

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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

**YEAR ENDED DECEMBER 31, 2005**

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

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - 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 Employee's 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, 2005**



**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, 2005

			<u>Term Expires</u>
<b>Elected</b>			
<b>Commissioners</b>			
Chair	Jim Swenson	District 1	January 2007
Vice Chair	Dave Gabrielson	District 2	January 2007
Board Member	Amy Wilde	District 3	January 2007
Board Member	Hugh Wagner	District 4	January 2007
Board Member	Roney Kutzke	District 5	January 2009
Attorney	Beth Cummins		January 2006
Auditor	Barbara Loch		January 2007
Treasurer	Sharon Euerle		January 2007
Recorder	Elaine Lenhard		January 2007
Sheriff	Michael Hirman		January 2007
<b>Appointed</b>			
Assessor	Robert Anderson		January 2009
Court Administrator	Linda Schmidt		Indefinite
Coroner	Janis C. Amatuzio, M.D.		Indefinite
Examiner of Titles	Mark Wood		Indefinite
Highway Engineer	Ronald Mortensen		May 2006
Surveyor	Sam Feistner		January 2007
Veterans Service Officer	Charles Unterberger		May 2007
Welfare Director	Clark Gustafson		Indefinite
Emergency Management Director	Michael Hirman		Indefinite
Department of Motor Vehicles			
Registrar	Sharon Euerle		Indefinite
County Administrator	Paul Virnig		Indefinite
Planning and Zoning Administrator	John Boe		Indefinite

Beth Cummins was appointed Interim County Attorney through December 31, 2005, to replace County Attorney Michael Thompson who resigned effective December 5, 2005. In December 2005, Stephanie Beckman was appointed County Attorney effective January 2006.

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# 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)

PATRICIA ANDERSON  
STATE AUDITOR

### 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, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of (1) the Meeker County Memorial Hospital, which represent the amounts shown as the business-type activities and the major proprietary fund; and (2) the Meeker County Housing and Redevelopment Authority, which represents 9 percent and 40 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Meeker County Memorial Hospital Enterprise Fund and the Housing and Redevelopment Authority Component Unit, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Meeker County Memorial Hospital and the Meeker County Housing and Redevelopment Authority were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006, on our consideration of Meeker County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 15, 2006

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

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005  
(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, 2005. 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, 2005, by \$66,726,581 (net assets). Of this amount, \$22,095,298 (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 \$4,809,303 in 2005. This is attributed primarily to an increase in activity.
- As of the close of 2005, Meeker County's governmental funds reported combined ending fund balances of \$12,568,111, an increase of \$956,759 in comparison with the prior year. Of this fund balance amount, \$5,125,922 was unreserved and undesignated by Meeker County, and thus available for spending at the government's discretion.
- At the end of 2005, unreserved fund balance for the General Fund was \$4,900,921, or 65.3 percent, of the total General Fund expenditures for that year.
- Meeker County's total debt decreased by \$637,427, or 9.67 percent, during 2005. The key factors in this decrease were scheduled annual repayments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to Meeker County's basic financial statements. Meeker County's financial statements have 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 in only future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

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

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

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

## **Fund Level Financial Statements**

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on

near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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

Meeker County reports 14 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, and Revolving Loan Special Revenue Fund--all of which are considered to be major funds. Data from the other 10 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the notes to the financial statements.

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

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

The basic proprietary fund financial statements can be found on Exhibits 10 through 12 of this report.

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

## **Notes to the Financial Statements**

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 34 through 68 of this report.

## Other Information

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

## 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 \$66,726,581 at the close of 2005. The largest portion of Meeker County's net assets (64.3 percent) reflects the County's investment in capital assets (for example, land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

	<b>Net Assets</b>					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current and other assets	\$ 15,709,044	\$ 15,146,779	\$ 12,888,875	\$ 10,304,290	\$ 28,597,919	\$ 25,451,069
Capital assets	42,323,367	41,171,345	5,664,651	5,694,121	47,988,018	46,865,466
<b>Total Assets</b>	<b>\$ 58,032,411</b>	<b>\$ 56,318,124</b>	<b>\$ 18,553,526</b>	<b>\$ 15,998,411</b>	<b>\$ 76,585,937</b>	<b>\$ 72,316,535</b>
<b>Liabilities</b>						
Long-term liabilities	\$ 5,951,510	\$ 6,588,937	\$ -	\$ -	\$ 5,951,510	\$ 6,588,937
Other liabilities	1,938,913	2,258,068	1,968,933	1,552,252	3,907,846	3,810,320
<b>Total Liabilities</b>	<b>\$ 7,890,423</b>	<b>\$ 8,847,005</b>	<b>\$ 1,968,933</b>	<b>\$ 1,552,252</b>	<b>\$ 9,859,356</b>	<b>\$ 10,399,257</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	\$ 37,226,055	\$ 35,431,336	\$ 5,664,651	\$ 5,694,121	\$ 42,890,706	\$ 41,125,457
Restricted	1,740,577	1,875,132	-	-	1,740,577	1,875,132
Unrestricted	11,175,356	10,164,651	10,919,942	8,752,038	22,095,298	18,916,689
<b>Total Net Assets</b>	<b>\$ 50,141,988</b>	<b>\$ 47,471,119</b>	<b>\$ 16,584,593</b>	<b>\$ 14,446,159</b>	<b>\$ 66,726,581</b>	<b>\$ 61,917,278</b>

The unrestricted net assets amount of \$22,095,298 as of December 31, 2005, may be used to meet the County's ongoing obligations to citizens and creditors. Business-type activities reported in 2005 are for the Meeker County Memorial Hospital, an enterprise fund of the primary government.

## Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 4,688,703	\$ 5,853,370	\$ 17,341,398	\$ 14,850,511	\$ 22,030,101	\$ 20,703,881
Operating grants and contributions	4,257,121	4,767,299	-	-	4,257,121	4,767,299
Capital grants and contributions	2,361,851	1,932,257	-	-	2,361,851	1,932,257
<b>General revenues</b>						
Property taxes	7,335,901	6,739,325	-	-	7,335,901	6,739,325
Gravel taxes	83,461	38,067	-	-	83,461	38,067
Mortgage registry taxes	29,462	25,428	-	-	29,462	25,428
Other taxes	-	1,750	-	-	-	1,750
Grants and contributions not restricted to specific programs	2,155,969	2,085,542	-	-	2,155,969	2,085,542
Gifts and contributions	35,437	35,134	-	-	35,437	35,134
Investment income	282,412	68,762	94,733	113,681	377,145	182,443
Gain on sale of capital assets	64,167	20,558	-	-	64,167	20,558
<b>Total Revenues</b>	<b>\$ 21,294,484</b>	<b>\$ 21,567,492</b>	<b>\$ 17,436,131</b>	<b>\$ 14,964,192</b>	<b>\$ 38,730,615</b>	<b>\$ 36,531,684</b>
<b>Expenses</b>						
General government	\$ 5,311,451	\$ 5,331,720	-	-	\$ 5,311,451	\$ 5,331,720
Public safety	3,312,127	2,886,307	-	-	3,312,127	2,886,307
Highways and streets	3,319,483	3,726,607	-	-	3,319,483	3,726,607
Sanitation	162,656	123,566	-	-	162,656	123,566
Human services	4,448,193	4,545,251	-	-	4,448,193	4,545,251
Hospital	-	-	15,297,697	14,073,875	15,297,697	14,073,875
Health	1,066,790	938,915	-	-	1,066,790	938,915
Culture and recreation	355,886	320,344	-	-	355,886	320,344
Conservation of natural resources	254,210	137,402	-	-	254,210	137,402
Economic development	112,000	726,900	-	-	112,000	726,900
Interest	280,819	232,859	-	-	280,819	232,859
<b>Total Expenses</b>	<b>\$ 18,623,615</b>	<b>\$ 18,969,871</b>	<b>\$ 15,297,697</b>	<b>\$ 14,073,875</b>	<b>\$ 33,921,312</b>	<b>\$ 33,043,746</b>
<b>Increase in Net Assets</b>	<b>\$ 2,670,869</b>	<b>\$ 2,597,621</b>	<b>\$ 2,138,434</b>	<b>\$ 890,317</b>	<b>\$ 4,809,303</b>	<b>\$ 3,487,938</b>
<b>Net Assets - January 1</b>	<b>47,471,119</b>	<b>44,873,498</b>	<b>14,446,159</b>	<b>13,555,842</b>	<b>61,917,278</b>	<b>58,429,340</b>
<b>Net Assets - December 31</b>	<b>\$ 50,141,988</b>	<b>\$ 47,471,119</b>	<b>\$ 16,584,593</b>	<b>\$ 14,446,159</b>	<b>\$ 66,726,581</b>	<b>\$ 61,917,278</b>

### Governmental Activities

Meeker County's activities increased the County's net assets during 2005 by \$2,670,869.

### Business-Type Activities

Business-type activities of the Meeker County Hospital increased Meeker County's net assets by \$2,138,434, accounting for 44 percent of the total growth in the County's net assets. Charges for services increased \$2,490,887, or 17 percent, while expenses were up only \$1,223,822, or 9 percent, accounting for the increase in net assets.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

### **Governmental Funds**

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Meeker County's governmental funds reported combined ending fund balances of \$12,568,111, an increase of \$956,759 in comparison with the prior year. The majority of this amount, \$11,270,550 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 \$4,900,921, while total fund balance was \$5,096,911. 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 65.3 percent of total General Fund expenditures. In 2005, ending fund balance in the General Fund increased by \$564,089. The primary reason for this increase was revenues were more than budgeted.

The Road and Bridge Special Revenue Fund's unreserved fund balance of \$661,021 at year-end represents 13.4 percent of the fund's annual expenditures. Unreserved fund balance increased \$178,572 during 2005, primarily due to increases in intergovernmental revenue.

The Human Services Special Revenue Fund's unreserved fund balance of \$3,772,171 at year-end represents 84.6 percent of the fund's annual expenditures. Unreserved fund balance increased \$303,834 during 2005, primarily due to revenues exceeding budgeted expenses.

The Revolving Loan Special Revenue Fund's unreserved fund balance of \$39,762 at year-end represents 10.4 percent of the fund's annual expenditures. The unreserved fund balance decreased \$261,057 during 2005, due to issuance of a new loan.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

There are no differences between the original expenditure budget and the final amended budget. (Meeker County did not amend the 2005 expenditure budget.)

Actual revenues exceeded budgeted revenues by \$1,282,650, primarily due to intergovernmental revenues and charges for services.

Actual expenditures exceeded budgeted expenditures by \$24,219, primarily due to immaterial nonbudgeted expenses.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Meeker County's capital assets for its governmental activities at December 31, 2005, totaled \$42,323,367 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$1,152,022, or 2.8 percent, from the previous year. The major capital asset events were infrastructure.

