086	\$ 9,245
Courts	24,000	24,000	19,256	4,744
Court services	422,860	422,860	409,253	13,607
Law library	30,000	30,000	56,792	(26,792)
County administration	112,697	112,697	110,108	2,589
County auditor	339,473	339,473	345,133	(5,660)
County treasurer	322,053	322,053	316,240	5,813
County assessor	324,652	324,652	277,335	47,317
Accounting and auditing	56,000	56,000	57,447	(1,447)
Data processing	259,963	259,963	238,167	21,796
Central services	73,000	73,000	74,006	(1,006)
Attorney	633,307	633,307	649,436	(16,129)
Recorder	191,741	191,741	179,846	11,895
Surveyor	7,500	7,500	6,075	1,425
Planning and zoning	353,114	353,114	329,538	23,576
Maintenance	413,514	413,514	389,783	23,731
Veterans service officer	150,622	150,622	149,597	1,025
Appropriations	215,100	215,100	222,417	(7,317)
Other	265,955	265,955	312,347	(46,392)
Total general government	\$ 4,414,882	\$ 4,414,882	\$ 4,352,862	\$ 62,020

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,085,396	\$ 4,085,396	\$ 3,856,689	\$ 228,707
Coroner	67,626	67,626	69,838	(2,212)
E-911 system	99,900	99,900	25,954	73,946
Wireless communication	103,947	103,947	156,819	(52,872)
Emergency management	89,628	89,628	110,643	(21,015)
Total public safety	\$ 4,446,497	\$ 4,446,497	\$ 4,219,943	\$ 226,554
Sanitation				
Solid waste	\$ 113,733	\$ 113,733	\$ 111,089	\$ 2,644
Conservation of natural resources				
County extension	\$ 270,139	\$ 270,139	\$ 276,226	\$ (6,087)
Extension committee	3,000	3,000	2,119	881
Agricultural inspections	5,000	5,000	5,000	-
Total conservation of natural resources	\$ 278,139	\$ 278,139	\$ 283,345	\$ (5,206)
Economic development				
Community development	\$ 95,000	\$ 95,000	\$ 95,000	\$ -
Capital outlay				
General government	\$ 24,258	\$ 24,258	\$ 13,855	\$ 10,403
Total Expenditures	\$ 9,372,509	\$ 9,372,509	\$ 9,076,094	\$ 296,415
Excess of Revenues Over (Under) Expenditures	\$ 545,094	\$ 545,094	\$ 1,197,443	\$ 652,349
Other Financing Sources (Uses)				
Transfers out	(564,725)	(564,725)	(876,726)	(312,001)
Net Change in Fund Balance	\$ (19,631)	\$ (19,631)	\$ 320,717	\$ 340,348
Fund Balance - January 1	5,780,900	5,780,900	5,780,900	-
Fund Balance - December 31	\$ 5,761,269	\$ 5,761,269	\$ 6,101,617	\$ 340,348

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON STATEMENT
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,212,295	\$ 1,212,295	\$ 1,234,505	\$ 22,210
Intergovernmental	5,860,497	5,860,497	3,688,892	(2,171,605)
Charges for services	507,000	507,000	454,317	(52,683)
Miscellaneous	228,600	228,600	344,919	116,319
Total Revenues	\$ 7,808,392	\$ 7,808,392	\$ 5,722,633	\$ (2,085,759)
Expenditures				
Current				
Highways and streets				
Administration	\$ 452,432	\$ 452,432	\$ 349,407	\$ 103,025
Maintenance	1,392,901	1,392,901	1,424,971	(32,070)
Engineering/construction	2,099,171	2,099,171	2,269,454	(170,283)
Equipment, maintenance, and shop	937,867	937,867	1,024,616	(86,749)
Total highways and streets	\$ 4,882,371	\$ 4,882,371	\$ 5,068,448	\$ (186,077)
Capital outlay				
Highways and streets	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Debt service				
Principal	\$ 600,000	\$ 600,000	\$ 600,000	\$ -
Interest	65,000	65,000	63,600	1,400
Total debt service	\$ 665,000	\$ 665,000	\$ 663,600	\$ 1,400
Intergovernmental				
Highways and streets	\$ 300,000	\$ 300,000	\$ 331,428	\$ (31,428)
Total Expenditures	\$ 5,848,371	\$ 5,848,371	\$ 6,063,476	\$ (215,105)
Excess of Revenues Over (Under)				
Expenditures	\$ 1,960,021	\$ 1,960,021	\$ (340,843)	\$ (2,300,864)
Other Financing Sources (Uses)				
Transfers in	650,000	650,000	750,000	100,000
Net Change in Fund Balance	\$ 2,610,021	\$ 2,610,021	\$ 409,157	\$ (2,200,864)
Fund Balance - January 1	530,268	530,268	530,268	-
Increase (decrease) in reserved for inventories	-	-	(14,308)	(14,308)
Fund Balance - December 31	\$ 3,140,289	\$ 3,140,289	\$ 925,117	\$ (2,215,172)