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,769,106	\$ 1,503,906	\$ 63,951	\$ 51,951	\$ 1,833,057	\$ 1,555,857
Land improvements	-	-	119,769	112,221	119,769	112,221
Infrastructure	27,691,555	26,423,873	-	-	27,691,555	26,423,873
Buildings	9,003,190	9,314,397	1,624,270	1,705,925	10,627,460	11,020,322
Building improvements	990,015	1,045,016	-	-	990,015	1,045,016
Machinery and equipment	2,797,862	2,857,117	3,714,197	3,824,024	6,512,059	6,681,141
Construction in progress	71,639	27,036	142,464	-	214,103	27,036
Total	<u>\$ 42,323,367</u>	<u>\$ 41,171,345</u>	<u>\$ 5,664,651</u>	<u>\$ 5,694,121</u>	<u>\$ 47,988,018</u>	<u>\$ 46,865,466</u>

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

### Long-Term Debt

At the end of the current fiscal year, Meeker County had a total outstanding debt of \$5,099,528, which was backed by the full faith and credit of the government.

#### Outstanding Debt

	2005	2004
General obligation bonds	\$ 3,375,000	\$ 3,570,000
Certificates of participation	1,580,000	1,820,000
Capital notes	108,659	318,617
Loan payable	35,869	42,625
Total	<u>\$ 5,099,528</u>	<u>\$ 5,751,242</u>

The County's debt related to general obligation bonds, certificates of participation, capital notes, and loans decreased by \$651,714 (11 percent) during the fiscal year due to scheduled repayments.

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

Minnesota statutes limit the amount of debt a county may levy to two percent of its total market value. At the end of 2005, Meeker County is well below the two percent debt limit imposed by state statutes.

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The unemployment rate for Meeker County at the end of 2005 was 5.7 percent. This compares with the state unemployment rate of 4.0 percent and shows an increase from the rate of one year ago of 0.2 percent.

Mortgage interest rates have been extremely low, causing many to refinance their mortgages and/or finance new construction.

By the end of 2005, Meeker County approved its balanced 2006 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, 2005**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and pooled investments	\$ 12,043,995	\$ 1,157,259	\$ 13,201,254	\$ 168,940
Petty cash and change funds	2,690	-	2,690	-
Investments	75,000	-	75,000	141,000
Taxes receivable				
Prior - net	204,910	-	204,910	-
Special assessments receivable				
Prior - net	119,131	-	119,131	-
Noncurrent - net	7,047	-	7,047	-
Accounts receivable - net	105,937	4,467,433	4,573,370	50,495
Accrued interest receivable	108,397	-	108,397	3,093
Due from other governments	1,728,304	-	1,728,304	-
Loans receivable	671,389	-	671,389	1,000,000
Leases receivable	269,556	-	269,556	-
Prepaid items	22,316	215,178	237,494	26,016
Inventories	285,763	514,295	800,058	-
Restricted assets				
Investments	-	6,445,436	6,445,436	-
Accrued interest receivable	-	89,274	89,274	-
Deferred charges	64,609	-	64,609	52,130
Other assets	-	-	-	996,444
Capital assets				
Nondepreciable	1,840,745	206,415	2,047,160	219,419
Depreciable - net of accumulated depreciation	40,482,622	5,458,236	45,940,858	4,654,803
<b>Total Assets</b>	<b>\$ 58,032,411</b>	<b>\$ 18,553,526</b>	<b>\$ 76,585,937</b>	<b>\$ 7,312,340</b>
<b>Liabilities</b>				
Accounts payable	\$ 363,981	\$ 821,395	\$ 1,185,376	\$ 21,548
Salaries payable	416,484	1,147,538	1,564,022	788
Contracts payable	83,077	-	83,077	-
Due to other governments	41,818	-	41,818	1,069,264
Accrued interest payable	112,090	-	112,090	2,117
Unearned revenue	921,463	-	921,463	337
Payable from restricted assets				
Rent deposits	-	-	-	47,543
Long-term liabilities				
Due within one year	611,211	-	611,211	104,369
Due in more than one year	5,340,299	-	5,340,299	4,813,331
<b>Total Liabilities</b>	<b>\$ 7,890,423</b>	<b>\$ 1,968,933</b>	<b>\$ 9,859,356</b>	<b>\$ 6,059,297</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Net Assets</b>				
Invested in capital assets - net of related debt	\$ 37,226,055	\$ 5,664,651	\$ 42,890,706	\$ 462,376
Restricted for				
Highways and streets	958,237	-	958,237	-
Capital projects	255,013	-	255,013	-
Debt service	392,372	-	392,372	-
Community development projects	-	-	-	996,444
Other purposes	134,955	-	134,955	-
Unrestricted	11,175,356	10,919,942	22,095,298	(205,777)
<b>Total Net Assets</b>	<b>\$ 50,141,988</b>	<b>\$ 16,584,593</b>	<b>\$ 66,726,581</b>	<b>\$ 1,253,043</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Functions/Programs</b>			
<b>Primary Government</b>			
<b>Governmental activities</b>			
General government	\$ 5,311,451	\$ 1,759,377	\$ 251,128
Public safety	3,312,127	1,536,531	175,204
Highways and streets	3,319,483	540,584	958,961
Sanitation	162,656	133,882	-
Human services	4,448,193	391,313	2,202,536
Health	1,066,790	135,216	548,392
Culture and recreation	355,886	86,172	52,389
Conservation of natural resources	254,210	-	68,511
Economic development	112,000	105,628	-
Interest	280,819	-	-
<b>Total governmental activities</b>	<b>\$ 18,623,615</b>	<b>\$ 4,688,703</b>	<b>\$ 4,257,121</b>
<b>Business-type activities</b>			
Hospital	15,297,697	17,341,398	-
<b>Total primary government</b>	<b>\$ 33,921,312</b>	<b>\$ 22,030,101</b>	<b>\$ 4,257,121</b>
<b>Discretely Presented Component Units</b>	<b>\$ 952,189</b>	<b>\$ 590,899</b>	<b>\$ 283,471</b>

**General Revenues**

Property taxes  
Gravel taxes  
Mortgage and registry taxes  
Grants and contributions not restricted to specific programs  
Gifts and contributions  
Investment income  
Gain on sale of capital assets  
Miscellaneous

**Total general revenues**

**Change in net assets**

**Net Assets - January 1**

**Net Assets - December 31**

**EXHIBIT 2**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Units
	Governmental Activities	Primary Government Business-Type Activities	Total	
\$ -	\$ (3,300,946)	\$ -	\$ (3,300,946)	
-	(1,600,392)	-	(1,600,392)	
2,234,788	414,850	-	414,850	
-	(28,774)	-	(28,774)	
-	(1,854,344)	-	(1,854,344)	
-	(383,182)	-	(383,182)	
-	(217,325)	-	(217,325)	
127,063	(58,636)	-	(58,636)	
-	(6,372)	-	(6,372)	
-	(280,819)	-	(280,819)	
<b>\$ 2,361,851</b>	<b>\$ (7,315,940)</b>	<b>\$ -</b>	<b>\$ (7,315,940)</b>	
-	-	2,043,701	2,043,701	
<b>\$ 2,361,851</b>	<b>\$ (7,315,940)</b>	<b>\$ 2,043,701</b>	<b>\$ (5,272,239)</b>	
<b>\$ 15,994</b>				<b>\$ (61,825)</b>
	\$ 7,335,901	\$ -	\$ 7,335,901	\$ -
	83,461	-	83,461	-
	29,462	-	29,462	-
	2,155,969	-	2,155,969	-
	35,437	-	35,437	-
	282,412	94,733	377,145	4,433
	64,167	-	64,167	-
	-	-	-	525
	<b>\$ 9,986,809</b>	<b>\$ 94,733</b>	<b>\$ 10,081,542</b>	<b>\$ 4,958</b>
	<b>\$ 2,670,869</b>	<b>\$ 2,138,434</b>	<b>\$ 4,809,303</b>	<b>\$ (56,867)</b>
	<b>47,471,119</b>	<b>14,446,159</b>	<b>61,917,278</b>	<b>1,309,910</b>
	<b>\$ 50,141,988</b>	<b>\$ 16,584,593</b>	<b>\$ 66,726,581</b>	<b>\$ 1,253,043</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Revolving Loan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>						
Cash and pooled investments	\$ 4,867,267	\$ 768,201	\$ 3,749,862	\$ 369,862	\$ 2,288,803	\$ 12,043,995
Petty cash and change funds	2,690	-	-	-	-	2,690
Investments	75,000	-	-	-	-	75,000
Taxes receivable						
Prior	108,498	25,491	51,586	-	19,335	204,910
Special assessments receivable						
Prior	-	-	-	-	119,131	119,131
Noncurrent	-	-	-	-	7,047	7,047
Accounts receivable	43,344	3,503	40,923	636	17,531	105,937
Accrued interest receivable	108,397	-	-	-	-	108,397
Due from other funds	8,453	4,709	-	-	5,867	19,029
Due from other governments	198,914	1,101,257	178,754	69,264	180,115	1,728,304
Loans receivable	5,000	-	-	651,907	14,482	671,389
Leases receivable	-	-	-	-	269,556	269,556
Inventories	-	285,763	-	-	-	285,763
Advances to other funds	61,319	-	-	-	-	61,319
Prepaid items	22,316	-	-	-	-	22,316
<b>Total Assets</b>	<b><u>\$ 5,501,198</u></b>	<b><u>\$ 2,188,924</u></b>	<b><u>\$ 4,021,125</u></b>	<b><u>\$ 1,091,669</u></b>	<b><u>\$ 2,921,867</u></b>	<b><u>\$ 15,724,783</u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Revolving Loan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 85,950	\$ 111,171	\$ 109,700	\$ -	\$ 57,160	\$ 363,981
Salaries payable	217,362	67,518	87,106	-	44,498	416,484
Contracts payable	-	83,077	-	-	-	83,077
Due to other funds	5,228	1,576	4,076	-	8,149	19,029
Due to other governments	12,942	983	8,336	-	19,557	41,818
Deferred revenue - unavailable	82,805	977,815	39,736	-	149,145	1,249,501
Deferred revenue - unearned	-	-	-	651,907	269,556	921,463
Advance from other funds	-	-	-	-	61,319	61,319
<b>Total Liabilities</b>	<b>\$ 404,287</b>	<b>\$ 1,242,140</b>	<b>\$ 248,954</b>	<b>\$ 651,907</b>	<b>\$ 609,384</b>	<b>\$ 3,156,672</b>
<b>Fund Balances</b>						
Reserved for						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 415,808	\$ 415,808
Inventories	-	285,763	-	-	-	285,763
Loans receivable	5,000	-	-	-	-	5,000
Advances to other funds	33,719	-	-	-	-	33,719
Prepaid items	22,316	-	-	-	-	22,316
Missing heirs	77,706	-	-	-	-	77,706
Gravel tax	57,249	-	-	-	-	57,249
Economic development	-	-	-	400,000	-	400,000
Unreserved						
Designated for cash flows	3,634,153	661,021	1,576,632	-	-	5,871,806
Designated for economic development	-	-	-	39,762	-	39,762
Undesignated	1,266,768	-	2,195,539	-	-	3,462,307
Unreserved, reported in nonmajor						
Special revenue funds	-	-	-	-	1,641,662	1,641,662
Capital projects funds	-	-	-	-	255,013	255,013
<b>Total Fund Balances</b>	<b>\$ 5,096,911</b>	<b>\$ 946,784</b>	<b>\$ 3,772,171</b>	<b>\$ 439,762</b>	<b>\$ 2,312,483</b>	<b>\$ 12,568,111</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,501,198</b>	<b>\$ 2,188,924</b>	<b>\$ 4,021,125</b>	<b>\$ 1,091,669</b>	<b>\$ 2,921,867</b>	<b>\$ 15,724,783</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

<b>Fund balances - total governmental funds</b>	<b>\$</b>	<b>12,568,111</b>
Amounts reported for governmental activities in the statement of activities 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.		42,323,367
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.		64,609
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,249,501
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	\$ (5,061,444)	
Loan payable	(35,869)	
Compensated absences	(854,197)	
Accrued interest payable	(112,090)	
	(6,063,600)	
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>50,141,988</u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Revolving Loan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 4,163,814	\$ 903,962	\$ 1,800,904	\$ -	\$ 545,596	\$ 7,414,276
Special assessments	30,000	-	-	-	82,090	112,090
Licenses and permits	14,093	-	-	-	-	14,093
Intergovernmental	1,784,975	3,598,308	2,568,695	-	863,819	8,815,797
Charges for services	1,746,410	573,389	78,889	-	353,092	2,751,780
Fines and forfeits	36,298	-	-	-	-	36,298
Gifts and contributions	2,336	-	-	-	-	2,336
Interest on investments	233,402	-	-	13,315	35,695	282,412
Miscellaneous	755,067	37,607	312,424	105,628	759,654	1,970,380
<b>Total Revenues</b>	<b>\$ 8,766,395</b>	<b>\$ 5,113,266</b>	<b>\$ 4,760,912</b>	<b>\$ 118,943</b>	<b>\$ 2,639,946</b>	<b>\$ 21,399,462</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	\$ 3,775,267	\$ -	\$ -	\$ 380,000	\$ 308,990	\$ 4,464,257
Public safety	3,090,108	-	-	-	-	3,090,108
Highways and streets	-	4,689,722	-	-	-	4,689,722
Sanitation	93,856	-	-	-	52,587	146,443
Human services	-	-	4,457,078	-	-	4,457,078
Health	-	-	-	-	1,054,706	1,054,706
Culture and recreation	-	-	-	-	356,929	356,929
Conservation of natural resources	138,212	-	-	-	115,998	254,210
Economic development	112,000	-	-	-	-	112,000
<b>Capital outlay</b>	<b>298,521</b>	<b>244,972</b>	<b>-</b>	<b>-</b>	<b>355,170</b>	<b>898,663</b>
<b>Debt service</b>						
Principal	-	-	-	-	696,713	696,713
Interest	-	-	-	-	246,426	246,426
Bond issuance costs	-	-	-	-	45,147	45,147
<b>Total Expenditures</b>	<b>\$ 7,507,964</b>	<b>\$ 4,934,694</b>	<b>\$ 4,457,078</b>	<b>\$ 380,000</b>	<b>\$ 3,232,666</b>	<b>\$ 20,512,402</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,258,431</b>	<b>\$ 178,572</b>	<b>\$ 303,834</b>	<b>\$ (261,057)</b>	<b>\$ (592,720)</b>	<b>\$ 887,060</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	\$ 7,644	\$ -	\$ -	\$ -	\$ 966,330	\$ 973,974
Transfers out	(701,986)	-	-	-	(271,988)	(973,974)
Payment to refunded bond escrow agent	-	-	-	-	(2,167,117)	(2,167,117)
Refunding bond issued	-	-	-	-	2,210,000	2,210,000
Premium on bonds issued	-	-	-	-	6,669	6,669
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (694,342)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 743,894</b>	<b>\$ 49,552</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

***EXHIBIT 5  
(Continued)***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Revolving Loan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Net Change in Fund Balances	\$ 564,089	\$ 178,572	\$ 303,834	\$ (261,057)	\$ 151,174	\$ 936,612
Fund Balances - January 1	4,532,822	748,065	3,468,337	700,819	2,161,309	11,611,352
Increase (decrease) in reserved for inventories	-	20,147	-	-	-	20,147
Fund Balances - December 31	<u>\$ 5,096,911</u>	<u>\$ 946,784</u>	<u>\$ 3,772,171</u>	<u>\$ 439,762</u>	<u>\$ 2,312,483</u>	<u>\$ 12,568,111</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  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 936,612**

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 the statement of activities is the increase (decrease) in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 1,249,501	
Deferred revenue - January 1	(1,340,059)	(90,558)

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	\$ 3,024,718	
Net book value of assets sold	(5,649)	
Current year depreciation	(1,867,047)	1,152,022

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

Debt issuance	\$ (2,210,000)	
Premiums of bonds sold	(6,669)	
Bond issuance cost	45,147	(2,171,522)

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 repayments		
General obligation bonds	\$ 240,000	
General obligation bonds - defeased	2,165,000	
Capital notes	449,958	
Loan payable	6,755	2,861,713

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 governmental funds.

Change in accrued interest payable	\$ (22,166)	
Amortization of discounts/premium and deferred issuance charges	(10,110)	
Change in compensated absences	(5,269)	
Change in inventories	20,147	(17,398)

**Change in net assets of governmental activities (Exhibit 2) \$ 2,670,869**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 7**

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 4,629,548	\$ 4,629,548	\$ 4,163,814	\$ (465,734)
Special assessments	-	-	30,000	30,000
Licenses and permits	10,450	10,450	14,093	3,643
Intergovernmental	1,127,489	1,127,489	1,784,975	657,486
Charges for services	1,034,850	1,034,850	1,746,410	711,560
Fines and forfeits	39,785	39,785	36,298	(3,487)
Gifts and contributions	50	50	2,336	2,286
Investment earnings	230,000	230,000	233,402	3,402
Miscellaneous	411,573	411,573	755,067	343,494
<b>Total Revenues</b>	<b>\$ 7,483,745</b>	<b>\$ 7,483,745</b>	<b>\$ 8,766,395</b>	<b>\$ 1,282,650</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 179,260	\$ 179,260	\$ 183,455	\$ (4,195)
Courts	11,736	11,736	29,261	(17,525)
Court services	349,263	349,263	325,655	23,608
Law library	39,685	39,685	52,653	(12,968)
County administration	94,805	94,805	93,081	1,724
County auditor	174,121	174,121	167,810	6,311
County treasurer	304,335	304,335	302,549	1,786
County assessor	209,706	209,706	216,903	(7,197)
Accounting and auditing	42,000	42,000	59,826	(17,826)
Data processing	132,907	132,907	213,658	(80,751)
Central services	124,000	124,000	41,226	82,774
Attorney	489,290	489,290	467,518	21,772
Recorder	155,528	155,528	157,213	(1,685)
Surveyor	13,000	13,000	11,790	1,210
Planning and zoning	501,784	501,784	495,289	6,495
Maintenance	343,778	343,778	380,009	(36,231)
Veterans service officer	120,325	120,325	121,256	(931)
Appropriations	139,500	139,500	142,403	(2,903)
Other	654,873	654,873	313,712	341,161
<b>Total general government</b>	<b>\$ 4,079,896</b>	<b>\$ 4,079,896</b>	<b>\$ 3,775,267</b>	<b>\$ 304,629</b>
<b>Public safety</b>				
Sheriff	\$ 2,882,167	\$ 2,882,167	\$ 2,841,515	\$ 40,652
Emergency services	58,876	58,876	77,557	(18,681)
Coroner	48,148	48,148	72,944	(24,796)
E-911 system	62,250	62,250	98,092	(35,842)
<b>Total public safety</b>	<b>\$ 3,051,441</b>	<b>\$ 3,051,441</b>	<b>\$ 3,090,108</b>	<b>\$ (38,667)</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Sanitation</b>				
Solid waste	\$ 103,068	\$ 103,068	\$ 93,856	\$ 9,212
<b>Conservation of natural resources</b>				
County extension	\$ 127,343	\$ 127,343	\$ 133,833	\$ (6,490)
Extension Committee	2,800	2,800	1,811	989
Soil and water conservation	-	-	2,400	(2,400)
Agricultural inspections	7,197	7,197	168	7,029
<b>Total conservation of natural resources</b>	\$ 137,340	\$ 137,340	\$ 138,212	\$ (872)
<b>Economic development</b>				
Community development	\$ 112,000	\$ 112,000	\$ 112,000	\$ -
<b>Capital outlay</b>				
General government	\$ -	\$ -	\$ 165,006	\$ (165,006)
Public safety	-	-	133,515	(133,515)
<b>Total capital outlay</b>	\$ -	\$ -	\$ 298,521	\$ (298,521)
<b>Total Expenditures</b>	\$ 7,483,745	\$ 7,483,745	\$ 7,507,964	\$ (24,219)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 1,258,431	\$ 1,258,431
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 32,500	\$ 32,500	\$ 7,644	\$ (24,856)
Transfers out	(398,613)	(398,613)	(701,986)	(303,373)
<b>Total Other Financing Sources (Uses)</b>	\$ (366,113)	\$ (366,113)	\$ (694,342)	\$ (328,229)
<b>Net Change in Fund Balance</b>	\$ (366,113)	\$ (366,113)	\$ 564,089	\$ 930,202
<b>Fund Balance - January 1</b>	4,532,822	4,532,822	4,532,822	-
<b>Fund Balance - December 31</b>	\$ 4,166,709	\$ 4,166,709	\$ 5,096,911	\$ 930,202

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 8**

**BUDGETARY COMPARISON STATEMENT  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,025,447	\$ 1,025,447	\$ 903,962	\$ (121,485)
Intergovernmental	3,763,953	3,763,953	3,598,308	(165,645)
Charges for services	-	-	573,389	573,389
Miscellaneous	22,000	22,000	37,607	15,607
<b>Total Revenues</b>	<b>\$ 4,811,400</b>	<b>\$ 4,811,400</b>	<b>\$ 5,113,266</b>	<b>\$ 301,866</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 634,390	\$ 634,390	\$ 648,441	\$ (14,051)
Maintenance	1,168,970	1,168,970	1,019,732	149,238
Construction	2,144,140	2,144,140	2,411,018	(266,878)
Equipment maintenance and shop	863,900	863,900	610,531	253,369
<b>Total highways and streets</b>	<b>\$ 4,811,400</b>	<b>\$ 4,811,400</b>	<b>\$ 4,689,722</b>	<b>\$ 121,678</b>
<b>Capital outlay</b>				
Highways and streets	-	-	244,972	(244,972)
<b>Total Expenditures</b>	<b>\$ 4,811,400</b>	<b>\$ 4,811,400</b>	<b>\$ 4,934,694</b>	<b>\$ (123,294)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 178,572</b>	<b>\$ 178,572</b>
<b>Fund Balance - January 1</b>	<b>748,065</b>	<b>748,065</b>	<b>748,065</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>20,147</b>	<b>20,147</b>
<b>Fund Balance - December 31</b>	<b>\$ 748,065</b>	<b>\$ 748,065</b>	<b>\$ 946,784</b>	<b>\$ 198,719</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 9**