The notes to the required supplementary information are an integral part of this statement.

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON STATEMENT
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,590,000	\$ 2,590,000	\$ 2,389,436	\$ (200,564)
Intergovernmental	2,621,566	2,621,566	3,141,972	520,406
Charges for services	353,725	353,725	504,775	151,050
Miscellaneous	515,063	515,063	266,544	(248,519)
Total Revenues	\$ 6,080,354	\$ 6,080,354	\$ 6,302,727	\$ 222,373
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,874,744	\$ 1,874,744	\$ 2,005,642	\$ (130,898)
Social services	4,212,328	4,212,328	4,449,789	(237,461)
Total Expenditures	\$ 6,087,072	\$ 6,087,072	\$ 6,455,431	\$ (368,359)
Excess of Revenues Over (Under) Expenditures	\$ (6,718)	\$ (6,718)	\$ (152,704)	\$ (145,986)
Other Financing Sources (Uses)				
Transfers out	-	-	(500,000)	(500,000)
Net Change in Fund Balance	\$ (6,718)	\$ (6,718)	\$ (652,704)	\$ (645,986)
Fund Balance - January 1	4,393,719	4,393,719	4,393,719	-
Fund Balance - December 31	\$ 4,387,001	\$ 4,387,001	\$ 3,741,015	\$ (645,986)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2010**

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Other Postemployment Benefits

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

2. Excess of Expenditures Over Budget

The following funds and departments had expenditures in excess of budget for the year ended December 31, 2010:

	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
General government			
Law library	\$ 56,792	\$ 30,000	\$ 26,792
County auditor	345,133	339,473	5,660
Accounting and auditing	57,447	56,000	1,447
Central services	74,006	73,000	1,006
Attorney	649,436	633,307	16,129
Appropriations	222,417	215,100	7,317
Other	312,347	265,955	46,392
Public safety			
Coroner	69,838	67,626	2,212
Wireless communication	156,819	103,947	52,872
Emergency management	110,643	89,628	21,015
Conservation of natural resources			
County extension	276,226	270,139	6,087
Road and Bridge Special Revenue Fund			
Highways and Streets			
Maintenance	1,424,971	1,392,901	32,070
Engineering/construction	2,269,454	2,099,171	170,283
Equipment, maintenance, and shop	1,024,616	937,867	86,749
Intergovernmental			
Highways and streets	331,428	300,000	31,428
Human Services Special Revenue Fund			
Human Services			
Income maintenance	2,005,642	1,874,744	130,898
Social services	4,449,789	4,212,328	237,461