**BUDGETARY COMPARISON STATEMENT  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,338,000	\$ 2,338,000	\$ 1,800,904	\$ (537,096)
Intergovernmental	2,302,065	2,302,065	2,568,695	266,630
Charges for services	51,778	51,778	78,889	27,111
Miscellaneous	218,725	218,725	312,424	93,699
<b>Total Revenues</b>	<b>\$ 4,910,568</b>	<b>\$ 4,910,568</b>	<b>\$ 4,760,912</b>	<b>\$ (149,656)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,365,681	\$ 1,365,681	\$ 1,565,978	\$ (200,297)
Social services	3,544,887	3,544,887	2,891,100	653,787
<b>Total Expenditures</b>	<b>\$ 4,910,568</b>	<b>\$ 4,910,568</b>	<b>\$ 4,457,078</b>	<b>\$ 453,490</b>
<b>Net Change In Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 303,834</b>	<b>\$ 303,834</b>
<b>Fund Balance - January 1</b>	<b>3,468,337</b>	<b>3,468,337</b>	<b>3,468,337</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,468,337</b>	<b>\$ 3,468,337</b>	<b>\$ 3,772,171</b>	<b>\$ 303,834</b>

**PROPRIETARY FUND**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 10**

**STATEMENT OF FUND NET ASSETS  
MEEKER COUNTY MEMORIAL HOSPITAL ENTERPRISE FUND  
DECEMBER 31, 2005**

**Assets**

**Current assets**

Cash and pooled investments	\$ 1,157,259
Accounts receivable - net	4,467,433
Inventories	514,295
Prepaid items	215,178

**Total current assets** **\$ 6,354,165**

**Restricted assets**

Investments	\$ 6,445,436
Accrued interest receivable	89,274

**Total restricted assets** **\$ 6,534,710**

**Noncurrent assets**

Capital assets	
Nondepreciable	\$ 206,415
Depreciable - net	5,458,236

**Total noncurrent assets** **\$ 5,664,651**

**Total Assets** **\$ 18,553,526**

**Liabilities**

**Current liabilities**

Accounts payable	\$ 821,395
Salaries payable	1,147,538

**Total Liabilities** **\$ 1,968,933**

**Net Assets**

Invested in capital assets	\$ 5,664,651
Unrestricted	10,919,942

**Total Net Assets** **\$ 16,584,593**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 11**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
MEEKER COUNTY MEMORIAL HOSPITAL ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Operating Revenues</b>	
Patient services revenues	\$ 17,168,207
Miscellaneous	173,191
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 17,341,398</b>
	<hr/>
<b>Operating Expenses</b>	
Professional care of patients	\$ 10,324,575
Administration and fiscal services	2,791,696
Property, housekeeping, and laundry	819,793
Dietary	327,294
Depreciation	1,034,339
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 15,297,697</b>
	<hr/>
<b>Operating Income</b>	<b>\$ 2,043,701</b>
	<hr/>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	94,733
	<hr/>
<b>Change in Net Assets</b>	<b>\$ 2,138,434</b>
	<hr/>
<b>Net Assets - January 1</b>	<b>14,446,159</b>
	<hr/>
<b>Net Assets - December 31</b>	<b>\$ 16,584,593</b>
	<hr/> <hr/>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 12**

**STATEMENT OF CASH FLOWS  
MEEKER COUNTY MEMORIAL HOSPITAL ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Cash Flows from Operating Activities</b>	
Receipts from third-party payors and patients	\$ 15,694,116
Other receipts	173,191
Payments to suppliers	(6,678,949)
Payments to employees	(7,277,320)
	<b>\$ 1,911,038</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from the sale of capital assets	\$ 245
Purchases of capital assets	(1,023,912)
	<b>\$ (1,023,667)</b>
<b>Cash Flows from Investing Activities</b>	
Proceeds from sales and maturities of investments	\$ 1,549,141
Purchase of investments	(2,261,904)
Investment earnings received	238,331
	<b>\$ (474,432)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 412,939</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>744,320</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 1,157,259</b>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>	
<b>Operating income</b>	<b>\$ 2,043,701</b>
<b>Adjustments to reconcile operating income to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 1,034,339
(Increase) decrease in accounts receivable	(1,474,091)
(Increase) decrease in inventories	(32,262)
(Increase) decrease in prepaid items	(77,330)
Increase (decrease) in accounts payable	261,890
Increase (decrease) in salaries payable	154,791
	<b>\$ (132,663)</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,911,038</b>
<b>Noncash Investing, Capital, and Financing Activities</b>	
Loss on disposal of capital assets	\$ (18,798)
Unrealized losses on investments	(143,099)

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**FIDUCIARY FUNDS**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*EXHIBIT 13*

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	<u>\$ 445,965</u>
<b><u>Liabilities</u></b>	
Due to other governments	<u>\$ 445,965</u>

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**DISCRETELY PRESENTED COMPONENT UNITS**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 14**

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2005**

	Economic Development Authority	Housing and Redevelopment Authority	Total
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 23,147	\$ 145,793	\$ 168,940
Investments	141,000	-	141,000
Accounts receivable - net	9,539	40,956	50,495
Accrued interest receivable	3,093	-	3,093
Loans receivable	1,000,000	-	1,000,000
Prepaid items	19,814	6,202	26,016
	<b>\$ 1,196,593</b>	<b>\$ 192,951</b>	<b>\$ 1,389,544</b>
<b>Noncurrent assets</b>			
Deferred debt issuance costs	\$ 52,130	\$ -	\$ 52,130
Other assets	996,444	-	996,444
Capital assets			
Nondepreciable	155,453	63,966	219,419
Depreciable - net	4,256,393	398,410	4,654,803
	<b>\$ 5,460,420</b>	<b>\$ 462,376</b>	<b>\$ 5,922,796</b>
<b>Total noncurrent assets</b>	<b>\$ 5,460,420</b>	<b>\$ 462,376</b>	<b>\$ 5,922,796</b>
<b>Total Assets</b>	<b>\$ 6,657,013</b>	<b>\$ 655,327</b>	<b>\$ 7,312,340</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ 9,132	\$ 12,416	\$ 21,548
Salaries payable	-	788	788
Due to other governments	1,069,264	-	1,069,264
Accrued interest payable	2,117	-	2,117
Deferred revenue	-	337	337
Customer deposits	43,075	-	43,075
Revenue bonds payable - current	104,369	-	104,369
	<b>\$ 1,227,957</b>	<b>\$ 13,541</b>	<b>\$ 1,241,498</b>
<b>Total current liabilities</b>	<b>\$ 1,227,957</b>	<b>\$ 13,541</b>	<b>\$ 1,241,498</b>
<b>Noncurrent liabilities</b>			
Tenant security deposits	\$ -	\$ 4,468	\$ 4,468
Revenue bonds payable - long-term	4,813,331	-	4,813,331
	<b>\$ 4,813,331</b>	<b>\$ 4,468</b>	<b>\$ 4,817,799</b>
<b>Total noncurrent liabilities</b>	<b>\$ 4,813,331</b>	<b>\$ 4,468</b>	<b>\$ 4,817,799</b>
<b>Total Liabilities</b>	<b>\$ 6,041,288</b>	<b>\$ 18,009</b>	<b>\$ 6,059,297</b>

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

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**EXHIBIT 14  
(Continued)**

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2005**

	<b>Economic Development Authority</b>	<b>Housing and Redevelopment Authority</b>	<b>Total</b>
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ -	\$ 462,376	\$ 462,376
Restricted for community development	996,444	-	996,444
Unrestricted	(380,719)	174,942	(205,777)
<b>Total Net Assets</b>	<b>\$ 615,725</b>	<b>\$ 637,318</b>	<b>\$ 1,253,043</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
Economic Development Authority (EDA)	\$ 577,790	\$ 531,774
Housing and Redevelopment Authority (HRA)	374,399	59,125
<b>Total Component Units</b>	<b>\$ 952,189</b>	<b>\$ 590,899</b>
 <b>General Revenues</b>		
Investment income		
Miscellaneous		
<b>Total general revenues</b>		
 <b>Change in net assets</b>		
<b>Net Assets - Beginning</b>		
<b>Net Assets - Ending</b>		

*EXHIBIT 15*

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	EDA	HRA	Total
\$ 760	\$ -	\$ (45,256)	\$ -	\$ (45,256)
282,711	15,994	-	(16,569)	(16,569)
<b>\$ 283,471</b>	<b>\$ 15,994</b>	<b>\$ (45,256)</b>	<b>\$ (16,569)</b>	<b>\$ (61,825)</b>
		\$ 4,421	\$ 12	\$ 4,433
		525	-	525
		<b>\$ 4,946</b>	<b>\$ 12</b>	<b>\$ 4,958</b>
		<b>\$ (40,310)</b>	<b>\$ (16,557)</b>	<b>\$ (56,867)</b>
		<b>656,035</b>	<b>653,875</b>	<b>1,309,910</b>
		<b>\$ 615,725</b>	<b>\$ 637,318</b>	<b>\$ 1,253,043</b>

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2005. 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:

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

<u>Component Unit</u>	<u>Component Unit Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Meeker County Housing and Redevelopment Authority (HRA)	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. New Accounting Pronouncements

In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement amends GASB Statement 3. GASB Statement 40 establishes and modifies disclosure requirements related to investment risks and credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. GASB Statement 40 applies to all state and local governments.

C. 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  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Basic Financial Statements

1. Government-Wide Statements (Continued)

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.

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 that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. 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 County reports the following major enterprise fund:

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

Additionally, the County reports the following fund type:

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

D. 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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Measurement Focus and Basis of Accounting (Continued)

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.

E. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2005, 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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

the Meeker Memorial Hospital Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Investment earnings for 2005 were \$377,145.

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, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. 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 that they are not available for appropriation and are not expendable available financial resources.

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. 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 (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds and at the government-wide level are recorded as expenses when consumed.

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

Property, plant, and equipment of the primary government, as well as the component units, is 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 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 that are not considered to be available to liquidate liabilities of the current period.

9. Long-Term Obligations

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity

9. Long-Term Obligations (Continued)

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**

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2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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 \$2,460 as of December 31, 2005, although 16 ditches had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. Following is a summary of the individual ditch systems:

33 ditches with positive balances	\$ 90,682
16 ditches with deficit balances	<u>(88,222)</u>
Net Fund Balance	<u>\$ 2,460</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

C. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2005:

	Expenditures	Budget	Excess
Major Governmental Funds			
General Fund	\$ 7,507,964	\$ 7,483,745	\$ 24,219
Road and Bridge Special Revenue Fund	4,934,694	4,811,400	123,294
Other Governmental Funds			
County Parks Special Revenue Fund	233,056	192,683	40,373
County Nurse Special Revenue Fund	1,054,706	943,070	111,636

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of 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	\$	12,043,995
Petty cash and change funds		2,690
Investments		75,000
Business-type activities		
Cash and pooled investments		1,157,259
Investments, restricted		6,445,436
Statement of fiduciary net assets		
Cash and pooled investments		445,965
Total Cash and Investments	\$	20,170,345
Deposits	\$	6,445,568
Petty cash and change funds		2,690
Investments		13,722,087
Total Deposits, Cash on Hand, and Investments	\$	20,170,345

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard 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 that is 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, 2005, the County's deposits were not exposed to custodial credit risk.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

Interest Rate Risk

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2005, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
U.S. government securities	\$ 6,053,415	\$ 728,194	\$ 4,556,706	\$ 768,515
Treasury notes/bonds	2,809,425	-	2,354,063	455,362
Investment Pool/ MAGIC Fund	20,631	20,631	-	-
Negotiable certificates of deposit	2,102,086	2,004,000	98,086	-
Money markets	2,736,530	2,736,530	-	-
<b>Total Investments</b>	<b>\$ 13,722,087</b>	<b>\$ 5,489,355</b>	<b>\$ 7,008,855</b>	<b>\$ 1,223,877</b>

Credit Risk

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

The County's exposure to credit risk as of December 31, 2005, is as follows:

	S & P Rating	Fair Value
U.S. government securities	AAA	\$ 6,053,415
Treasury notes/bonds	N/R	2,809,425
Investment Pool/MAGIC Fund	N/R	20,631
Negotiable certificates of deposit	N/A	2,102,086
Money markets	AAA	2,736,530
<b>Total</b>		<b>\$ 13,722,086</b>

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a specific policy for custodial credit risk. As of December 31, 2005, \$6,086,064 of U.S. government securities, negotiable certificate of deposit, and Treasury notes in the County's investment balance of \$13,722,087 were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging institution's trust department not in the County's name	<u>\$ 6,086,064</u>
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Concentration of Credit Risk

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

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

<u>Issuer</u>	<u>Reported Amount</u>
U.S. Government Securities	3,639,686
Federal Home Loan Banks	718,866

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables at December 31, 2005, 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	\$ 204,910	\$ -
Special assessments	126,178	7,047
Accounts	105,937	-
Interest	108,397	-
Due from other governments	1,728,304	-
Loans	671,389	585,519
Leases	269,556	215,831
Total Governmental Activities	\$ 3,214,671	\$ 808,397
Business-Type Activities		
Accounts receivable - Net	\$ 4,467,433	\$ -

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, 2005, the building is carried in the County's capital assets at \$5,178,956, net of depreciation.

The auditorium lease is for 40 years commencing on June 1, 1996, and ending May 31, 2036. 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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Leases Receivable (Continued)

The office space lease 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.

Amounts due under the lease agreements have been recorded as leases receivable and deferred revenue in the Family Services Building Fund at December 31, 2005.

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,503,906	\$ 265,200	\$ -	\$ 1,769,106
Construction in progress	27,036	71,639	27,036	71,639
Total capital assets not depreciated	\$ 1,530,942	\$ 336,839	\$ 27,036	\$ 1,840,745
Capital assets depreciated				
Buildings	\$ 13,760,328	\$ 32,082	\$ -	\$ 13,792,410
Building improvements	1,100,017	-	-	1,100,017
Machinery, furniture, and equipment	7,599,715	732,380	402,450	7,929,645
Infrastructure	32,393,331	1,950,453	342	34,343,442
Total capital assets depreciated	\$ 54,853,391	\$ 2,714,915	\$ 402,792	\$ 57,165,514
Less: accumulated depreciation for				
Buildings	\$ 4,445,931	\$ 343,523	\$ 234	\$ 4,789,220
Building improvements	55,001	55,001	-	110,002
Machinery, furniture, and equipment	4,742,598	786,094	396,909	5,131,783
Infrastructure	5,969,458	682,429	-	6,651,887
Total accumulated depreciation	\$ 15,212,988	\$ 1,867,047	\$ 397,143	\$ 16,682,892
Total capital assets depreciated, net	\$ 39,640,403	\$ 847,868	\$ 5,649	\$ 40,482,622
Governmental Activities Capital Assets, Net	\$ 41,171,345	\$ 1,184,707	\$ 32,685	\$ 42,323,367

**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	\$ 51,951	\$ 12,000	\$ -	\$ 63,951
Construction in progress	-	142,464	-	142,464
 Total capital assets not depreciated	 \$ 51,951	 \$ 154,464	 \$ -	 \$ 206,415
Capital assets depreciated				
Land improvements	\$ 294,790	\$ 22,874	\$ -	\$ 317,664
Buildings	4,433,127	83,915	17,989	4,499,053
Machinery, furniture, and equipment	11,105,191	762,659	241,003	11,626,847
 Total capital assets depreciated	 \$ 15,833,108	 \$ 869,448	 \$ 258,992	 \$ 16,443,564
Less: accumulated depreciation for				
Land improvements	\$ 182,569	\$ 15,326	\$ -	\$ 197,895
Buildings	2,727,202	158,717	11,136	2,874,783
Machinery, furniture, and equipment	7,281,167	860,296	228,813	7,912,650
 Total accumulated depreciation	 \$ 10,190,938	 \$ 1,034,339	 \$ 239,949	 \$ 10,985,328
 Total capital assets depreciated, net	 \$ 5,642,170	 \$ (164,891)	 \$ 19,043	 \$ 5,458,236
 Business-Type Activities				
Capital Assets, Net	\$ 5,694,121	\$ (10,427)	\$ 19,043	\$ 5,664,651

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

Governmental Activities	
General government	\$ 433,276
Public safety	328,368
Highways and streets, including depreciation of infrastructure assets	1,049,505
Human services	10,607
Health	1,303
Culture and recreation	27,775
Sanitation	16,213
	<hr/>
Total Depreciation Expense - Governmental Activities	\$ 1,867,047
	<hr/>
Business-Type Activities	
Hospital	\$ 1,034,339
	<hr/>

**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, 2005, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Road and Bridge	\$ 1,576
	Human Services	4,076
	Other Governmental	<u>2,801</u>
Total Due to General Fund		<u>\$ 8,453</u>
Road and Bridge	General	\$ 55
	Other Governmental	<u>4,654</u>
Total Due to Road and Bridge Special Revenue Fund		<u>\$ 4,709</u>
Other Governmental	General	\$ 5,173
	Other Governmental	<u>694</u>
Total Due to Other Governmental Funds		<u>\$ 5,867</u>
Total Due To/From Other Funds		<u><u>\$ 19,029</u></u>

Due to and due from other funds are for services rendered and supplies provided. They will be paid within the year.

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental	<u>\$ 61,319</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfer to General Fund from other nonmajor governmental funds	\$	7,644	Repayment of advances
Transfers to nonmajor governmental funds from General Fund		701,986	Annual appropriation and capital project funding
Other nonmajor governmental funds		264,344	Debt service requirements
Total Interfund Transfers	\$	973,974	

C. Liabilities

1. Payables

Payables at December 31, 2005, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 363,981	\$ 821,395
Salaries	416,484	1,147,538
Contracts	83,077	-
Due to other governments	41,818	-
Total Payables	\$ 905,360	\$ 1,968,933

**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, 2005. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Road and Bridge Special Revenue Fund		
Roads and bridges	\$ 5,629,299	\$ -

3. Long-Term Debt

Bonds and Notes

Government 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, 2005</u>
General Obligation Bonds					
1998 G.O. Law Enforcement Center Bonds	2018	\$100,000 - \$255,000	4.15 - 4.80	\$ 3,250,000	\$ 280,000
2002 G.O. EDA Lease Revenue Bonds	2012	\$100,000 - \$145,000	3.00 - 4.50	1,200,000	885,000
2005 Refunding G.O. Law Enforcement Bonds	2018	\$165,000 - \$245,000	3.00 - 3.65	2,210,000	2,210,000
Total General Obligation Bonds				\$ 6,660,000	\$ 3,375,000
Refunding Certificates of Participation 2003					
	2011	\$240,000 - \$285,000	2.00 - 3.50	\$ 2,060,000	\$ 1,580,000
General Obligation Capital Equipment Notes of 2002					
	2006	\$94,498 - \$107,990	3.75	\$ 810,000	\$ 108,659

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Loans Payable

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
2001 Septic Loans	2010	\$ 3,104 - \$ 3,750	2.00	\$ 68,343	\$ 35,869

4. Debt Service Requirements

Debt service requirements at December 31, 2005, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2006	\$ 245,000	\$ 216,185	\$ 245,000	\$ 41,438
2007	260,000	205,838	250,000	36,175
2008	285,000	96,135	260,000	30,113
2009	295,000	85,903	265,000	22,886
2010	305,000	75,277	275,000	14,444
2011 - 2015	1,285,000	222,796	285,000	4,988
2016 - 2018	700,000	38,896	-	-
Total	\$ 3,375,000	\$ 941,030	\$ 1,580,000	\$ 150,044

Year Ending December 31	Capital Equipment Notes		Loans	
	Principal	Interest	Principal	Interest
2006	\$ 108,659	\$ 1,443	\$ 6,891	\$ 683
2007	-	-	7,030	545
2008	-	-	7,171	403
2009	-	-	7,315	259
2010	-	-	7,462	112
Total	\$ 108,659	\$ 1,443	\$ 35,869	\$ 2,002

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activity					
Long-Term Liabilities					
Bonds payable					
General obligation bonds	\$ 3,570,000	\$ 2,210,000	\$ 2,405,000	\$ 3,375,000	\$ 245,000
Certificates of participation	1,820,000	-	240,000	1,580,000	245,000
Capital equipment notes	318,617	-	209,958	108,659	108,659
Add: unamortized premium	-	7,622	476	7,146	-
Less: deferred amounts for issuance discounts	(11,233)	-	(1,872)	(9,361)	(1,872)
Total bonds payable	\$ 5,697,384	\$ 2,217,622	\$ 2,853,562	\$ 5,061,444	\$ 596,787
Loans payable	42,625	-	6,756	35,869	6,891
Compensated absences	848,928	20,650	15,381	854,197	7,533
Governmental Activity Long-Term Liabilities	<u>\$ 6,588,937</u>	<u>\$ 2,238,272</u>	<u>\$ 2,875,699</u>	<u>\$ 5,951,510</u>	<u>\$ 611,211</u>

6. Refunding

In February 2005, the County issued \$2,210,000 in G.O. Law Enforcement Center Refunding Bonds at an average bond yield of 3.32 percent to refund \$2,165,000 of the 1998 G.O. Law Enforcement Center Bonds on January 1, 2007. Proceeds from the refunding bonds were placed in escrow to redeem the bonds on their respective call dates. The refunding resulted in an economic gain of \$138,248.

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

7. Prior Year's Refunded Debt (Continued)

deceased debt until the debt is called or matures. The current refunding reduced cash flows required for debt service of the certificates of participation by \$134,143 over the next seven years. The refunding resulted in an economic gain of \$113,665. For financial reporting purposes, the debt has been considered deceased and, therefore, removed as a liability from the County's government-wide financial statements. As of December 31, 2005, the amount of deceased debt outstanding not included in the financial statements was \$1,510,000.