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SUPPLEMENTARY INFORMATION

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

DEBT SERVICE FUND

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<u>Assets</u>				
Cash and pooled investments	\$ 57,500	\$ 62,847	\$ 355,962	\$ 138,416
Taxes receivable				
Delinquent	-	6,376	-	-
Special assessments receivable				
Delinquent	-	-	-	8,541
Noncurrent	-	-	-	78,224
Accounts receivable - net	-	-	3,161	10,203
Due from other funds	-	-	13,547	-
Due from other governments	-	-	170,462	-
Leases receivable	-	-	-	-
Prepaid items	-	-	4,065	-
Total Assets	<u>\$ 57,500</u>	<u>\$ 69,223</u>	<u>\$ 547,197</u>	<u>\$ 235,384</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 28,290	\$ -	\$ 6,148	\$ 80
Salaries payable	2,446	-	57,618	-
Due to other funds	8	-	286	918
Due to other governments	19,247	-	-	-
Deferred revenue - unavailable	-	5,414	-	86,765
Deferred revenue - unearned	-	-	-	-
Advance from other funds	-	-	-	21,514
Total Liabilities	<u>\$ 49,991</u>	<u>\$ 5,414</u>	<u>\$ 64,052</u>	<u>\$ 109,277</u>
Fund Balances				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Reserved for prepaid items	-	-	4,065	-
Unreserved				
Designated for cash flows	7,509	63,809	-	-
Designated for future expenditures	-	-	479,080	126,107
Designated for debt service	-	-	-	-
Undesignated	-	-	-	-
Total Fund Balances	<u>\$ 7,509</u>	<u>\$ 63,809</u>	<u>\$ 483,145</u>	<u>\$ 126,107</u>
Total Liabilities and Fund Balances	<u>\$ 57,500</u>	<u>\$ 69,223</u>	<u>\$ 547,197</u>	<u>\$ 235,384</u>

EXHIBIT B-1

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Debt Service Fund	Total
\$ 948,315	\$ 420,635	\$ 16,957	\$ 18,703	\$ 19,616	\$ 616,297	\$ 2,655,248
-	4,810	-	-	-	38,509	49,695
-	-	-	-	-	-	8,541
-	-	121,275	-	-	-	199,499
6,598	16	-	-	-	-	19,978
-	-	-	-	-	-	13,547
-	80,499	-	-	425	-	251,386
-	53,767	-	-	-	-	53,767
-	-	-	-	-	-	4,065
\$ 954,913	\$ 559,727	\$ 138,232	\$ 18,703	\$ 20,041	\$ 654,806	\$ 3,255,726
\$ 1,184	\$ 8,872	\$ -	\$ -	\$ -	\$ -	\$ 44,574
935	7,272	-	-	-	-	68,271
508	-	-	-	-	-	1,720
-	5,220	-	-	-	-	24,467
-	4,114	121,275	-	-	31,888	249,456
-	53,767	15,664	-	-	-	69,431
-	-	-	-	-	-	21,514
\$ 2,627	\$ 79,245	\$ 136,939	\$ -	\$ -	\$ 31,888	\$ 479,433
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 622,918	\$ 622,918
-	-	-	-	-	-	4,065
-	334,004	-	-	-	-	405,322
-	146,478	-	18,703	20,041	-	790,409
-	-	1,293	-	-	-	1,293
952,286	-	-	-	-	-	952,286
\$ 952,286	\$ 480,482	\$ 1,293	\$ 18,703	\$ 20,041	\$ 622,918	\$ 2,776,293
\$ 954,913	\$ 559,727	\$ 138,232	\$ 18,703	\$ 20,041	\$ 654,806	\$ 3,255,726

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
Revenues				
Taxes	\$ -	\$ 178,965	\$ -	\$ -
Special assessments	-	-	-	72,443
Intergovernmental	112,887	25,235	729,610	-
Charges for services	78,932	-	430,509	-
Fines and forfeits	-	-	-	-
Miscellaneous	7,289	-	2,654	11,907
Total Revenues	\$ 199,108	\$ 204,200	\$ 1,162,773	\$ 84,350
Expenditures				
Current				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Health	-	-	1,542,265	-
Culture and recreation	422,496	206,832	-	-
Conservation of natural resources	-	-	-	56,015
Debt service				
Principal	-	-	-	-
Interest	-	-	-	990
Equipment note issuance costs	-	-	-	-
Total Expenditures	\$ 422,496	\$ 206,832	\$ 1,542,265	\$ 57,005
Excess of Revenues Over (Under)				
Expenditures	\$ (223,388)	\$ (2,632)	\$ (379,492)	\$ 27,345
Other Financing Sources (Uses)				
Transfers in	\$ 176,445	\$ -	\$ 388,280	\$ -
Transfers out	-	-	-	-
Loans issued	-	-	-	-
Total Other Financing Sources (Uses)	\$ 176,445	\$ -	\$ 388,280	\$ -
Net Change in Fund Balance	\$ (46,943)	\$ (2,632)	\$ 8,788	\$ 27,345
Fund Balance - January 1	54,452	66,441	474,357	98,762
Fund Balance - December 31	\$ 7,509	\$ 63,809	\$ 483,145	\$ 126,107