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). The PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

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

For all Public Employees Retirement Fund members 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. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans (Continued)

2. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. 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. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.50 percent. Public Employees Police and Fire Fund members were required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

	2005	2006
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	5.53	6.00
Public Employees Police and Fire Fund	9.30	10.50
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2005	\$ 316,211	\$ 68,313	\$ 30,410
2004	282,001	71,126	31,278
2003	273,735	64,360	27,783

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

2. Funding Policy (Continued)

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

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

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

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contributions for the years ending December 31, 2005, 2004, and 2003, were \$1,402, \$1,439, and \$1,213, respectively, equal to the contractually required contributions for each year as set by state statute.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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5. Risk Management (Continued)

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 \$760,000 per claim in 2005 and \$390,000 per claim in 2006. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

6. Summary of Significant Contingencies and Other Items

A. Subsequent Events

On September 5, 2006, the County issued \$4,600,000 in General Obligation Bonds of 2006 to be used to construct a new Public Works facility.

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.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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-McLeod-Sibley Community Health Services Board

The Meeker-McLeod-Sibley Community Health Services Board was established pursuant to Minn. Stat. §§ 145A.09 to 145A.16, Minn. Stat. § 471.59, and a joint powers agreement, effective April 19, 1990. The Community Health Services Board consists of 15 members, 5 each from McLeod, Meeker, and Sibley Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services.

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Prime West Central County-Based Purchasing Initiative

In December 1998, Meeker County became a member of the Prime West Central County-Based Purchasing Initiative Joint Powers Board with Big Stone, Douglas, Grant, McLeod, Pipestone, Pope, Renville, Stevens, and Traverse Counties. Meeker County, in partnership with these nine counties, is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid medical assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

Funding from the state is the revenue source for this program. Meeker County has provided \$65,000 as a start-up loan.

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

Crow River Joint Powers Agreement

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

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Crow River Joint Powers Agreement (Continued)

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

7. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entities

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

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

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

Basis of Presentation

The Meeker County HRA and the Meeker County EDA are each presented as single enterprise funds. The EDA does not prepare separate audited financial statements.

Basis of Accounting

The Meeker County HRA and the Meeker County EDA are accounted for on the accrual basis of accounting.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

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7. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Cash and Pooled Investments

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

Cash of the Meeker County HRA is in the custody of the HRA.

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables at December 31, 2005, for each discretely presented component unit, including the applicable allowances for uncollectible accounts, are as follows:

	EDA	HRA	Total Receivables
Accounts	\$ 9,539	\$ 40,956	\$ 50,495
Accrued interest	3,093	-	3,093
Loans	1,000,000	-	1,000,000
Total Component Units	\$ 1,012,632	\$ 40,956	\$ 1,053,588

Loans Receivable

Loans receivable represents amounts owing from businesses within the County for redevelopment purposes. Funding for these loans was contributed from Meeker County, the City of Litchfield, and the Litchfield Development Corporation. The entire receivable is offset by due to other governments in the statement of net assets. Repayment is contingent, and only required if specified loan provisions are not met.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

7. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets (Continued)

Capital Assets

Component unit capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land				
EDA	\$ 155,453	\$ -	\$ -	\$ 155,453
HRA	63,966	-	-	63,966
Total capital assets not depreciated	<u>\$ 219,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,419</u>
Capital assets depreciated				
Buildings and equipment				
EDA	\$ 5,120,155	\$ 12,481	\$ -	\$ 5,132,636
HRA	1,051,708	15,993	-	1,067,701
Total capital assets depreciated	<u>\$ 6,171,863</u>	<u>\$ 28,474</u>	<u>\$ -</u>	<u>\$ 6,200,337</u>
Less: accumulated depreciation for				
Buildings and equipment				
EDA	\$ 697,756	\$ 178,487	\$ -	\$ 876,243
HRA	628,556	40,735	-	669,291
Total accumulated depreciation	<u>\$ 1,326,312</u>	<u>\$ 219,222</u>	<u>\$ -</u>	<u>\$ 1,545,534</u>
Total capital assets depreciated, net	<u>\$ 4,845,551</u>	<u>\$ (190,748)</u>	<u>\$ -</u>	<u>\$ 4,654,803</u>
Total Capital Assets, Net	<u>\$ 5,064,970</u>	<u>\$ (190,748)</u>	<u>\$ -</u>	<u>\$ 4,874,222</u>

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

EDA	\$ 178,487
HRA	40,735
Total Depreciation Expense	<u>\$ 219,222</u>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

7. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

2. Liabilities

Payables

Payables at December 31, 2005, were as follows:

	EDA	HRA	Total Payables
Accounts	\$ 9,132	\$ 12,416	\$ 21,548
Other accrued expenses	71,381	788	72,169
Total Payables	\$ 80,513	\$ 13,204	\$ 93,717

Long-Term Debt

Long-term debt outstanding at December 31, 2005, for the EDA consists of the following:

Type of Indebtedness	Final Maturity	Monthly Installment Amounts	Interest Rate (%)	Original Issue Amount	Remaining Commitment
1998 Essential Function Housing Development Revenue Bonds	2029	\$ 9,996	5.20	\$ 1,810,000	\$ 1,607,585
1999 Essential Function Housing Development Revenue Bonds	2030	8,037	5.50	1,400,000	1,285,481
2001 Essential Function Housing Development Revenue Bonds	2032	6,626	5.25	1,200,000	1,137,077
2002 Essential Function Housing Development Revenue Bonds	2033	5,135	5.25	930,000	887,557
Totals				\$ 5,340,000	\$ 4,917,700

Debt Service Requirements

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

Year Ending December 31	Principal	Interest
2006	\$ 104,782	\$ 231,592
2007	109,857	226,693
2008	114,748	221,379

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

7. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities

Debt Service Requirements (Continued)

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2009	120,319	215,808
2010	126,159	209,969
2011 - 2015	728,865	951,801
2016 - 2020	923,790	756,851
2021 - 2025	1,170,887	509,752
2026 - 2030	1,273,109	204,403
2031 - 2033	245,184	12,075
Total	<u>\$ 4,917,700</u>	<u>\$ 3,540,323</u>

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the EDA for the year ended December 31, 2005.

	<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	\$ 1,644,637	\$ -	\$ 37,052	\$ 1,607,585	\$ 38,852
1999	1,312,032	-	26,551	1,285,481	27,840
2001	1,157,720	-	20,643	1,137,077	21,645
2002	903,241	-	15,684	887,557	16,445
EDA Long-Term Liabilities	<u>\$ 5,017,630</u>	<u>\$ -</u>	<u>\$ 99,930</u>	<u>\$ 4,917,700</u>	<u>\$ 104,782</u>

C. Summary of Significant Contingencies

Subsequent Events

On April 5, 2006, the EDA closed on the sale of the Woolen Mills Property. The property was sold to Scottish Six Properties, LLC, in the amount of \$1,350,000.

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**SUPPLEMENTARY INFORMATION**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The Ditch Fund, the Septic System Loan Program Fund, 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 accounts for the revenues and expenditures associated with the County's Family Service 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 Sheriff's Contingent Fund accounts for funds used in special investigations by the County Sheriff. Financing is provided by forfeitures.

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**GOVERNMENTAL FUNDS  
(Continued)**

**DEBT SERVICE FUND**

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

**CAPITAL PROJECTS FUND**

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

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>Special Revenue</u>			
	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 80,075	\$ 59,034	\$ 289,003	\$ 72,966
Taxes receivable				
Prior	-	2,835	-	-
Special assessments receivable				
Prior	-	-	-	119,131
Noncurrent	-	-	-	7,047
Accounts receivable	-	-	6,103	74
Due from other funds	-	-	5,172	695
Due from other governments	10,382	-	94,130	4,216
Loans receivable	-	-	-	-
Leases receivable	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 90,457</u></b>	<b><u>\$ 61,869</u></b>	<b><u>\$ 394,408</u></b>	<b><u>\$ 204,129</u></b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 10,253	\$ -	\$ 3,225	\$ 1,006
Salaries payable	3,851	-	34,778	-
Due to other funds	30	-	182	6,929
Due to other governments	13	-	22	13,284
Deferred revenue - unavailable	-	2,210	-	119,131
Deferred revenue - unearned	-	-	-	-
Advance from other funds	-	-	-	61,319
<b>Total Liabilities</b>	<b><u>\$ 14,147</u></b>	<b><u>\$ 2,210</u></b>	<b><u>\$ 38,207</u></b>	<b><u>\$ 201,669</u></b>
<b>Fund Balances</b>				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Unreserved				
Designated for cash flows	76,310	-	156,750	-
Undesignated	-	59,659	199,451	2,460
<b>Total Fund Balances</b>	<b><u>\$ 76,310</u></b>	<b><u>\$ 59,659</u></b>	<b><u>\$ 356,201</u></b>	<b><u>\$ 2,460</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 90,457</u></b>	<b><u>\$ 61,869</u></b>	<b><u>\$ 394,408</u></b>	<b><u>\$ 204,129</u></b>

**Statement 1**

<b>Funds</b>						
<b>Transfer Station</b>	<b>Family Services Building</b>	<b>Septic System Loan Program</b>	<b>Sheriff's Contingent</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
\$ 763,478	\$ 322,045	\$ 23,436	\$ 8,371	\$ 389,837	\$ 280,558	\$ 2,288,803
-	2,625	-	-	13,806	69	19,335
-	-	-	-	-	-	119,131
-	-	-	-	-	-	7,047
11,354	-	-	-	-	-	17,531
-	-	-	-	-	-	5,867
-	71,374	-	13	-	-	180,115
-	-	14,482	-	-	-	14,482
-	269,556	-	-	-	-	269,556
<b><u>\$ 774,832</u></b>	<b><u>\$ 665,600</u></b>	<b><u>\$ 37,918</u></b>	<b><u>\$ 8,384</u></b>	<b><u>\$ 403,643</u></b>	<b><u>\$ 280,627</u></b>	<b><u>\$ 2,921,867</u></b>
\$ 1,236	\$ 15,895	\$ -	\$ -	\$ -	\$ 25,545	\$ 57,160
-	5,869	-	-	-	-	44,498
1,008	-	-	-	-	-	8,149
230	6,008	-	-	-	-	19,557
-	1,982	14,482	-	11,271	69	149,145
-	269,556	-	-	-	-	269,556
-	-	-	-	-	-	61,319
<b><u>\$ 2,474</u></b>	<b><u>\$ 299,310</u></b>	<b><u>\$ 14,482</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,271</u></b>	<b><u>\$ 25,614</u></b>	<b><u>\$ 609,384</u></b>
\$ -	\$ -	\$ 23,436	\$ -	\$ 392,372	\$ -	\$ 415,808
-	-	-	-	-	-	233,060
772,358	366,290	-	8,384	-	255,013	1,663,615
<b><u>\$ 772,358</u></b>	<b><u>\$ 366,290</u></b>	<b><u>\$ 23,436</u></b>	<b><u>\$ 8,384</u></b>	<b><u>\$ 392,372</u></b>	<b><u>\$ 255,013</u></b>	<b><u>\$ 2,312,483</u></b>
<b><u>\$ 774,832</u></b>	<b><u>\$ 665,600</u></b>	<b><u>\$ 37,918</u></b>	<b><u>\$ 8,384</u></b>	<b><u>\$ 403,643</u></b>	<b><u>\$ 280,627</u></b>	<b><u>\$ 2,921,867</u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Special Revenue			
	County Parks	Regional Library	County Nurse	Ditch
<b>Revenues</b>				
Taxes	\$ -	\$ 95,720	\$ -	\$ -
Special assessments	-	-	-	76,011
Intergovernmental	68,511	28,103	607,025	-
Charges for services	83,357	-	135,216	-
Interest on investments	-	-	-	-
Miscellaneous	6,315	-	-	-
<b>Total Revenues</b>	<b>\$ 158,183</b>	<b>\$ 123,823</b>	<b>\$ 742,241</b>	<b>\$ 76,011</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Health	-	-	1,054,706	-
Culture and recreation	233,056	123,873	-	-
Conservation of natural resources	-	-	-	115,998
<b>Capital outlay</b>	-	-	-	-
<b>Debt service</b>				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 233,056</b>	<b>\$ 123,873</b>	<b>\$ 1,054,706</b>	<b>\$ 115,998</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (74,873)</b>	<b>\$ (50)</b>	<b>\$ (312,465)</b>	<b>\$ (39,987)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 138,440	\$ -	\$ 313,500	\$ 30,000
Transfers out	-	-	-	(7,644)
Payment to refunded bond escrow agent	-	-	-	-
Refunding bond issued	-	-	-	-
Premium on bonds/notes issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 138,440</b>	<b>\$ -</b>	<b>\$ 313,500</b>	<b>\$ 22,356</b>
<b>Net Change in Fund Balance</b>	<b>\$ 63,567</b>	<b>\$ (50)</b>	<b>\$ 1,035</b>	<b>\$ (17,631)</b>
<b>Fund Balance - January 1</b>	<b>12,743</b>	<b>59,709</b>	<b>355,166</b>	<b>20,091</b>
<b>Fund Balance - December 31</b>	<b>\$ 76,310</b>	<b>\$ 59,659</b>	<b>\$ 356,201</b>	<b>\$ 2,460</b>

**Statement 2**

<b>Funds</b>						
<b>Transfer Station</b>	<b>Family Services Building</b>	<b>Septic System Loan Program</b>	<b>Sheriff's Contingent</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
\$ -	\$ 99,142	\$ -	\$ 1,802	\$ 348,913	\$ 19	\$ 545,596
-	-	6,079	-	-	-	82,090
-	29,571	-	-	47,088	83,521	863,819
134,519	-	-	-	-	-	353,092
-	-	-	-	35,695	-	35,695
4,624	471,215	-	-	-	277,500	759,654
<b>\$ 139,143</b>	<b>\$ 599,928</b>	<b>\$ 6,079</b>	<b>\$ 1,802</b>	<b>\$ 431,696</b>	<b>\$ 361,040</b>	<b>\$ 2,639,946</b>
\$ -	\$ 306,527	\$ -	\$ -	\$ 2,463	\$ -	\$ 308,990
52,587	-	-	-	-	-	52,587
-	-	-	-	-	-	1,054,706
-	-	-	-	-	-	356,929
-	-	-	-	-	-	115,998
-	-	-	-	-	355,170	355,170
-	-	6,755	-	689,958	-	696,713
-	-	819	-	245,607	-	246,426
-	-	-	-	45,147	-	45,147
<b>\$ 52,587</b>	<b>\$ 306,527</b>	<b>\$ 7,574</b>	<b>\$ -</b>	<b>\$ 983,175</b>	<b>\$ 355,170</b>	<b>\$ 3,232,666</b>
<b>\$ 86,556</b>	<b>\$ 293,401</b>	<b>\$ (1,495)</b>	<b>\$ 1,802</b>	<b>\$ (551,479)</b>	<b>\$ 5,870</b>	<b>\$ (592,720)</b>
\$ -	\$ -	\$ -	\$ -	\$ 484,390	\$ -	\$ 966,330
-	(264,344)	-	-	-	-	(271,988)
-	-	-	-	(2,167,117)	-	(2,167,117)
-	-	-	-	2,210,000	-	2,210,000
-	-	-	-	6,669	-	6,669
<b>\$ -</b>	<b>\$ (264,344)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 533,942</b>	<b>\$ -</b>	<b>\$ 743,894</b>
<b>\$ 86,556</b>	<b>\$ 29,057</b>	<b>\$ (1,495)</b>	<b>\$ 1,802</b>	<b>\$ (17,537)</b>	<b>\$ 5,870</b>	<b>\$ 151,174</b>
<b>685,802</b>	<b>337,233</b>	<b>24,931</b>	<b>6,582</b>	<b>409,909</b>	<b>249,143</b>	<b>2,161,309</b>
<b>\$ 772,358</b>	<b>\$ 366,290</b>	<b>\$ 23,436</b>	<b>\$ 8,384</b>	<b>\$ 392,372</b>	<b>\$ 255,013</b>	<b>\$ 2,312,483</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Statement 3*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY PARKS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 68,511	\$ 68,511
Charges for services	51,243	51,243	83,357	32,114
Miscellaneous	3,000	3,000	6,315	3,315
<b>Total Revenues</b>	<b>\$ 54,243</b>	<b>\$ 54,243</b>	<b>\$ 158,183</b>	<b>\$ 103,940</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	\$ 107,696	\$ 107,696	\$ 106,082	\$ 1,614
Lake Koronis	84,987	84,987	126,974	(41,987)
<b>Total Expenditures</b>	<b>\$ 192,683</b>	<b>\$ 192,683</b>	<b>\$ 233,056</b>	<b>\$ (40,373)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (138,440)</b>	<b>\$ (138,440)</b>	<b>\$ (74,873)</b>	<b>\$ 63,567</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	138,440	138,440	138,440	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,567</b>	<b>\$ 63,567</b>
<b>Fund Balance - January 1</b>	<b>12,743</b>	<b>12,743</b>	<b>12,743</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 12,743</b>	<b>\$ 12,743</b>	<b>\$ 76,310</b>	<b>\$ 63,567</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Statement 4*

**BUDGETARY COMPARISON SCHEDULE  
REGIONAL LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 108,608	\$ 108,608	\$ 95,720	\$ (12,888)
Intergovernmental	15,268	15,268	28,103	12,835
<b>Total Revenues</b>	<b>\$ 123,876</b>	<b>\$ 123,876</b>	<b>\$ 123,823</b>	<b>\$ (53)</b>
<b>Expenditures</b>				
<b>Current</b>				
Culture and recreation	123,873	123,873	123,873	-
<b>Net Change in Fund Balance</b>	<b>\$ 3</b>	<b>\$ 3</b>	<b>\$ (50)</b>	<b>\$ (53)</b>
<b>Fund Balance - January 1</b>	<b>59,709</b>	<b>59,709</b>	<b>59,709</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 59,712</b>	<b>\$ 59,712</b>	<b>\$ 59,659</b>	<b>\$ (53)</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Statement 5*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY NURSE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 544,310	\$ 544,310	\$ 607,025	\$ 62,715
Charges for services	85,260	85,260	135,216	49,956
<b>Total Revenues</b>	<b>\$ 629,570</b>	<b>\$ 629,570</b>	<b>\$ 742,241</b>	<b>\$ 112,671</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	943,070	943,070	1,054,706	(111,636)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (313,500)</b>	<b>\$ (313,500)</b>	<b>\$ (312,465)</b>	<b>\$ 1,035</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	313,500	313,500	313,500	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,035</b>	<b>\$ 1,035</b>
<b>Fund Balance - January 1</b>	<b>355,166</b>	<b>355,166</b>	<b>355,166</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 355,166</b>	<b>\$ 355,166</b>	<b>\$ 356,201</b>	<b>\$ 1,035</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Statement 6*

**BUDGETARY COMPARISON SCHEDULE  
TRANSFER STATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 80,000	\$ 80,000	\$ 134,519	\$ 54,519
Miscellaneous	5,000	5,000	4,624	(376)
<b>Total Revenues</b>	<b>\$ 85,000</b>	<b>\$ 85,000</b>	<b>\$ 139,143</b>	<b>\$ 54,143</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	85,000	85,000	52,587	32,413
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 86,556</b>	<b>\$ 86,556</b>
<b>Fund Balance - January 1</b>	<b>685,802</b>	<b>685,802</b>	<b>685,802</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 685,802</b>	<b>\$ 685,802</b>	<b>\$ 772,358</b>	<b>\$ 86,556</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Statement 7*

**BUDGETARY COMPARISON SCHEDULE  
FAMILY SERVICES BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 114,258	\$ 114,258	\$ 99,142	\$ (15,116)
Intergovernmental	14,446	14,446	29,571	15,125
Miscellaneous	465,509	465,509	471,215	5,706
<b>Total Revenues</b>	<b>\$ 594,213</b>	<b>\$ 594,213</b>	<b>\$ 599,928</b>	<b>\$ 5,715</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Central services	307,925	307,925	306,527	1,398
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 286,288</b>	<b>\$ 286,288</b>	<b>\$ 293,401</b>	<b>\$ 7,113</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(286,288)	(286,288)	(264,344)	21,944
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,057</b>	<b>\$ 29,057</b>
<b>Fund Balance - January 1</b>	<b>337,233</b>	<b>337,233</b>	<b>337,233</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 337,233</b>	<b>\$ 337,233</b>	<b>\$ 366,290</b>	<b>\$ 29,057</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

Statement 8

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 181,957	\$ 28,735,756	\$ 28,684,635	\$ 233,078
<b><u>Liabilities</u></b>				
Due to other governments	\$ 181,957	\$ 28,735,756	\$ 28,684,635	\$ 233,078
 <b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 73,290	\$ 2,432,671	\$ 2,364,433	\$ 141,528
<b><u>Liabilities</u></b>				
Due to other governments	\$ 73,290	\$ 2,432,671	\$ 2,364,433	\$ 141,528
 <b><u>SELECT ACCOUNT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 54,514	\$ 173,854	\$ 157,009	\$ 71,359
<b><u>Liabilities</u></b>				
Due to other governments	\$ 54,514	\$ 173,854	\$ 157,009	\$ 71,359
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 309,761	\$ 31,342,281	\$ 31,206,077	\$ 445,965
<b><u>Liabilities</u></b>				
Due to other governments	\$ 309,761	\$ 31,342,281	\$ 31,206,077	\$ 445,965

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**ECONOMIC DEVELOPMENT AUTHORITY**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Statement 9**

**STATEMENT OF NET ASSETS  
ECONOMIC DEVELOPMENT AUTHORITY  
DECEMBER 31, 2005**

**Assets**

**Current assets**

Cash and pooled investments	\$	23,147
Investments		141,000
Accounts receivable - net		9,539
Accrued interest receivable		3,093
Loans receivable		1,000,000
Prepaid items		19,814
		1,196,593

**Total current assets**

**\$ 1,196,593**

**Noncurrent assets**

Deferred debt issuance costs	\$	52,130
Other assets		996,444
Capital assets		
Nondepreciable		155,453
Depreciable - net		4,256,393
		5,460,420

**Total noncurrent assets**

**\$ 5,460,420**

**Total Assets**

**\$ 6,657,013**

**Liabilities**

**Current liabilities**

Accounts payable	\$	9,132
Due to other governments		1,069,264
Accrued interest payable		2,117
Customer deposits		43,075
Revenue bonds payable - current		104,369
		1,227,957