EXHIBIT B-2

Special Revenue Funds						
Transfer Station	Family Services Building	Septic System Loan Program	Forfeit Property	Sheriff's Contingent	Debt Service Fund	Total
\$ -	\$ 124,110	\$ -	\$ 3,152	\$ -	\$ 1,162,333	\$ 1,468,560
-	-	-	-	-	-	72,443
-	17,206	34,244	-	-	157,060	1,076,242
101,952	-	-	-	-	-	611,393
-	-	-	-	2,318	-	2,318
-	567,442	-	-	-	-	589,292
\$ 101,952	\$ 708,758	\$ 34,244	\$ 3,152	\$ 2,318	\$ 1,319,393	\$ 3,820,248
\$ -	\$ 322,499	\$ 155,519	\$ 8,215	\$ -	\$ -	\$ 486,233
108,058	-	-	-	-	-	108,058
-	-	-	-	-	-	1,542,265
-	-	-	-	-	-	629,328
-	-	-	-	-	-	56,015
-	-	7,462	-	-	805,000	812,462
-	-	113	-	-	279,785	280,888
-	-	-	-	-	500	500
\$ 108,058	\$ 322,499	\$ 163,094	\$ 8,215	\$ -	\$ 1,085,285	\$ 3,915,749
\$ (6,106)	\$ 386,259	\$ (128,850)	\$ (5,063)	\$ 2,318	\$ 234,108	\$ (95,501)
\$ -	\$ -	\$ -	\$ 12,000	\$ -	\$ 289,444	\$ 866,169
-	(289,443)	-	-	-	(250,000)	(539,443)
-	-	121,275	-	-	-	121,275
\$ -	\$ (289,443)	\$ 121,275	\$ 12,000	\$ -	\$ 39,444	\$ 448,001
\$ (6,106)	\$ 96,816	\$ (7,575)	\$ 6,937	\$ 2,318	\$ 273,552	\$ 352,500
958,392	383,666	8,868	11,766	17,723	349,366	2,423,793
\$ 952,286	\$ 480,482	\$ 1,293	\$ 18,703	\$ 20,041	\$ 622,918	\$ 2,776,293

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 112,887	\$ 112,887
Charges for services	80,130	80,130	78,932	(1,198)
Miscellaneous	3,800	3,800	7,289	3,489
Total Revenues	\$ 83,930	\$ 83,930	\$ 199,108	\$ 115,178
Expenditures				
Current				
Culture and recreation				
Parks	260,375	260,375	422,496	(162,121)
Excess of Revenues Over (Under)				
Expenditures	\$ (176,445)	\$ (176,445)	\$ (223,388)	\$ (46,943)
Other Financing Sources (Uses)				
Transfers in	176,445	176,445	176,445	-
Net Change in Fund Balance	\$ -	\$ -	\$ (46,943)	\$ (46,943)
Fund Balance - January 1	54,452	54,452	54,452	-
Fund Balance - December 31	\$ 54,452	\$ 54,452	\$ 7,509	\$ (46,943)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 179,046	\$ 179,046	\$ 178,965	\$ (81)
Intergovernmental	27,786	27,786	25,235	(2,551)
Total Revenues	\$ 206,832	\$ 206,832	\$ 204,200	\$ (2,632)
Expenditures				
Current				
Culture and recreation	206,832	206,832	206,832	-
Net Change in Fund Balance	\$ -	\$ -	\$ (2,632)	\$ (2,632)
Fund Balance - January 1	66,441	66,441	66,441	-
Fund Balance - December 31	\$ 66,441	\$ 66,441	\$ 63,809	\$ (2,632)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
COUNTY NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 679,951	\$ 679,951	\$ 729,610	\$ 49,659
Charges for services	401,500	401,500	430,509	29,009
Gifts and contributions	500	500	-	(500)
Miscellaneous	40,400	40,400	2,654	(37,746)
Total Revenues	\$ 1,122,351	\$ 1,122,351	\$ 1,162,773	\$ 40,422
Expenditures				
Current				
Health				
Nursing service	1,510,631	1,510,631	1,542,265	(31,634)
Excess of Revenues Over (Under)				
Expenditures	\$ (388,280)	\$ (388,280)	\$ (379,492)	\$ 8,788
Other Financing Sources (Uses)				
Transfers in	388,280	388,280	388,280	-
Net Change in Fund Balance	\$ -	\$ -	\$ 8,788	\$ 8,788
Fund Balance - January 1	429,057	429,057	474,357	45,300
Fund Balance - December 31	\$ 429,057	\$ 429,057	\$ 483,145	\$ 54,088

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-6

**BUDGETARY COMPARISON SCHEDULE
TRANSFER STATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 150,000	\$ 150,000	\$ 101,952	\$ (48,048)
Expenditures				
Current				
Sanitation				
Solid waste	115,596	115,596	108,058	7,538
Net Change in Fund Balance	\$ 34,404	\$ 34,404	\$ (6,106)	\$ (40,510)
Fund Balance - January 1	958,392	958,392	958,392	-
Fund Balance - December 31	<u>992,796</u>	<u>992,796</u>	<u>952,286</u>	<u>(40,510)</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 123,646	\$ 123,646	\$ 124,110	\$ 464
Intergovernmental	20,465	20,465	17,206	(3,259)
Miscellaneous	523,897	523,897	567,442	43,545
Total Revenues	\$ 668,008	\$ 668,008	\$ 708,758	\$ 40,750
Expenditures				
Current				
General government				
Central services	378,564	378,564	322,499	56,065
Excess of Revenues Over (Under)				
Expenditures	\$ 289,444	\$ 289,444	\$ 386,259	\$ 96,815
Other Financing Sources (Uses)				
Transfers out	(289,444)	(289,444)	(289,443)	1
Net Change in Fund Balance	\$ -	\$ -	\$ 96,816	\$ 96,816
Fund Balance - January 1	383,666	383,666	383,666	-
Fund Balance - December 31	\$ 383,666	\$ 383,666	\$ 480,482	\$ 96,816

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 251,122	\$ 27,753,057	\$ 27,796,549	\$ 207,630
<u>Liabilities</u>				
Due to other governments	\$ 251,122	\$ 27,753,057	\$ 27,796,549	\$ 207,630
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 91,802	\$ 2,384,555	\$ 2,363,144	\$ 113,213
<u>Liabilities</u>				
Due to other governments	\$ 91,802	\$ 2,384,555	\$ 2,363,144	\$ 113,213
 <u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 22,688	\$ -	\$ 22,688
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 22,688	\$ -	\$ 22,688

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 94,795	\$ 177,604	\$ 167,260	\$ 105,139
<u>Liabilities</u>				
Due to other governments	\$ 94,795	\$ 177,604	\$ 167,260	\$ 105,139
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 437,719	\$ 30,337,904	\$ 30,326,953	\$ 448,670
<u>Liabilities</u>				
Due to other governments	\$ 437,719	\$ 30,337,904	\$ 30,326,953	\$ 448,670

ECONOMIC DEVELOPMENT AUTHORITY

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT D-1

**STATEMENT OF NET ASSETS
ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2010**

Assets

Current assets

Cash and pooled investments	\$	142,936
Investments		141,000
Accounts receivable - net		10,324
Accrued interest receivable		987
Loans receivable		350,587
Prepaid items		22,193
		22,193