**Total current liabilities**

**\$ 1,227,957**

**Noncurrent liabilities**

General obligation revenue bonds payable - long-term		4,813,331
		4,813,331

**Total Liabilities**

**\$ 6,041,288**

**Net Assets**

Restricted for community development projects	\$	996,444
Unrestricted		(380,719)
		615,725

**Total Net Assets**

**\$ 615,725**

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Statement 10**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
ECONOMIC DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Operating Revenues</b>	
Tenant rents	\$ 531,774
Miscellaneous	760
	\$ 532,534
<b>Operating Expenses</b>	
Administration and fiscal services	\$ 1,456
Legal and accounting	4,701
Maintenance and repairs	29,658
Management and caretaking	46,756
Real estate taxes	25,711
Snowplowing	10,018
Utilities	6,307
Water reimbursement	155
Advertising	4,407
Background checks	842
Insurance	29,672
Interest	399
Miscellaneous	951
Depreciation	178,487
	\$ 339,520
<b>Operating Income (Loss)</b>	<b>\$ 193,014</b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 4,421
Management fees	525
Interest expense	(236,198)
Bond issuance expense	(2,072)
	\$ (233,324)
<b>Change in Net Assets</b>	<b>\$ (40,310)</b>
<b>Net Assets - January 1</b>	<b>656,035</b>
<b>Net Assets - December 31</b>	<b>\$ 615,725</b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Statement 11**

**STATEMENT OF CASH FLOWS  
ECONOMIC DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2005  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from tenants	\$ 528,284
Payments to suppliers	(103,259)
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 425,025</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	\$ (90,775)
Principal paid on long-term debt	(99,930)
Interest paid on long-term debt	(236,099)
	<hr/>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (426,804)</b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	\$ 3,516
	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 1,737</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>162,410</b>
	<hr/>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 164,147</b>
	<hr/> <hr/>
<b>Cash and Cash Equivalents</b>	
Cash and pooled investments	\$ 23,147
Investments	141,000
	<hr/>
<b>Total Cash and Cash Equivalents</b>	<b>\$ 164,147</b>
	<hr/> <hr/>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income</b>	<b>\$ 193,014</b>
	<hr/>
<b>Adjustments to reconcile operating income to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 178,487
Other miscellaneous receipts	525
(Increase) decrease in accounts receivable	(7,215)
(Increase) decrease in loans receivable	(1,000,000)
(Increase) decrease in prepaid items	(14,544)
Increase (decrease) in accounts payable	3,054
Increase (decrease) in due to other governments	69,264
Increase (decrease) in deferred revenue	1,000,000
Increase (decrease) in customer deposits	2,440
	<hr/>
<b>Total adjustments</b>	<b>\$ 232,011</b>
	<hr/>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 425,025</b>
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**OTHER SCHEDULE**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Schedule 1**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**State Shared Revenue**

**State**

Highway users tax	\$	3,328,567
HACA		1,090,933
E-911		98,459
Agricultural MVC		401,433
Mobile home MVC		3,467
Residential MVC		426,943
PERA rate reimbursement		125,290
Disparity reduction aid		15,745
Agricultural conervation aid		20,994
State police aid		71,164

**Total State Shared Revenue** **\$ 5,582,995**

**Reimbursement for Services**

Minnesota Department of Human Services	\$	1,156,657
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**Local Payments**

Local contributions	\$	1,070
Payments in lieu of taxes		35,437

**Total Local Payments** **\$ 36,507**

**Grants**

**State**

Minnesota Department of		
Crime Victim Services	\$	1,500
Public Safety		49,299
Health		184,502
Natural Resources		68,511
Human Services		777,672
Other departments		52,309
Water and Soil Resources Board		52,389
Historical Society		4,220
Miscellaneous boards		142,133

**Total State** **\$ 1,332,535**

**Federal**

Department of		
Agriculture	\$	89,460
Justice		65,511
Emergency Management		38,290
Health and Human Services		442,227
Homeland Security		69,415
Environmental Protection Agency		2,200

**Total Federal** **\$ 707,103**

**Total State and Federal Grants** **\$ 2,039,638**

**Total Intergovernmental Revenue** **\$ 8,815,797**

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

*Schedule 2*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

- A. Our report expresses an unqualified opinion on the basic financial statements of Meeker County.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of Meeker County and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The reportable condition is not a material weakness.
- C. No instances of noncompliance material to the financial statements of Meeker County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Meeker County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Temporary Assistance for Needy Families	CFDA #93.558
Social Services Block Grant Title XX	CFDA #93.667
- H. The threshold for distinguishing between Type A and B programs was \$300,000.
- I. Meeker County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-2 Segregation of Duties

Due to the limited number of office personnel within various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Offices that do not have sufficient segregation of duties include the Recorder, Planning and Zoning, Sheriff, Public Health, Social Services, Extension, and the Economic Development Authority Component Unit. This is not unusual in operations the size of Meeker County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

We understand that 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:

*The offices listed have implemented more internal controls by having several employees within the office involved with the collection and receipting process. Deposits are assembled by staff and reviewed by the Department Head prior to being submitted to the Auditor's office for financial input, review, and account coding. Monthly and quarterly activity reports are distributed to each office for review. Management is aware of the absence of segregation of duties in offices with only one staff member.*

**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, 2005, 13 of 49 individual drainage systems had deficit cash balances totaling \$32,737; 16 of 49 individual systems had deficit equity balances totaling \$88,222.

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

We again recommend that the cash deficits be eliminated either through loans from other eligible funds of the County or through improved cash management of the ditch systems. Also, we recommend that the County levy assessments sufficient to eliminate the equity deficits to the extent allowed by statute.

Client's Response:

*Assessments are levied annually to recover money for expenditures made against the County Ditch Accounts. Cash deficits are most noticeable at year-end due to the number of projects done after harvest in the fall and the timing of payments for this work versus collection from individual landowner assessments. Meeker County has 13 of its 49 individual drainage systems with a negative cash balance on December 31, 2005. The cash balance does not reflect assessments made to landowners to be collected with the subsequent years' taxes as well as assessments on scheduled deferred payment plans.*

PREVIOUSLY REPORTED ITEM RESOLVED

**County Sheriff's Office - Clothing Allowance (04-1)**

Our previous report indicated that the County did not have a clothing allowance policy for the County Sheriff and other non-union staff of the Sheriff's Office. In addition, our review found that the County Sheriff and other non-union staff of the Sheriff's Office were being reimbursed for clothing items. These items included clothing suitable for everyday wear, such as a sport coat, jeans, athletic shoes, and a suit.

**Resolution**

On December 13, 2005, the County Board approved the discontinuance of the uniform allowance for the County Sheriff and non-union staff of the Sheriff's Office and increased their wages \$500 annually.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS RESOLVED

**Annual Financial Report (02-1)**

Previous reports discussed the need for more involvement by County staff in preparing the annual financial report. This included the preparation of schedules for account balances, preparing working trial balances for each fund, and providing information needed for the notes to the financial statements.

**Resolution**

County staff were more involved in preparing the County's 2005 financial report, staff reducing the number of reclassifications of account balances and other audit-related adjustments to the working trial balances. The County's management has decided on the level of staff involvement that it is most cost effective in the preparation of the financial statements and notes to the financial statements.

**County Sheriff's Office - Trade-in of ATV (04-2)**

Our previous report indicated that an all-terrain vehicle (ATV) was traded to a dealer as a credit against the purchase of new motorized equipment by the Sheriff's Office. The credit of \$600 applied to the new motorized purchase was substantially different than the \$1,775 Kelly Blue Book price for a 1997 ATV in good condition.

**Resolution**

On September 5, 2006, the County Board approved the Discarding Surplus County-Owned Property Policy, which details the process for which surplus County-owned assets are to be discarded.

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees, such as health, dental, life, and long-term care insurance coverage.

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

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

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;

*Schedule 2*  
*(Continued)*

- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

If applicable for Meeker County, GASB Statements 43 and 45 would be implemented for the years ended December 31, 2007 and 2008, respectively.



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)

PATRICIA ANDERSON  
STATE AUDITOR

**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, 2005, and have issued our report thereon dated September 15, 2006. 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. We did not audit the financial statements of the Meeker County Memorial Hospital, an enterprise fund of Meeker County, and the Meeker County Housing and Redevelopment Authority, a discretely presented component unit of Meeker County. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us. The Meeker County Memorial Hospital and the Meeker County Housing and Redevelopment Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meeker County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data

consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 96-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition indicated above is not a material weakness.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

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

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

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

This report is intended solely for the information and use of the Board of County Commissioners, management, 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/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 15, 2006

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**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)

PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Meeker County

Compliance

We have audited the compliance of Meeker County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Meeker County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Meeker County's financial statements include the operations of the Meeker County Housing and Redevelopment Authority, which expended \$298,705 in federal awards during 2005, 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 Housing and Redevelopment Authority because it was audited by other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about Meeker County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Meeker County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

#### Internal Control Over Compliance

The management of Meeker County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County as of and for the year ended December 31, 2005, and have issued our report thereon dated September 15, 2006. We did not audit the financial statements of the Meeker County Memorial Hospital or the Meeker County Housing and Redevelopment Authority, which were not audited in accordance with *Government Auditing Standards*. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and 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/Pat Anderson*

*/s/Greg Hierlinger*

PATRICIA ANDERSON  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 15, 2006

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

Schedule 3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ <u>89,460</u>
<b>U.S. Department of Justice</b>		
Direct		
Public Safety Partnership - Community Policing Grant	16.710	\$ 25,946
Passed Through Minnesota Department of Public Safety Crime Victim Assistance Grant	16.575	<u>39,565</u>
<b>Total U.S. Department of Justice</b>		<b>\$ <u>65,511</u></b>
<b>U.S. Environmental Protection Agency</b>		
Passed Through Minnesota Department of Health State Indoor Radon Grant	66.032	\$ <u>2,200</u>
<b>Federal Emergency Management Agency</b>		
Passed Through Minnesota Department of Public Safety Emergency Management - State and Local Assistance	83.534	\$ <u>38,290</u>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Education Child Care Mandatory and Matching Funds	93.596	\$ 11,977
Passed Through Minnesota Department of Health		
Family Planning Services	93.217	18,864
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	24,018
Block Grants - Community Mental Health Services	93.958	5,710
Maternal and Child Health Services Block Grant	93.994	24,275
Passed Through Minnesota Department of Human Services		
Family Preservation and Support Services	93.556	2,104
Temporary Assistance for Needy Families (TANF)	93.558	142,209
Foster Care Title IV-E	93.658	29,263
Social Services Block Grant Title XX	93.667	125,443
Chafee Foster Care Independent Living	93.674	10,722
Prevention/Treatment of Substance Abuse Block Grant	93.959	<u>47,642</u>
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ <u>442,227</u></b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment	97.004	\$ <u>69,415</u>
<b>Total Federal Awards</b>		<b>\$ <u>707,103</u></b>

**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**Schedule 3**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Notes to Schedule of Expenditures of Federal Awards

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