Total current assets **\$ 668,027**

Noncurrent assets

Deferred debt issuance costs	\$	41,770
Capital assets		
Nondepreciable		155,988
Depreciable - net		3,403,182
		3,403,182

Total noncurrent assets **\$ 3,600,940**

Total Assets **\$ 4,268,967**

Liabilities

Current liabilities

Accounts payable	\$	12,549
Salaries payable		4,710
Accrued interest payable		2,578
Customer deposits		44,150
Compensated absences payable - current		4,376
Revenue bonds payable - current		121,496
		121,496

Total current liabilities **\$ 189,859**

Noncurrent liabilities

Compensated absences payable - long-term	\$	6,298
Revenue bonds payable - long-term		4,219,278
		4,219,278

Total noncurrent liabilities **\$ 4,225,576**

Total Liabilities **\$ 4,415,435**

Net Assets

Unrestricted **\$ (146,468)**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT D-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2010**

Operating Revenues	
Administrative fees	\$ 27,500
Tenant rents	554,081
Intergovernmental revenue	95,000
Miscellaneous	825
	825
Total Operating Revenues	\$ 677,406
Operating Expenses	
Personal services	\$ 104,275
Employee benefits and payroll taxes	28,179
General services - repairs and maintenance	72,084
Administration and fiscal services	9,162
Supplies	1,580
Management and caretaking	24,516
Real estate taxes	26,910
Snowplowing	11,654
Telephone	1,155
Utilities	5,331
Water reimbursement	4,756
Advertising	2,484
Background checks	504
Insurance	35,500
Staff training	54
Licenses and dues	1,353
Interest	413
Miscellaneous	107
Web site and internet	200
Depreciation	178,684
	178,684
Total Operating Expenses	\$ 508,901
Operating Income (Loss)	\$ 168,505
Nonoperating Revenues (Expenses)	
Interest income	\$ 1,585
Management fees	1,475
Intergovernmental - Meeker County	(12,646)
Repayment to contributors	(12,646)
Interest expense	(209,469)
Bond issue expense	(2,072)
	(2,072)
Total Nonoperating Revenues (Expenses)	\$ (233,773)
Change in Net Assets	\$ (65,268)
Net Assets - January 1	(81,200)
Net Assets - December 31	\$ (146,468)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT D-3

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2010
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 696,807
Payments to suppliers	(193,927)
Payments to employees	<u>(132,679)</u>
Net cash provided by (used in) operating activities	<u>\$ 370,201</u>
Cash Flows from Noncapital Financing Activities	
Contributions	\$ (12,646)
Intergovernmental expense - Meeker County	<u>(12,646)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ (25,292)</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (126,658)
Interest paid on long-term debt	(209,335)
Purchases of capital assets	<u>(1,341)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (337,334)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 2,781</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 10,356
Cash and Cash Equivalents at January 1	<u>273,580</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 283,936</u></u>
Cash and Cash Equivalents - Statement 9	
Cash and pooled investments	\$ 142,936
Investments	<u>141,000</u>
Total Cash and Cash Equivalents	<u><u>\$ 283,936</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2010
Increase (Decrease) in Cash and Cash Equivalents**

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

Operating income (loss)	\$ 168,505
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 178,684
Other miscellaneous receipts	1,475
(Increase) decrease in accounts receivable	(7,636)
(Increase) decrease in prepaid items	1,862
(Increase) decrease in loans receivable	25,292
Increase (decrease) in customer deposits	270
Increase (decrease) in accounts payable	1,974
Increase (decrease) in salaries payable	(2,810)
Increase (decrease) in compensated absences payable	2,585
Total adjustments	\$ 201,696
Net Cash Provided by (Used in) Operating Activities	\$ 370,201

OTHER SCHEDULES

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Shared Revenue

State

Highway users tax	\$	3,170,053
HACA		778,494
Market value credit		496,311
Market value credit - mobile home		5,033
Market value credit - agricultural		179,362
PERA rate reimbursement		24,144
Disparity reduction aid		12,611
Police aid		124,094
E-911		99,767
		99,767

Total shared revenue **\$ 4,889,869**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	667,100
		667,100

Local

Local contributions	\$	50,941
Payments in lieu of taxes		72,279
		72,279

Total local **\$ 123,220**

Grants

State

Minnesota Department/Board of		
Corrections	\$	137,680
Public Safety		46,608
Health		162,817
Natural Resources		120,474
Human Services		968,749
Water and Soil Resources		433,970
Pollution Control Agency		59,439
Miscellaneous		5,806
		5,806

Total state **\$ 1,935,543**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 299,153
Commerce	62,391
Justice	3,402
Transportation	335,255
Education	3,075
Energy	30,341
Health and Human Services	1,450,842
Homeland Security	960,822
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Total federal	\$ 3,145,281
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Total state and federal grants	\$ 5,080,824
	<hr/>
Total Intergovernmental Revenue	\$ 10,761,013
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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT E-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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	\$ 154,104
Passed Through Minnesota Department of Human Services Supplemental Nutrition Assistance Program (SNAP) Cluster	10.561	141,240
State Administrative Matching Grants for SNAP	10.561	3,809
State Administrative Matching Grants for SNAP - ARRA		<u>3,809</u>
Total U.S. Department of Agriculture		\$ 299,153
U.S. Department of Commerce		
Passed Through Minnesota Department of Public Safety Applied Meteorological Research	11.468	\$ 39,800
Passed Through Central Regional Radio Board Public Safety Interoperable Communications Grant Program	11.555	22,591
		<u>22,591</u>
Total U.S. Department of Commerce		\$ 62,391
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	\$ 3,402
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 324,455
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	1,789
Passed Through The City of Howard Lake State and Community Highway Safety	20.600	9,011
		<u>9,011</u>
Total U.S. Department of Transportation		\$ 335,255

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT E-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Energy		
Direct		
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	<u>\$ 30,341</u>
U.S. Department of Education		
Passed through Meeker and Wright Special Education Cooperative		
Special Education Grants for Infants and Families	84.181	<u>\$ 3,075</u>
U.S. Department of Health and Human Services		
Passed Through Meeker-McLeod-Sibley Community Health Services		
Public Health Emergency Preparedness	93.069	\$ 76,934
Drug-Free Communities Support Program Grants	93.276	50,533
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	10,161
Temporary Assistance for Needy Families	93.558	28,322
Medical Assistance Program	93.778	24,567
Maternal and Child Health Services Block Grant to the States	93.994	22,312
Passed Through Minnesota Department of Human Services		
Medical Reserve Corps Small Grant Program	93.008	10,000
Promoting Safe and Stable Families	93.556	5,558
Temporary Assistance for Needy Families	93.558	204,874
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	361,584
Child Support Enforcement - ARRA	93.563	35,760
Refugee and Entrant Assistance - State-Administered Programs	93.566	178
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	7,681
Foster Care Title IV-E Cluster		
Foster Care - Title IV-E	93.658	32,574
Foster Care - Title IV-E - ARRA	93.658	178
Social Services Block Grant	93.667	124,654
Chafee Foster Care Independence Program	93.674	4,500
Children's Health Insurance Program	93.767	20
Medical Assistance Program	93.778	<u>450,452</u>
Total U.S. Department of Health and Human Services		<u>\$ 1,450,842</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

*EXHIBIT E-2
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Direct		
Assistance to Firefighters Grant	97.044	\$ 162,540
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	17,934
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	16,123
Homeland Security Grant Program	97.067	215,000
Passed through West Central Minnesota Emergency Medical Services		
Homeland Security Grant Program	97.067	29,564
Passed through Central Regional Radio Board		
Homeland Security Grant Program	97.067	<u>519,661</u>
Total U.S. Department of Homeland Security		<u>\$ 960,822</u>
Total Federal Awards		<u><u>\$ 3,145,281</u></u>

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Meeker County. The County's reporting entity is defined in Note 1 to the financial statements. Meeker County's financial statements include the operations of the Meeker County Housing and Redevelopment Authority component unit, which expended \$286,219 in federal awards during the year ended June 30, 2010, which are not included in the Schedule of Expenditures of Federal Awards because it was audited by other auditors.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Meeker County under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Meeker County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Meeker County.

3. Summary of Significant Accounting Policies

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

4. American Recovery and Reinvestment Act

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

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- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Meeker County was not 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. The Highway Office does not have sufficient segregation of duties. 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 within various county offices. The County will continue to review and modify procedures to address this issue and provide as much segregation as possible.

06-1 Accounting Policies and Procedures

The County does not have a comprehensive, Board-approved manual 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;
- approval and payment of bills;

- accounting for payroll activities;
- accounting for capital assets (capitalization process and related depreciation);
- physical counts of inventory items;
- creating, changing, and updating passwords; and
- annual financial reporting practices.

Written policies and procedures should exist to ensure that the County'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. Though not formalized, the County has documented procedures relating to payroll, capital assets, modified accrual entries, and physical inventory of capital assets. We commend the County on its progress towards compiling a comprehensive accounting policies and procedures manual, and we encourage the County to continue its efforts in developing and formalizing this manual. 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's management understands the need for monitoring the County's internal controls and risk assessment. The county has made significant progress in its efforts to formalize a Comprehensive Accounting Policy and Procedures Manual. The County Board formally adopted a Purchasing Policy that includes contract practices in September 2011 and updated the Technology Systems and Services Use Policy in May 2011.

ITEM ARISING THIS YEAR

10-1 Preparation of Financial Statements

Meeker County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Meeker County has established controls and procedures for recording, processing, and summarizing its accounting data used in the preparation of its financial statements. Meeker County has also established procedures for preparing fund financial statements.

As is the case with many small and medium-sized entities, the County has relied upon its independent external auditors to assist in the preparation of the government-wide financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. As a result of this condition, the government lacks internal controls over the preparation and reporting of financial statements in accordance in GAAP.

We recommend Meeker County obtain the training and expertise to internally prepare its annual government-wide financial statements in accordance with GAAP. If Meeker County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, it must identify and train individuals to obtain the expertise to sufficiently review, understand, and approve the County's financial statements, including notes.

Client's Response:

Meeker County has controls and procedures in place for processing and summarizing accounting data used in preparation of financial statements. County staff has continued to obtain training in an effort to require less external assistance in preparing government-wide financial statements including preparation of notes.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

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

Previous reports have noted deficit cash and equity balances in the County's ditch system. At December 31, 2010, 5 of 49 individual drainage systems had deficit cash balances totaling \$17,056, and 7 of 49 individual systems had deficit equity balances totaling \$34,885. Minn. Stat. § 385.31 permits the payment of expenditures provided the fund has money for that purpose. Minn. Stat. § 103E.655, subd. 2, allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay its bills, which Meeker County has opted for certain ditches. However, allowing other 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. Pursuant to Minn. Stat. § 103E.735, subd. 1, 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 \$100,000, whichever is larger (*See* 2010 Minn. Laws, ch. 298, § 7).

We recommend County management continue its efforts in reducing the cash deficits. 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 is aware of Minn. Stat. § 103E.735, subd. 1, that allows for the establishment of a fund balance to be used for ditch repairs. County staff will continue to monitor the fund balances and work toward eliminating the deficits.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Meeker County for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

The County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the County's Board intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are generally that the restricted or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.

The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;
- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
 - if yes, the fund may continue to be classified as a special revenue fund;
 - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at: http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

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, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Meeker Memorial Hospital, an enterprise fund of Meeker County, and the Meeker County Housing and Redevelopment Authority, a discretely presented component unit of Meeker County, as described in our report on Meeker County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Meeker Memorial Hospital were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meeker County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-2, 06-1, and 10-1, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because the County does not have any tax increment financing districts of its own.

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

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

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

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

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 27, 2011

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

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

Board of County Commissioners
Meeker County

Compliance

We have audited Meeker County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. Meeker County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Meeker County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA), a discretely presented component unit, which expended \$286,219 in federal awards during the year ended June 30, 2010, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Meeker County HRA because it was audited by other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Meeker County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Meeker County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of Meeker County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 27, 2011

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR