

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MEEKER COUNTY
LITCHFIELD, MINNESOTA

YEAR ENDED DECEMBER 31, 2006

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the State Auditor's web site: www.auditor.state.mn.us.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Year Ended December 31, 2006



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

This page was left blank intentionally.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
Introductory Section		1
Organization		
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	12
Statement of Activities	Exhibit 2	14
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	16
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	23
Budgetary Comparison Statements		
General Fund	Exhibit 7	24
Road and Bridge Special Revenue Fund	Exhibit 8	26
Human Services Special Revenue Fund	Exhibit 9	27
Proprietary Fund		
Meeker County Memorial Hospital Enterprise Fund		
Statement of Net Assets	Exhibit 10	28
Statement of Revenues, Expenses, and Changes in Fund Net Assets	Exhibit 11	29
Statement of Cash Flows	Exhibit 12	30
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 13	31
Discretely Presented Component Units		
Combining Statement of Net Assets	Exhibit 14	32
Combining Statement of Activities	Exhibit 15	34
Notes to the Financial Statements		36

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
Financial Section (Continued)		
Supplementary Information		
Governmental Funds		
	73	
Combining Balance Sheet - Nonmajor Governmental Funds	Statement 1	75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	Statement 2	77
Budgetary Comparison Schedules		
County Parks Special Revenue Fund	Statement 3	79
Regional Library Special Revenue Fund	Statement 4	80
County Nurse Special Revenue Fund	Statement 5	81
Transfer Station Special Revenue Fund	Statement 6	82
Family Services Building Special Revenue Fund	Statement 7	83
Fiduciary Funds		84
Agency Funds		
Combining Statement of Changes in Assets and Liabilities	Statement 8	85
Economic Development Authority		
Statement of Net Assets	Statement 9	87
Statement of Revenues, Expenses, and Changes in Fund Net Assets	Statement 10	88
Statement of Cash Flows	Statement 11	89
Other Schedule		
Schedule of Intergovernmental Revenue	Schedule 1	91
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 2	93
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		100
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		103
Schedule of Expenditures of Federal Awards	Schedule 3	106

This page was left blank intentionally.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2006

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Jim Swenson	District 1	January 2007
Chair	Dave Gabrielson	District 2	January 2007
Board Member	Amy Wilde	District 3	January 2007
Vice Chair	Hugh Wagner	District 4	January 2007
Board Member	Roney Kutzke	District 5	January 2009
Attorney	Stephanie Beckman		January 2007
Auditor	Barbara Loch		January 2007
Treasurer	Sharon Euerle		January 2007
Recorder	Elaine Lenhard		January 2007
Sheriff	Michael Hirman		January 2007
 Appointed			
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 Mortenson		May 2010
Surveyor	Doug Huhn		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

This page was left blank intentionally.

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Meeker County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County, Minnesota, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of (1) the Meeker County Memorial Hospital, which represent the amounts shown as the business-type activities and the major proprietary fund; and (2) the Meeker County Housing and Redevelopment Authority, which represents 10 percent, 83 percent, and 31 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Meeker County Memorial Hospital Enterprise Fund and the Housing and Redevelopment Authority component unit, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2007, on our consideration of Meeker County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

November 7, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006
(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, 2006. 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, 2006, by \$70,747,146 (net assets). Of this amount, \$30,019,622 (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 \$4,020,565 in 2006. This is attributed primarily to an increase in activity.
- As of the close of 2006, Meeker County's governmental funds reported combined ending fund balances of \$17,172,315, an increase of \$4,604,204 in comparison with the prior year. Of this fund balance amount, \$5,702,611 was unreserved and undesignated by Meeker County, and thus available for spending at the government's discretion.
- At the end of 2006, unreserved fund balance for the General Fund was \$5,848,142, or 75.0 percent of the total General Fund expenditures for that year.
- Meeker County's total debt increased by \$4,577,160, or 76.9 percent, during 2006. The key factor in this increase was the issuance of \$4,600,000 in capital improvement bonds.

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 are composed of three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. The MD&A is required to accompany the basic financial statements and is included as required supplementary information. This report also contains other supplementary information.

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows 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, Revolving Loan Special Revenue Fund and Capital Projects Fund--all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the notes to the financial statements.

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

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

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

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

Notes to the Financial Statements

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 36 through 72 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 \$70,747,146 at the close of 2006. The largest portion of Meeker County's net assets (50.9 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.

Meeker County's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$ 21,279,862	\$ 15,709,044	\$ 13,372,772	\$ 12,888,875	\$ 34,652,634	\$ 28,597,919
Capital assets	45,117,408	42,323,367	6,797,143	5,664,651	51,914,551	47,988,018
Total Assets	\$ 66,397,270	\$ 58,032,411	\$ 20,169,915	\$ 18,553,526	\$ 86,567,185	\$ 76,585,937
Liabilities						
Long-term liabilities	\$ 10,528,670	\$ 5,951,510	\$ 115,175	\$ -	\$ 10,643,845	\$ 5,951,510
Other liabilities	3,111,597	1,938,913	2,064,597	1,968,933	5,176,194	3,907,846
Total Liabilities	\$ 13,640,267	\$ 7,890,423	\$ 2,179,772	\$ 1,968,933	\$ 15,820,039	\$ 9,859,356
Net Assets						
Invested in capital assets, net of related debt	\$ 29,308,405	\$ 37,226,055	\$ 6,681,968	\$ 5,664,651	\$ 35,990,373	\$ 42,890,706
Restricted	4,737,151	1,740,577	-	-	4,737,151	1,740,577
Unrestricted	18,711,447	11,175,356	11,308,175	10,919,942	30,019,622	22,095,298
Total Net Assets	\$ 52,757,003	\$ 50,141,988	\$ 17,990,143	\$ 16,584,593	\$ 70,747,146	\$ 66,726,581

The unrestricted net assets amount of \$30,019,622 as of December 31, 2006, may be used to meet the County's ongoing obligations to citizens and creditors. Business-type activities reported in 2006 consists of the Meeker County Memorial Hospital, an enterprise fund of the primary government.

Meeker County's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues						
Charges for services	\$ 4,894,630	\$ 4,688,703	\$ 18,305,135	\$ 17,341,398	\$ 23,199,765	\$ 22,030,101
Operating grants and contributions	4,995,146	4,257,121	-	-	4,995,146	4,257,121
Capital grants and contributions	1,428,451	2,361,851	-	-	1,428,451	2,361,851
General revenues						
Property taxes	7,800,617	7,335,901	-	-	7,800,617	7,335,901
Gravel taxes	67,919	83,461	-	-	67,919	83,461
Mortgage registry and deed taxes	23,318	29,462	-	-	23,318	29,462
Payments in lieu of tax	52,737	-	-	-	52,737	-
Grants and contributions not restricted to specific programs	2,747,662	2,155,969	-	-	2,747,662	2,155,969
Gifts and contributions	62,199	35,437	-	-	62,199	35,437
Investment income	549,861	282,412	331,393	94,733	881,254	377,145
Gain on sale of capital assets	28,025	64,167	-	-	28,025	64,167
Miscellaneous	6,901	-	-	-	6,901	-
Total Revenues	\$ 22,657,466	\$ 21,294,484	\$ 18,636,528	\$ 17,436,131	\$ 41,293,994	\$ 38,730,615
Expenses						
General government	\$ 4,706,512	\$ 5,311,451	\$ -	\$ -	\$ 4,706,512	\$ 5,311,451
Public safety	3,391,363	3,312,127	-	-	3,391,363	3,312,127
Highways and streets	4,221,363	3,319,483	-	-	4,221,363	3,319,483
Sanitation	198,169	162,656	-	-	198,169	162,656
Human services	5,107,369	4,448,193	-	-	5,107,369	4,448,193
Hospital	-	-	17,230,978	15,297,697	17,230,978	15,297,697
Health	1,238,996	1,066,790	-	-	1,238,996	1,066,790
Culture and recreation	417,780	355,886	-	-	417,780	355,886
Conservation of natural resources	224,984	254,210	-	-	224,984	254,210
Economic development	282,427	112,000	-	-	282,427	112,000
Interest	253,488	280,819	-	-	253,488	280,819
Total Expenses	\$ 20,042,451	\$ 18,623,615	\$ 17,230,978	\$ 15,297,697	\$ 37,273,429	\$ 33,921,312
Increase in Net Assets	\$ 2,615,015	\$ 2,670,869	\$ 1,405,550	\$ 2,138,434	\$ 4,020,565	\$ 4,809,303
Net Assets - January 1	50,141,988	47,471,119	16,584,593	14,446,159	66,726,581	61,917,278
Net Assets - December 31	\$ 52,757,003	\$ 50,141,988	\$ 17,990,143	\$ 16,584,593	\$ 70,747,146	\$ 66,726,581

Governmental Activities

Meeker County's activities increased the County's net assets during 2006 by \$2,615,015.

Business-Type Activities

Business-type activities of the Meeker County Hospital increased Meeker County's net assets by \$1,405,550, accounting for 35.0 percent of the total growth in the County's net assets. Charges for services increased \$963,737, or 5.6 percent, while expenses were up only \$1,933,281, or 12.6 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 \$17,172,315, an increase of \$4,604,204 in comparison with the prior year. The majority of this amount, \$13,334,491, consists of unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund for Meeker County. At the end of the current fiscal year, it had an unreserved fund balance of \$5,848,142, while total fund balance was \$6,302,690. 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 75.0 percent of total General Fund expenditures. In 2006, ending fund balance in the General Fund increased by \$1,205,779. The primary reason for this increase was revenues were more than budgeted.

The Road and Bridge Fund's unreserved fund balance of \$850,065 at year-end represents 18.0 percent of the fund's annual expenditures. Unreserved fund balance increased \$199,914 during 2006, primarily due to increases in intergovernmental revenue.

The Human Services Fund's unreserved fund balance of \$3,884,373 at year-end represents 77.6 percent of the fund's annual expenditures. Unreserved fund balance increased \$112,202 during 2006, primarily due to revenues exceeding budgeted expenses.

The Revolving Loan Fund's unreserved fund balance of \$55,237 at year-end represents 29.6 percent of the fund's annual expenditures. The unreserved fund balance increased \$15,475 during 2006, primarily due to revenues exceeding expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

There are no differences between the original expenditure budget and the final amended budget. Meeker County did not amend the 2006 expenditure budget.

Actual revenues exceeded budgeted revenues by \$2,105,853, primarily due to increased charges for services, intergovernmental revenues, and investment income.

Actual expenditures exceeded budgeted expenditures by \$139,395, primarily due to unplanned capital outlay.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Meeker County's capital assets for its governmental activities at December 31, 2006, totaled \$45,117,408 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$2,794,041 or 6.6 percent from the previous year. The major capital asset events were infrastructure.

Meeker County's Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 1,952,349	\$ 1,769,106	\$ 150,651	\$ 63,951	\$ 2,103,000	\$ 1,833,057
Land improvements	-	-	102,004	119,769	102,004	119,769
Infrastructure	28,530,709	27,691,555	-	-	28,530,709	27,691,555
Buildings	8,720,137	9,003,190	2,770,057	1,624,270	11,490,194	10,627,460
Building improvements	942,448	990,015	-	-	942,448	990,015
Machinery and equipment	2,739,637	2,797,862	3,774,431	3,714,197	6,514,068	6,512,059
Construction in progress	2,232,128	71,639	-	142,464	2,232,128	214,103
Total Capital Assets	\$ 45,117,408	\$ 42,323,367	\$ 6,797,143	\$ 5,664,651	\$ 51,914,551	\$ 47,988,018

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

Long-Term Debt

At the end of the current fiscal year, Meeker County had total outstanding debt of \$9,093,978, which was backed by the full faith and credit of the government.

Meeker County's Outstanding Debt

	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ 7,730,000	\$ 3,375,000
Certificates of participation	1,335,000	1,580,000
Capital notes	-	108,659
Loan payable	<u>28,978</u>	<u>35,869</u>
Total	<u>\$ 9,093,978</u>	<u>\$ 5,099,528</u>

The County's debt related to general obligation bonds, certificates of participation, capital notes, and loans increased by \$3,994,450 (78.3 percent) during the fiscal year due to the issuance of \$4,600,000 in capital improvement bonds.

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

Minnesota statutes limit the amount of debt a county may levy to two percent of its total market value. At the end of 2006, 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 2006 was 6.0 percent. This compares with the state unemployment rate of 4.2 percent and shows an increase from the rate of one year ago of 0.3 percent.

By the end of 2006, Meeker County approved its balanced 2007 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

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 17,528,019	\$ 1,168,449	\$ 18,696,468	\$ 241,781
Petty cash and change funds	2,690	-	2,690	-
Investments	43,228	-	43,228	141,000
Taxes receivable				
Prior - net	143,363	-	143,363	-
Special assessments receivable				
Prior - net	7,429	-	7,429	-
Noncurrent - net	94,704	-	94,704	-
Accounts receivable - net	102,386	3,570,938	3,673,324	29,581
Accrued interest receivable	110,322	133,800	244,122	4,767
Due from other governments	1,684,620	-	1,684,620	-
Due from other funds	-	-	-	21,539
Loans receivable	841,560	-	841,560	1,448,130
Leases receivable	266,230	-	266,230	-
Inventories	289,638	516,122	805,760	-
Prepaid items	52,476	313,743	366,219	26,012
Restricted assets				
Investments	-	7,669,720	7,669,720	-
Deferred charges	113,197	-	113,197	50,058
Capital assets				
Non-depreciable	4,184,477	150,651	4,335,128	219,419
Depreciable - net of accumulated depreciation	40,932,931	6,646,492	47,579,423	4,464,323
Total Assets	\$ 66,397,270	\$ 20,169,915	\$ 86,567,185	\$ 6,646,610
Liabilities				
Accounts payable	\$ 427,262	\$ 751,050	\$ 1,178,312	\$ 14,376
Salaries payable	438,084	1,313,547	1,751,631	-
Other accrued liabilities	-	-	-	8,884
Contracts payable	901,404	-	901,404	-
Due to governmental funds	-	-	-	21,539
Due to other governments	75,467	-	75,467	1,000,000
Accrued interest payable	167,631	-	167,631	2,410
Unearned revenue	1,101,749	-	1,101,749	70
Payable from restricted assets				
Rent deposits	-	-	-	43,515
Long-term liabilities				
Due within one year	1,202,038	27,199	1,229,237	99,930
Due in more than one year	9,326,632	87,976	9,414,608	4,718,557
Total Liabilities	\$ 13,640,267	\$ 2,179,772	\$ 15,820,039	\$ 5,909,281

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
Net Assets				
Invested in capital assets - net of related debt	\$ 29,308,405	\$ 6,681,968	\$ 35,990,373	\$ 443,327
Restricted for				
Highways and streets	861,794	-	861,794	-
Capital projects	3,384,583	-	3,384,583	-
Debt service	349,237	-	349,237	-
Other purposes	141,537	-	141,537	-
Unrestricted	18,711,447	11,308,175	30,019,622	294,002
Total Net Assets	\$ 52,757,003	\$ 17,990,143	\$ 70,747,146	\$ 737,329

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Primary Government			
Governmental activities			
General government	\$ 4,706,512	\$ 1,592,760	\$ 353,830
Public safety	3,391,363	1,130,697	351,527
Highways and streets	4,221,363	682,914	1,446,149
Sanitation	198,169	154,969	-
Human services	5,107,369	698,774	1,927,901
Health	1,238,996	266,955	791,834
Culture and recreation	417,780	71,560	-
Conservation of natural resources	224,984	112,389	123,905
Economic development	282,427	183,612	-
Interest	253,488	-	-
	\$ 20,042,451	\$ 4,894,630	\$ 4,995,146
Total governmental activities			
Business-type activities			
Hospital	17,230,978	18,305,135	-
	\$ 37,273,429	\$ 23,199,765	\$ 4,995,146
Total Primary Government			
	\$ 1,646,632	\$ 546,107	\$ 270,340
Discretely Presented Component Units			

General Revenues

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

Total general revenues

Change in Net Assets

Net Assets - January 1

Net Assets - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Units
	Primary-Government		Total	
	Governmental Activities	Business-Type Activities		
\$ -	\$ (2,759,922)	\$ -	\$ (2,759,922)	
-	(1,909,139)	-	(1,909,139)	
1,428,451	(663,849)	-	(663,849)	
-	(43,200)	-	(43,200)	
-	(2,480,694)	-	(2,480,694)	
-	(180,207)	-	(180,207)	
-	(346,220)	-	(346,220)	
-	11,310	-	11,310	
-	(98,815)	-	(98,815)	
-	(253,488)	-	(253,488)	
\$ 1,428,451	\$ (8,724,224)	\$ -	\$ (8,724,224)	
-	-	1,074,157	1,074,157	
\$ 1,428,451	\$ (8,724,224)	\$ 1,074,157	\$ (7,650,067)	
\$ 35,940				\$ (794,245)
	\$ 7,800,617	\$ -	\$ 7,800,617	\$ -
	67,919	-	67,919	-
	23,318	-	23,318	-
	52,737	-	52,737	-
	2,747,662	-	2,747,662	-
	62,199	-	62,199	-
	549,861	331,393	881,254	6,986
	28,025	-	28,025	-
	-	-	-	270,595
	6,901	-	6,901	950
	\$ 11,339,239	\$ 331,393	\$ 11,670,632	\$ 278,531
	\$ 2,615,015	\$ 1,405,550	\$ 4,020,565	\$ (515,714)
	50,141,988	16,584,593	66,726,581	1,253,043
	\$ 52,757,003	\$ 17,990,143	\$ 70,747,146	\$ 737,329

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 6,101,906	\$ 992,722
Petty cash and change funds	2,690	-
Investments	43,228	-
Taxes receivable		
Delinquent	76,005	17,948
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable - net	35,034	72
Accrued interest receivable	110,322	-
Due from other funds	19,546	11,483
Due from other governments	218,071	924,520
Loans receivable	-	-
Leases receivable	27,596	-
Inventories	-	289,638
Advances to other funds	72,882	-
Prepaid items	45,481	6,995
	\$ 6,752,761	\$ 2,243,378
Total Assets	\$ 6,752,761	\$ 2,243,378

EXHIBIT 3

Human Services	Revolving Loan	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 3,974,102	\$ 449,481	\$ 3,991,391	\$ 2,018,417	\$ 17,528,019
-	-	-	-	2,690
-	-	-	-	43,228
35,497	-	64	13,849	143,363
-	-	-	7,429	7,429
-	-	-	94,704	94,704
46,145	5,756	-	15,379	102,386
-	-	-	-	110,322
681	-	-	12,696	44,406
169,214	-	229,904	142,911	1,684,620
-	835,519	-	6,041	841,560
-	-	22,800	215,834	266,230
-	-	-	-	289,638
-	-	-	-	72,882
-	-	-	-	52,476
\$ 4,225,639	\$ 1,290,756	\$ 4,244,159	\$ 2,527,260	\$ 21,283,953

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 106,422	\$ 88,004
Salaries payable	220,996	63,783
Contracts payable	-	65,912
Due to other funds	17,084	458
Due to other governments	32,388	5,710
Deferred revenue - unavailable	45,585	872,813
Deferred revenue - unearned	27,596	-
Advance from other funds	-	-
	\$ 450,071	\$ 1,096,680
Fund Balances		
Reserved for		
Debt service	\$ -	\$ -
Missing heirs	77,406	-
Advances to other funds	72,882	-
Prepaid items	45,481	6,995
Recorder's equipment	109,124	-
Economic development	-	-
Inventories	-	289,638
Encumbrances	-	-
Gravel tax	64,130	-
Election equipment	8,147	-
Recorder's compliance	77,378	-
Unreserved		
Designated for cash flows	3,634,153	825,114
Designated for economic development	-	-
Designated for subsequent years expenditures	-	-
Undesignated	2,213,989	24,951
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service funds	-	-
	\$ 6,302,690	\$ 1,146,698
Total Liabilities and Fund Balances	\$ 6,752,761	\$ 2,243,378

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 179,047	\$ -	\$ 1,172	\$ 52,617	\$ 427,262
101,223	-	-	52,082	438,084
-	-	835,492	-	901,404
4,220	-	-	22,644	44,406
34,586	-	49	2,734	75,467
22,190	-	63	109,733	1,050,384
-	835,519	22,800	215,834	1,101,749
-	-	-	72,882	72,882
\$ 341,266	\$ 835,519	\$ 859,576	\$ 528,526	\$ 4,111,638
\$ -	\$ -	\$ -	\$ 349,237	\$ 349,237
-	-	-	-	77,406
-	-	-	-	72,882
-	-	-	-	52,476
-	-	-	-	109,124
-	400,000	-	-	400,000
-	-	-	-	289,638
-	-	2,337,406	-	2,337,406
-	-	-	-	64,130
-	-	-	-	8,147
-	-	-	-	77,378
1,576,632	-	-	-	6,035,899
-	55,237	-	-	55,237
-	-	1,047,177	-	1,047,177
2,307,741	-	-	-	4,546,681
-	-	-	1,628,149	1,628,149
-	-	-	21,348	21,348
\$ 3,884,373	\$ 455,237	\$ 3,384,583	\$ 1,998,734	\$ 17,172,315
\$ 4,225,639	\$ 1,290,756	\$ 4,244,159	\$ 2,527,260	\$ 21,283,953

This page was left blank intentionally.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006**

Fund balance - total governmental funds	\$	17,172,315
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		45,117,408
Debt issuance costs are expensed 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.		113,197
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,050,384
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	\$ (9,084,796)	
Loan payable	(28,978)	
Compensated absences	(1,414,896)	
Accrued interest payable	(167,631)	
	<u> </u>	<u>(10,696,301)</u>
Net assets of governmental activities	\$	<u>52,757,003</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Road and Bridge
Revenues		
Taxes	\$ 4,433,638	\$ 978,001
Special assessments	-	-
Licenses and permits	12,918	-
Intergovernmental	2,834,989	3,245,201
Charges for services	1,554,651	553,382
Fines and forfeits	39,621	-
Gifts and contributions	62,199	-
Investment earnings	516,367	-
Miscellaneous	694,506	129,532
	\$ 10,148,889	\$ 4,906,116
Expenditures		
Current		
General government	\$ 3,947,169	\$ -
Public safety	3,058,212	-
Highways and streets	-	4,473,886
Sanitation	95,125	-
Human services	-	-
Health	-	-
Culture and recreation	-	-
Conservation of natural resources	151,176	-
Economic development	112,000	-
Capital outlay	433,990	236,191
Debt service		
Principal	-	-
Interest	-	-
Bond issuance costs	-	-
	\$ 7,797,672	\$ 4,710,077
Excess of Revenues Over (Under) Expenditures	\$ 2,351,217	\$ 196,039
Other Financing Sources (Uses)		
Transfers in	\$ 14,000	\$ -
Transfers out	(1,159,438)	-
Proceeds from the sale of bonds	-	-
Premium on bonds/notes issued	-	-
	\$ (1,145,438)	\$ -
Net Change in Fund Balances	\$ 1,205,779	\$ 196,039
Fund Balances - January 1	5,096,911	946,784
Increase (decrease) in reserved for inventories	-	3,875
Fund Balances - December 31	\$ 6,302,690	\$ 1,146,698

EXHIBIT 5

Human Services	Revolving Loan	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,869,692	\$ -	\$ 7	\$ 680,321	\$ 7,961,659
-	-	-	86,893	86,893
-	-	-	-	12,918
2,526,057	-	-	714,192	9,320,439
118,459	-	-	491,313	2,717,805
-	-	-	2,598	42,219
-	-	-	-	62,199
-	18,790	13,136	1,568	549,861
606,590	183,612	20,451	481,170	2,115,861
\$ 5,120,798	\$ 202,402	\$ 33,594	\$ 2,458,055	\$ 22,869,854
\$ -	\$ 16,500	\$ -	\$ 351,299	\$ 4,314,968
-	-	-	-	3,058,212
-	-	-	-	4,473,886
-	-	-	74,787	169,912
5,008,596	-	-	-	5,008,596
-	-	-	1,173,484	1,173,484
-	-	-	399,315	399,315
-	-	-	73,808	224,984
-	170,427	-	-	282,427
-	-	2,159,311	104,175	2,933,667
-	-	-	605,550	605,550
-	-	-	187,837	187,837
-	-	56,350	-	56,350
\$ 5,008,596	\$ 186,927	\$ 2,215,661	\$ 2,970,255	\$ 22,889,188
\$ 112,202	\$ 15,475	\$ (2,182,067)	\$ (512,200)	\$ (19,334)
\$ -	\$ -	\$ 691,974	\$ 753,902	\$ 1,459,876
-	-	-	(300,438)	(1,459,876)
-	-	4,600,000	-	4,600,000
-	-	19,663	-	19,663
\$ -	\$ -	\$ 5,311,637	\$ 453,464	\$ 4,619,663
\$ 112,202	\$ 15,475	\$ 3,129,570	\$ (58,736)	\$ 4,600,329
3,772,171	439,762	255,013	2,057,470	12,568,111
-	-	-	-	3,875
\$ 3,884,373	\$ 455,237	\$ 3,384,583	\$ 1,998,734	\$ 17,172,315

**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, 2006**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 4,600,329

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

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

Deferred revenue - December 31	\$ 1,050,384	
Deferred revenue - January 1	(1,249,501)	(199,117)

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	\$ 4,748,687	
Net book value of assets sold	(128,119)	
Current year depreciation	(1,826,527)	2,794,041

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	\$ (4,600,000)	
Premiums of bonds sold	(19,663)	
Bond issuance cost	56,350	(4,563,313)

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	\$ 245,000	
Capital notes	353,659	
Loan payable	6,891	605,550

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in accrued interest payable	\$ (55,541)	
Amortization of discounts/premium and deferred issuance charges	(10,110)	
Change in compensated absences	(560,699)	
Change in inventories	3,875	(622,475)

Change in net assets of governmental activities (Exhibit 2) \$ 2,615,015

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,548,504	\$ 4,548,504	\$ 4,433,638	\$ (114,866)
Licenses and permits	9,800	9,800	12,918	3,118
Intergovernmental	1,651,547	1,651,547	2,834,989	1,183,442
Charges for services	1,161,110	1,161,110	1,554,651	393,541
Fines and forfeits	40,100	40,100	39,621	(479)
Gifts and contributions	50	50	62,199	62,149
Investment earnings	230,500	230,500	516,367	285,867
Miscellaneous	401,425	401,425	694,506	293,081
Total Revenues	\$ 8,043,036	\$ 8,043,036	\$ 10,148,889	\$ 2,105,853
Expenditures				
Current				
General government				
Commissioners	\$ 189,488	\$ 189,488	\$ 189,355	\$ 133
Courts	8,465	8,465	17,999	(9,534)
Court services	356,968	356,968	315,565	41,403
Law library	51,395	51,395	54,284	(2,889)
County administration	98,189	98,189	96,390	1,799
County auditor	207,834	207,834	218,074	(10,240)
County treasurer	308,074	308,074	293,648	14,426
County assessor	246,010	246,010	246,796	(786)
Accounting and auditing	44,000	44,000	50,940	(6,940)
Data processing	217,263	217,263	190,507	26,756
Central services	90,800	90,800	41,603	49,197
Attorney	504,280	504,280	473,653	30,627
Recorder	203,425	203,425	141,085	62,340
Surveyor	13,000	13,000	8,879	4,121
Planning and zoning	532,378	532,378	525,075	7,303
Maintenance	402,099	402,099	348,837	53,262
Veterans service officer	125,575	125,575	121,782	3,793
Appropriations	156,900	156,900	151,727	5,173
Other	230,000	230,000	460,970	(230,970)
Total general government	\$ 3,986,143	\$ 3,986,143	\$ 3,947,169	\$ 38,974
Public safety				
Sheriff	\$ 3,111,000	\$ 3,111,000	\$ 2,935,198	\$ 175,802
Emergency services	88,189	88,189	64,136	24,053
Coroner	49,592	49,592	24,796	24,796
E-911 system	50,000	50,000	34,082	15,918
Total public safety	\$ 3,298,781	\$ 3,298,781	\$ 3,058,212	\$ 240,569

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 100,843	\$ 100,843	\$ 95,125	\$ 5,718
Conservation of natural resources				
County extension	\$ 152,910	\$ 152,910	\$ 143,431	\$ 9,479
Extension committee	2,600	2,600	2,745	(145)
Agricultural inspections	5,000	5,000	5,000	-
Total conservation of natural resources	<u>\$ 160,510</u>	<u>\$ 160,510</u>	<u>\$ 151,176</u>	<u>\$ 9,334</u>
Economic development				
Community development	\$ 112,000	\$ 112,000	\$ 112,000	\$ -
Capital outlay				
General government	\$ -	\$ -	\$ 294,099	\$ (294,099)
Public safety	-	-	132,271	(132,271)
Sanitation	-	-	7,620	(7,620)
Total capital outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 433,990</u>	<u>\$ (433,990)</u>
Total Expenditures	<u>\$ 7,658,277</u>	<u>\$ 7,658,277</u>	<u>\$ 7,797,672</u>	<u>\$ (139,395)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ 384,759</u>	<u>\$ 384,759</u>	<u>\$ 2,351,217</u>	<u>\$ 1,966,458</u>
Other Financing Sources (Uses)				
Transfers in	\$ 5,000	\$ 5,000	\$ 14,000	\$ 9,000
Transfers out	(577,488)	(577,488)	(1,159,438)	(581,950)
Total Other Financing Sources (Uses)	<u>\$ (572,488)</u>	<u>\$ (572,488)</u>	<u>\$ (1,145,438)</u>	<u>\$ (572,950)</u>
Net Change in Fund Balance	<u>\$ (187,729)</u>	<u>\$ (187,729)</u>	<u>\$ 1,205,779</u>	<u>\$ 1,393,508</u>
Fund Balance - January 1	<u>5,096,911</u>	<u>5,096,911</u>	<u>5,096,911</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 4,909,182</u></u>	<u><u>\$ 4,909,182</u></u>	<u><u>\$ 6,302,690</u></u>	<u><u>\$ 1,393,508</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 8

**BUDGETARY COMPARISON STATEMENT
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 993,406	\$ 993,406	\$ 978,001	\$ (15,405)
Intergovernmental	3,480,794	3,480,794	3,245,201	(235,593)
Charges for services	430,000	430,000	553,382	123,382
Miscellaneous	59,654	59,654	129,532	69,878
Total Revenues	\$ 4,963,854	\$ 4,963,854	\$ 4,906,116	\$ (57,738)
Expenditures				
Current				
Highways and streets				
Administration	\$ 665,404	\$ 665,404	\$ 663,384	\$ 2,020
Maintenance	1,254,008	1,254,008	1,644,660	(390,652)
Engineering/construction	2,243,727	2,243,727	1,619,719	624,008
Equipment, maintenance, and shop	800,712	800,712	546,123	254,589
Total highways and streets	\$ 4,963,851	\$ 4,963,851	\$ 4,473,886	\$ 489,965
Capital outlay				
Highways and streets	-	-	236,191	(236,191)
Total Expenditures	\$ 4,963,851	\$ 4,963,851	\$ 4,710,077	\$ 253,774
Net Change in Fund Balance	\$ -	\$ -	\$ 196,039	\$ 196,039
Fund Balance - January 1	946,784	946,784	946,784	-
Increase (decrease) in reserved for inventories	-	-	3,875	3,875
Fund Balance - December 31	\$ 946,784	\$ 946,784	\$ 1,146,698	\$ 199,914

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 9

**BUDGETARY COMPARISON STATEMENT
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,349,997	\$ 2,349,997	\$ 1,869,692	\$ (480,305)
Intergovernmental	2,015,466	2,015,466	2,526,057	510,591
Charges for services	51,562	51,562	118,459	66,897
Miscellaneous	187,813	187,813	606,590	418,777
Total Revenues	\$ 4,604,838	\$ 4,604,838	\$ 5,120,798	\$ 515,960
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,027,409	\$ 2,027,409	\$ 2,100,000	\$ (72,591)
Social services	2,579,575	2,579,575	2,908,596	(329,021)
Total Expenditures	\$ 4,606,984	\$ 4,606,984	\$ 5,008,596	\$ (401,612)
Net Change in Fund Balance	\$ (2,146)	\$ (2,146)	\$ 112,202	\$ 114,348
Fund Balance - January 1	3,772,171	3,772,171	3,772,171	-
Fund Balance - December 31	\$ 3,770,025	\$ 3,770,025	\$ 3,884,373	\$ 114,348

PROPRIETARY FUND

This page was left blank intentionally.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 10

**STATEMENT OF NET ASSETS
MEEKER COUNTY MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2006**

Assets

Current assets

Cash and pooled investments	\$ 1,168,449
Accounts receivable - net	3,570,938
Inventories	516,122
Prepaid items	313,743
	<hr/>

Total current assets **\$ 5,569,252**

Restricted assets

Investments	\$ 7,669,720
Accrued interest receivable	133,800
	<hr/>

Total restricted assets **\$ 7,803,520**

Noncurrent assets

Capital assets	
Nondepreciable	\$ 150,651
Depreciable - net	6,646,492
	<hr/>

Total noncurrent assets **\$ 6,797,143**

Total Assets **\$ 20,169,915**

Liabilities

Current liabilities

Accounts payable	\$ 751,050
Salaries payable	1,313,547
Capital lease payable - current	27,199
	<hr/>

Total current liabilities **\$ 2,091,796**

Noncurrent liabilities

Capital lease payable - noncurrent	\$ 87,976
	<hr/>

Total Liabilities **\$ 2,179,772**

Net Assets

Invested in capital assets	\$ 6,681,968
Unrestricted	11,308,175
	<hr/>

Total Net Assets **\$ 17,990,143**

**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, 2006**

Operating Revenues	
Patient services revenues	\$ 18,122,055
Miscellaneous	183,080
	<hr/>
Total Operating Revenues	\$ 18,305,135
	<hr/>
Operating Expenses	
Professional care of patients	\$ 11,554,591
Administration and fiscal services	3,335,316
Property, housekeeping, and laundry	887,052
Dietary	347,949
Depreciation	1,106,070
	<hr/>
Total Operating Expenses	\$ 17,230,978
	<hr/>
Operating Income	\$ 1,074,157
	<hr/>
Nonoperating Revenues (Expenses)	
Interest income	331,393
	<hr/>
Change in Net Assets	\$ 1,405,550
	<hr/>
Net Assets - January 1	16,584,593
	<hr/>
Net Assets - December 31	\$ 17,990,143
	<hr/> <hr/>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 12

**STATEMENT OF CASH FLOWS
MEEKER COUNTY MEMORIAL HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

Cash Flows from Operating Activities	
Receipts from third-party payors and patients	\$ 19,018,550
Other receipts	183,080
Payments to suppliers	(7,721,898)
Payments to employees	(8,407,738)
	<hr/>
Net cash provided by (used in) operating activities	\$ 3,071,994
Cash Flows from Capital and Related Financing Activities	
Proceeds from sale of capital assets	\$ 550
Purchases of capital assets	(2,119,629)
Principal payments on long-term debt	(4,355)
	<hr/>
Net cash provided by (used in) capital and related financing activities	\$ (2,123,434)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	\$ 2,095,762
Purchase of investments	(3,366,134)
Investment earnings received	333,002
	<hr/>
Net cash provided by (used in) investing activities	\$ (937,370)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 11,190
Cash and Cash Equivalents - January 1	1,157,259
	<hr/>
Cash and Cash Equivalents - December 31	\$ 1,168,449
	<hr/> <hr/>
Reconciliation of operating income to net cash provided by (used in) operating activities	
Operating income	\$ 1,074,157
	<hr/>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation expense	\$ 1,106,070
(Increase) decrease in accounts receivable	896,495
(Increase) decrease in inventories	(1,827)
(Increase) decrease in prepaid items	(98,565)
Increase (decrease) in accounts payable	(70,345)
Increase (decrease) in salaries payable	166,009
	<hr/>
Total adjustments	\$ 1,997,837
	<hr/>
Net Cash Provided by (Used in) Operating Activities	\$ 3,071,994
	<hr/> <hr/>
Noncash Investing, Capital, and Financing Activities	
Loss on disposal of capital assets	\$ (47)
Unrealized losses on investments	(46,088)
Capital lease obligation incurred for use of equipment	119,530

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 13

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006**

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	<u>\$ 376,340</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 376,340</u>

This page was left blank intentionally.

DISCRETELY PRESENTED COMPONENT UNITS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 14

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2006**

	Economic Development Authority	Housing and Redevelopment Authority	Total
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 84,477	\$ 157,304	\$ 241,781
Investments	141,000	-	141,000
Accounts receivable - net	5,876	23,705	29,581
Accrued interest receivable	4,767	-	4,767
Due from other funds	-	21,539	21,539
Loans receivable	1,448,130	-	1,448,130
Prepaid items	19,863	6,149	26,012
	\$ 1,704,113	\$ 208,697	\$ 1,912,810
Noncurrent assets			
Deferred debt issuance costs	\$ 50,058	\$ -	\$ 50,058
Capital assets			
Nondepreciable	155,453	63,966	219,419
Depreciable - net	4,084,962	379,361	4,464,323
	\$ 4,290,473	\$ 443,327	\$ 4,733,800
Total Assets	\$ 5,994,586	\$ 652,024	\$ 6,646,610
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 7,679	\$ 6,697	\$ 14,376
Accrued expenses	-	8,884	8,884
Due to other funds	-	21,539	21,539
Due to other governments	1,000,000	-	1,000,000
Accrued interest payable	2,410	-	2,410
Deferred revenue	-	70	70
Customer deposits	43,515	-	43,515
Revenue bonds payable - current	99,930	-	99,930
	\$ 1,153,534	\$ 37,190	\$ 1,190,724
Noncurrent liabilities			
Tenant security deposits	\$ -	\$ 5,568	\$ 5,568
Revenue bonds payable - long-term	4,712,989	-	4,712,989
	\$ 4,712,989	\$ 5,568	\$ 4,718,557
Total Liabilities	\$ 5,866,523	\$ 42,758	\$ 5,909,281

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

***EXHIBIT 14
(Continued)***

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2006**

	Economic Development Authority	Housing and Redevelopment Authority	Total
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ -	\$ 443,327	\$ 443,327
Unrestricted	128,063	165,939	294,002
Total Net Assets	\$ 128,063	\$ 609,266	\$ 737,329

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Economic Development Authority (EDA)	\$ 1,266,225	\$ 499,676
Housing and Redevelopment Authority (HRA)	380,407	46,431
	\$ 1,646,632	\$ 546,107
Total Component Units	\$ 1,646,632	\$ 546,107
 General Revenues		
Investment income		
Gain on disposal of other assets		
Miscellaneous		
Total general revenues		
 Change in Net Assets		
Net Assets - Beginning		
Net Assets - Ending		

EXHIBIT 15

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	EDA	HRA	Total
\$ 580	\$ -	\$ (765,969)	\$ -	\$ (765,969)
269,760	35,940	-	(28,276)	(28,276)
\$ 270,340	\$ 35,940	\$ (765,969)	\$ (28,276)	\$ (794,245)
		\$ 6,762	\$ 224	\$ 6,986
		270,595	-	270,595
		950	-	950
		\$ 278,307	\$ 224	\$ 278,531
		\$ (487,662)	\$ (28,052)	\$ (515,714)
		615,725	637,318	1,253,043
		\$ 128,063	\$ 609,266	\$ 737,329

This page was left blank intentionally.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Units

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

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

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

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund type:

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2006, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the Meeker Memorial Hospital Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Investment earnings for 2006 were \$549,861.

Meeker County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

3. Receivables and Payables

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

Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

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

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by Meeker County as assets with an initial,

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

7. Compensated Absences

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Revenue

All County funds and government-wide financial statements defer revenue for resources that have been received but not yet earned. Governmental funds report deferred revenue in connection with receivables for revenues 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 well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive balance of \$18,363 as of December 31, 2006, although 11 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:

38 ditches with positive balances	\$	110,342
11 ditches with deficit balances		(91,979)
Net Fund Balance	\$	18,363

C. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2006:

	Expenditures	Budget	Excess
Major governmental funds			
General Fund	\$ 7,797,672	\$ 7,658,277	\$ 139,395
Human Services Special Revenue Fund	5,008,596	4,606,984	401,612
Other governmental funds			
County Parks Special Revenue Fund	263,934	209,477	54,457
County Nurse Special Revenue Fund	1,173,484	1,031,010	142,474
Transfer Station Special Revenue Fund	171,272	90,000	81,272

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 17,528,019
Petty cash and change funds	2,690
Investments	43,228
Business-type activities	
Cash and pooled investments	1,168,449
Investments, restricted	7,669,720
Statement of fiduciary net assets	
Cash and pooled investments	376,340
Total Cash and Investments	\$ 26,788,446
Deposits	\$ 7,704,190
Petty cash and change funds	2,690
Investments	19,081,566
Total Deposits, Cash on Hand, and Investments	\$ 26,788,446

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better, revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution 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, 2006, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

At December 31, 2006, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
U.S. government securities	\$ 4,257,410	\$ 655,064	\$ 3,310,878	\$ 291,468
Treasury notes/bonds	5,188,697	1,140,247	2,430,393	1,618,057
Investment pool/ MAGIC Fund	4,632,574	4,632,574	-	-
Negotiable certificates of deposit	2,124,187	2,124,187	-	-
Money markets	2,878,698	2,878,698	-	-
Total Investments	\$ 19,081,566	\$ 11,430,770	\$ 5,741,271	\$ 1,909,525

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

The County's exposure to credit risk as of December 31, 2006, is as follows:

	<u>S & P Rating</u>	<u>Fair Value</u>
U.S. government securities	AAA	\$ 4,257,410
Treasury notes/bonds	AAA	5,188,697
Investment pool/MAGIC Fund	N/R	4,632,574
Negotiable certificates of deposit	N/A	2,124,187
Money markets	AAA	2,878,698
Total		\$ 19,081,566

N/R - Not rated

N/A - Not applicable

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a specific policy for custodial credit risk. As of December 31, 2006, \$6,478,629 of U.S. government securities and Treasury notes in the County's investment balance of \$19,081,566 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>6,478,629</u>
---	---------------------

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

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

Issuer	Reported Amount
Wells Fargo Brokerage Services	\$ 2,842,255
Advest	3,595,488
PFM Asset Management	1,985,000
Federal Home Loan Mortgage Corporation	1,213,316
Treasury Note	3,066,303

2. Receivables

Receivables at December 31, 2006, 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	\$ 143,363	\$ -
Special assessments	102,133	94,704
Accounts	102,386	-
Accrued interest	110,322	-
Due from other governments	1,684,620	-
Loans	841,560	787,481
Leases	266,230	198,532
Total Governmental Activities	\$ 3,250,614	\$ 1,080,717

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Accounts receivable - net	\$ 3,570,938	\$ -
Accrued interest	133,800	-
	\$ 3,704,738	\$ -
Total Business-Type Activities		

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, 2006, the building is carried in the County's capital assets at \$4,921,262, net of depreciation.

- (1) For the auditorium lease of the Family Services Building, ISD #465 pays semi-annual lease amounts for the first 15 years equal to seven percent of the County's debt service payments for the certificates of participation sold during 1995 to finance the renovation of the Family Services Building.
- (2) The office space lease at the Family Services Building is for 15 years commencing on June 1, 1996, and ending May 31, 2011. ISD #465 pays semi-annual lease amounts equal to 11 percent of the County's debt service payments for these certificates of participation. The lease payments are due ten days prior to the County's debt payment dates.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables

Leases Receivable (Continued)

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

Amounts due under the lease agreements have been recorded as leases receivable and deferred revenue in the Family Services Building Fund at December 31, 2006.

The additional payments are as follows:

	ISD #465 Auditorium	ISD #465 Office Space	Heartland Community Action Agency	Meeker County Food Shelf	State Patrol Officers	Total
2007	\$ 21,031	\$ 33,048	\$ 3,600	\$ 3,600	\$ 6,419	\$ 67,698
2008	21,100	33,157	3,600	3,600	6,547	68,004
2009	20,759	32,621	3,600	3,600	6,678	67,258
2010	21,046	33,072	600	600	6,813	62,131
2011	-	-	-	-	1,139	1,139
Total	<u>\$ 83,936</u>	<u>\$ 131,898</u>	<u>\$ 11,400</u>	<u>\$ 11,400</u>	<u>\$ 27,596</u>	<u>\$ 266,230</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,769,106	\$ 183,243	\$ -	\$ 1,952,349
Construction in progress	71,639	2,232,128	71,639	2,232,128
Total capital assets not depreciated	<u>\$ 1,840,745</u>	<u>\$ 2,415,371</u>	<u>\$ 71,639</u>	<u>\$ 4,184,477</u>
Capital assets depreciated				
Buildings	\$ 13,792,410	\$ 61,599	\$ -	\$ 13,854,009
Building improvements	1,100,017	7,690	-	1,107,707
Office furniture and equipment	2,328,955	330,875	21,633	2,638,197
Machinery and equipment	5,600,690	380,009	197,718	5,782,981
Infrastructure	34,343,442	1,553,143	-	35,896,585
Total capital assets depreciated	<u>\$ 57,165,514</u>	<u>\$ 2,333,316</u>	<u>\$ 219,351</u>	<u>\$ 59,279,479</u>
Less: accumulated depreciation for				
Buildings	\$ 4,789,220	\$ 344,652	\$ -	\$ 5,133,872
Building improvements	110,002	55,257	-	165,259
Office furniture and equipment	1,679,935	221,998	17,824	1,884,109
Machinery and equipment	3,451,848	490,631	145,047	3,797,432
Infrastructure	6,651,887	713,989	-	7,365,876
Total accumulated depreciation	<u>\$ 16,682,892</u>	<u>\$ 1,826,527</u>	<u>\$ 162,871</u>	<u>\$ 18,346,548</u>
Total capital assets depreciated, net	<u>\$ 40,482,622</u>	<u>\$ 506,789</u>	<u>\$ 56,480</u>	<u>\$ 40,932,931</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 42,323,367</u></u>	<u><u>\$ 2,922,160</u></u>	<u><u>\$ 128,119</u></u>	<u><u>\$ 45,117,408</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 63,951	\$ 86,700	\$ -	\$ 150,651
Construction in progress	142,464	-	142,464	-
Total capital assets not depreciated	<u>\$ 206,415</u>	<u>\$ 86,700</u>	<u>\$ 142,464</u>	<u>\$ 150,651</u>
Capital assets depreciated				
Land improvements	\$ 317,664	\$ -	\$ -	\$ 317,664
Buildings	4,499,053	1,309,809	-	5,808,862
Machinery, furniture, and equipment	11,626,847	842,650	238,024	12,231,473
Total capital assets depreciated	<u>\$ 16,443,564</u>	<u>\$ 2,152,459</u>	<u>\$ 238,024</u>	<u>\$ 18,357,999</u>
Less: accumulated depreciation for				
Land improvements	\$ 197,895	\$ 17,765	\$ -	\$ 215,660
Buildings	2,874,783	164,022	-	3,038,805
Machinery, furniture, and equipment	7,912,650	924,283	379,891	8,457,042
Total accumulated depreciation	<u>\$ 10,985,328</u>	<u>\$ 1,106,070</u>	<u>\$ 379,891</u>	<u>\$ 11,711,507</u>
Total capital assets depreciated, net	<u>\$ 5,458,236</u>	<u>\$ 1,046,389</u>	<u>\$ (141,867)</u>	<u>\$ 6,646,492</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 5,664,651</u>	<u>\$ 1,133,089</u>	<u>\$ 597</u>	<u>\$ 6,797,143</u>

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

Governmental Activities	
General government	\$ 463,125
Public safety	241,021
Highways and streets, including depreciation of infrastructure assets	1,075,875
Human services	12,488
Health	1,303
Culture and recreation	17,390
Sanitation	15,325
	<u>1,826,527</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,826,527</u>
Business-Type Activities	
Hospital	<u>\$ 1,106,070</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Road and Bridge	\$ 217
	Human Services	3,117
	Other governmental	16,212
		<hr/>
Total Due to General Fund		\$ 19,546
Road and Bridge	General	\$ 5,680
	Other governmental	5,803
		<hr/>
Total Due to Road and Bridge Special Revenue Fund		\$ 11,483
Human Services	General	\$ 116
	Road and Bridge	33
	Human Services	508
	Other governmental	24
		<hr/>
Total Due to Human Services Special Revenue Fund		\$ 681
Other governmental	General	\$ 11,288
	Road and Bridge	208
	Human Services	595
	Other governmental	605
		<hr/>
Total Due to other governmental funds		\$ 12,696
Total Due To/From Other Funds		<u><u>\$ 44,406</u></u>

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
Other governmental	General Fund	\$ 72,882

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, consisted of the following:

Transfer to General Fund from other nonmajor governmental funds	\$ 14,000	Repayment of advances
Transfer to Capital Projects Fund from General Fund	691,974	Capital project funding
Transfers to nonmajor governmental funds from		
General Fund	467,464	Annual appropriation and capital project funding
Other nonmajor governmental funds	286,438	Debt service requirements
Total Interfund Transfers	\$ 1,459,876	

C. Liabilities

1. Payables

Payables at December 31, 2006, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 427,262	\$ 751,050
Salaries	438,084	1,313,547
Contracts	901,404	-
Due to other governments	75,467	-
Total Payables	\$ 1,842,217	\$ 2,064,597

**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, 2006. The projects include the following:

	Spent-to-Date	Remaining Commitment
Capital Projects Fund		
Roads and bridges	\$ 4,309,060	\$ 2,337,406

3. Long-Term Debt

The County issues long-term debt obligations to provide for the acquisition, construction, and betterment of major capital facilities and infrastructure. In 2006, the County issued \$4,600,000 in general obligation capital improvement bonds to finance (1) the construction of a transportation maintenance and administration facility and (2) improvements to a state-aid road.

Bonds and Notes

Government Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2006
General Obligation Bonds					
1998 G.O. Law Enforcement Center Bonds	2018	\$100,000 - \$255,000	4.15 - 4.80	\$ 3,250,000	\$ 145,000
2002 G.O. EDA Lease Revenue Bonds	2012	\$100,000 - \$145,000	3.00 - 4.50	1,200,000	775,000
2005 Refunding G.O. Law Enforcement Bonds	2018	\$165,000 - \$245,000	3.00 - 3.65	2,210,000	2,210,000
2006 G.O. Capital Improvement Bonds	2026	\$105,000 - \$295,000	3.875 - 4.05	4,600,000	4,600,000
Total General Obligation Bonds				\$ 11,260,000	\$ 7,730,000
Refunding Certificates of Participation 2003	2011	\$240,000 - \$285,000	2.00 - 3.50	\$ 2,060,000	\$ 1,335,000

**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.

<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, 2006</u>
2001 Septic Loans	2010	\$ 3,104 - \$ 3,750	2.00	\$ 68,343	\$ 28,978

4. Debt Service Requirements

Debt service requirements at December 31, 2006, were as follows:

Governmental Activities

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 365,000	\$ 370,524	\$ 250,000	\$ 36,175
2008	495,000	269,874	260,000	30,113
2009	510,000	251,381	265,000	32,886
2010	530,000	232,175	275,000	14,444
2011	560,000	211,930	285,000	4,998
2012 - 2016	2,485,000	773,822	-	-
2017 - 2021	1,580,000	365,090	-	-
2022 - 2026	1,205,000	126,406	-	-
Total	\$ 7,730,000	\$ 2,601,202	\$ 1,335,000	\$ 108,616

<u>Year Ending December 31</u>	<u>Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 7,030	\$ 545
2008	7,171	403
2009	7,315	259
2010	7,462	112
Total	\$ 28,978	\$ 1,319

**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, 2006, 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	\$ 3,375,000	\$ 4,600,000	\$ 245,000	\$ 7,730,000	\$ 365,000
Certificates of participation	1,580,000	-	245,000	1,335,000	250,000
Capital equipment notes	108,659	-	108,659	-	-
Add: unamortized premium	7,146	21,568	1,430	27,284	1,460
Less: deferred amounts for issuance discounts	(9,361)	-	(1,873)	(7,488)	(1,872)
Total bonds payable	\$ 5,061,444	\$ 4,621,568	\$ 598,216	\$ 9,084,796	\$ 614,588
Loans payable	35,869	-	6,891	28,978	7,030
Compensated absences	854,197	1,171,659	610,960	1,414,896	580,420
Governmental Activity					
Long-Term Liabilities	<u>\$ 5,951,510</u>	<u>\$ 5,793,227</u>	<u>\$ 1,216,067</u>	<u>\$ 10,528,670</u>	<u>\$ 1,202,038</u>

6. Prior Year's Refunded Debt

In 2003, the County defeased certificates of participation issued July 1, 1995, by creating a separate irrevocable fund. Refunding Certificates of Participation of 2003 in the principal amount of \$2,060,000 were issued, and the proceeds were used to purchase U.S. government securities that were placed in the trust fund. The investments and earnings on the investments are sufficient to fully service the defeased debt until the debt is called or matures. The current refunding reduced cash flows required for debt service of the certificates of participation by \$134,143 over the next seven years. The refunding resulted in an economic gain of \$113,665. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the County's government-wide financial statements. As of December 31, 2006, the amount of defeased debt outstanding not included in the financial statements was \$1,295,000.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description

All full-time and certain part-time employees of Meeker County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). 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.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description (Continued)

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund members, and all Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

2. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. 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 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members were required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

2. Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2006 and 2007:

	2006	2007
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.00	6.25
Public Employees Police and Fire Fund	10.50	11.70
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2006, 2005, and 2004, 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
2006	\$ 353,278	\$ 85,261	\$ 36,336
2005	316,211	68,313	30,410
2004	282,001	71,126	31,278

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. 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, 2006, 2005, and 2004, were \$1,491, \$1,402, and \$1,439, 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. 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 \$390,000 per claim in 2006 and \$400,000 per claim in 2007. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Risk Management (Continued)

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

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

6. Summary of Significant Contingencies and Other Items

A. Subsequent Events

- On August 21, 2007, the County Board approved the financing plan for the expansion and renovation of the Meeker County Memorial Hospital to include the issuance of gross revenue bonds in the estimated amount of \$26,900,000.
- On August 21, 2007, the County Board awarded a contract for the Family Services Center Remodel Project in the amount of \$61,978.

B. Contingent Liabilities

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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

C. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

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

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

Meeker-McLeod-Sibley Community Health Services Board

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

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

Prime West Central County-Based Purchasing Initiative

In December 1998, Meeker County became a member of the Prime West Central County-Based Purchasing Initiative Joint Powers Board with Big Stone, Douglas, Grant, McLeod, Pipestone, Pope, Renville, Stevens, and Traverse Counties. Meeker County, in partnership with these nine counties, is organized to directly purchase health

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Prime West Central County-Based Purchasing Initiative (Continued)

care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

Funding from the state is the revenue source for this program. Meeker County has provided a \$65,000 start-up loan, which was repaid in 2006.

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

Crow River Joint Powers Agreement

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

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. 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.

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Discretely Presented Component Unit Disclosures (Continued)

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables at December 31, 2006, for each discretely presented component unit, including the applicable allowances for uncollectible accounts, are as follows:

	<u>EDA</u>	<u>HRA</u>	<u>Total Receivables</u>
Accounts	\$ 5,876	\$ 23,705	\$ 29,581
Accrued interest	4,767	-	4,767
Loans	<u>1,448,130</u>	<u>-</u>	<u>1,448,130</u>
Total Component Units	<u>\$ 1,458,773</u>	<u>\$ 23,705</u>	<u>\$ 1,482,478</u>

Loans Receivable

Loans receivable represent 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 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, 2006, 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	\$ 5,132,636	\$ 7,225	\$ -	\$ 5,139,861
HRA	1,067,701	23,189	-	1,090,890
Total capital assets depreciated	<u>\$ 6,200,337</u>	<u>\$ 30,414</u>	<u>\$ -</u>	<u>\$ 6,230,751</u>
Less: accumulated depreciation for				
Buildings and equipment				
EDA	\$ 876,243	\$ 178,656	\$ -	\$ 1,054,899
HRA	669,291	42,238	-	711,529
Total accumulated depreciation	<u>\$ 1,545,534</u>	<u>\$ 220,894</u>	<u>\$ -</u>	<u>\$ 1,766,428</u>
Total capital assets depreciated, net	<u>\$ 4,654,803</u>	<u>\$ (190,480)</u>	<u>\$ -</u>	<u>\$ 4,464,323</u>
Total Capital Assets, Net	<u>\$ 4,874,222</u>	<u>\$ (190,480)</u>	<u>\$ -</u>	<u>\$ 4,683,742</u>

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

EDA	\$ 178,656
HRA	<u>42,238</u>
Total Depreciation Expense	<u>\$ 220,894</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, 2006, were as follows:

	EDA	HRA	Total Payables
Accounts	\$ 7,679	\$ 6,697	\$ 14,376
Other accrued expenses	1,002,410	30,423	1,032,833
Total Payables	\$ 1,010,089	\$ 37,120	\$ 1,047,209

Long-Term Debt

Long-term debt outstanding at December 31, 2006, 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	\$ 1,570,093
1999 Essential Function Housing Development Revenue Bonds	2030	8,037	5.50	1,400,000	1,256,577
2001 Essential Function Housing Development Revenue Bonds	2032	6,626	5.25	1,200,000	1,115,265
2002 Essential Function Housing Development Revenue Bonds	2033	5,135	5.25	930,000	870,984
Totals				\$ 5,340,000	\$ 4,812,919

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Debt Service Requirements

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

Year Ending December 31	Principal	Interest
2007	\$ 99,930	\$ 226,693
2008	114,748	221,379
2009	120,319	215,808
2010	126,159	209,969
2011	132,284	203,844
2012 - 2016	764,249	916,417
2017 - 2021	968,639	712,003
2022 - 2026	1,227,730	452,908
2027 - 2031	1,128,350	146,631
2032 - 2033	130,511	3,079
Total	<u>\$ 4,812,919</u>	<u>\$ 3,308,731</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, 2006.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Essential Function Housing Development Revenue Bonds for					
1998	\$ 1,607,585	\$ -	\$ 37,492	\$ 1,570,093	\$ 30,799
1999	1,285,481	-	28,904	1,256,577	29,191
2001	1,137,077	-	21,812	1,115,265	22,696
2002	887,557	-	16,573	870,984	17,244
EDA Long-Term Liabilities	<u>\$ 4,917,700</u>	<u>\$ -</u>	<u>\$ 104,781</u>	<u>\$ 4,812,919</u>	<u>\$ 99,930</u>

This page was left blank intentionally.

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	Special			
	County Parks	Regional Library	County Nurse	Ditch
<u>Assets</u>				
Cash and pooled investments	\$ 91,225	\$ 61,359	\$ 305,286	\$ 92,678
Taxes receivable				
Delinquent	-	2,189	-	-
Special assessments receivable				
Delinquent	-	-	-	7,429
Noncurrent	-	-	-	94,704
Accounts receivable - net	-	-	957	6,300
Due from other funds	-	-	12,488	208
Due from other governments	8,796	-	106,406	675
Loans receivable	-	-	-	-
Leases receivable	-	-	-	-
Total Assets	\$ 100,021	\$ 63,548	\$ 425,137	\$ 201,994
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 11,793	\$ -	\$ 10,603	\$ 7,719
Salaries payable	5,720	-	38,818	-
Due to other funds	24	-	605	6,947
Due to other governments	26	-	1,328	1,380
Deferred revenue - unavailable	-	1,334	-	94,703
Deferred revenue - unearned	-	-	-	-
Advance from other funds	-	-	-	72,882
Total Liabilities	\$ 17,563	\$ 1,334	\$ 51,354	\$ 183,631
Fund Balances				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Unreserved				
Designated for cash flows	82,458	62,214	239,207	-
Designated for debt service	-	-	-	-
Undesignated	-	-	134,576	18,363
Total Fund Balances	\$ 82,458	\$ 62,214	\$ 373,783	\$ 18,363
Total Liabilities and Fund Balances	\$ 100,021	\$ 63,548	\$ 425,137	\$ 201,994

Statement 1

Revenue Funds					
<u>Transfer Station</u>	<u>Family Services Building</u>	<u>Septic System Loan Program</u>	<u>Sheriff's Contingent</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ 766,559	\$ 323,512	\$ 21,348	\$ 10,479	\$ 345,971	\$ 2,018,417
-	1,804	-	-	9,856	13,849
-	-	-	-	-	7,429
-	-	-	-	-	94,704
8,122	-	-	-	-	15,379
-	-	-	-	-	12,696
-	27,031	-	3	-	142,911
-	-	6,041	-	-	6,041
-	215,834	-	-	-	215,834
\$ 774,681	\$ 568,181	\$ 27,389	\$ 10,482	\$ 355,827	\$ 2,527,260
\$ 1,162	\$ 21,340	\$ -	\$ -	\$ -	\$ 52,617
670	6,874	-	-	-	52,082
15,068	-	-	-	-	22,644
-	-	-	-	-	2,734
-	1,065	6,041	-	6,590	109,733
-	215,834	-	-	-	215,834
-	-	-	-	-	72,882
\$ 16,900	\$ 245,113	\$ 6,041	\$ -	\$ 6,590	\$ 528,526
\$ -	\$ -	\$ -	\$ -	\$ 349,237	\$ 349,237
-	88,340	-	-	-	472,219
-	-	21,348	-	-	21,348
757,781	234,728	-	10,482	-	1,155,930
\$ 757,781	\$ 323,068	\$ 21,348	\$ 10,482	\$ 349,237	\$ 1,998,734
\$ 774,681	\$ 568,181	\$ 27,389	\$ 10,482	\$ 355,827	\$ 2,527,260

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Special Revenue</u>			
	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
Revenues				
Taxes	\$ 4,000	\$ 114,116	\$ -	\$ -
Special assessments	-	-	-	81,407
Intergovernmental	46,000	31,510	605,169	-
Charges for services	68,392	-	265,455	-
Fines and forfeits	-	-	-	-
Investment earnings	-	-	-	1,568
Miscellaneous	3,168	-	1,500	6,736
Total Revenues	\$ 121,560	\$ 145,626	\$ 872,124	\$ 89,711
Expenditures				
Current				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Health	-	-	1,173,484	-
Culture and recreation	256,244	143,071	-	-
Conservation of natural resources	-	-	-	73,808
Capital outlay	7,690	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	\$ 263,934	\$ 143,071	\$ 1,173,484	\$ 73,808
Excess of Revenues Over (Under)				
Expenditures	\$ (142,374)	\$ 2,555	\$ (301,360)	\$ 15,903
Other Financing Sources (Uses)				
Transfers in	\$ 148,522	\$ -	\$ 318,942	\$ -
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	\$ 148,522	\$ -	\$ 318,942	\$ -
Net Change in Fund Balance	\$ 6,148	\$ 2,555	\$ 17,582	\$ 15,903
Fund Balance - January 1	76,310	59,659	356,201	2,460
Fund Balance - December 31	\$ 82,458	\$ 62,214	\$ 373,783	\$ 18,363

Statement 2

Funds					
<u>Transfer Station</u>	<u>Family Services Building</u>	<u>Septic System Loan Program</u>	<u>Sheriff's Contingent</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ -	\$ 104,792	\$ -	\$ -	\$ 457,413	\$ 680,321
-	-	5,486	-	-	86,893
-	29,353	-	-	2,160	714,192
157,466	-	-	-	-	491,313
-	-	-	2,598	-	2,598
-	-	-	-	-	1,568
13,229	456,537	-	-	-	481,170
\$ 170,695	\$ 590,682	\$ 5,486	\$ 2,598	\$ 459,573	\$ 2,458,055
\$ -	\$ 347,466	\$ -	\$ 500	\$ 3,333	\$ 351,299
74,787	-	-	-	-	74,787
-	-	-	-	-	1,173,484
-	-	-	-	-	399,315
-	-	-	-	-	73,808
96,485	-	-	-	-	104,175
-	-	6,891	-	598,659	605,550
-	-	683	-	187,154	187,837
\$ 171,272	\$ 347,466	\$ 7,574	\$ 500	\$ 789,146	\$ 2,970,255
\$ (577)	\$ 243,216	\$ (2,088)	\$ 2,098	\$ (329,573)	\$ (512,200)
\$ -	\$ -	\$ -	\$ -	\$ 286,438	\$ 753,902
(14,000)	(286,438)	-	-	-	(300,438)
\$ (14,000)	\$ (286,438)	\$ -	\$ -	\$ 286,438	\$ 453,464
\$ (14,577)	\$ (43,222)	\$ (2,088)	\$ 2,098	\$ (43,135)	\$ (58,736)
772,358	366,290	23,436	8,384	392,372	2,057,470
\$ 757,781	\$ 323,068	\$ 21,348	\$ 10,482	\$ 349,237	\$ 1,998,734

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 3

**BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ 4,000	\$ 4,000
Intergovernmental	-	-	46,000	46,000
Charges for services	58,255	58,255	68,392	10,137
Miscellaneous	2,700	2,700	3,168	468
Total Revenues	\$ 60,955	\$ 60,955	\$ 121,560	\$ 60,605
Expenditures				
Current				
Culture and recreation				
Parks	\$ 209,477	\$ 209,477	\$ 256,244	\$ (46,767)
Capital outlay				
Culture and recreation	-	-	7,690	(7,690)
Total Expenditures	\$ 209,477	\$ 209,477	\$ 263,934	\$ (54,457)
Excess of Revenues Over (Under)				
Expenditures	\$ (148,522)	\$ (148,522)	\$ (142,374)	\$ 6,148
Other Financing Sources (Uses)				
Transfers in	148,522	148,522	148,522	-
Net Change in Fund Balance	\$ -	\$ -	\$ 6,148	\$ 6,148
Fund Balance - January 1	76,310	76,310	76,310	-
Fund Balance - December 31	\$ 76,310	\$ 76,310	\$ 82,458	\$ 6,148

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 4

**BUDGETARY COMPARISON SCHEDULE
REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 111,486	\$ 111,486	\$ 114,116	\$ 2,630
Intergovernmental	31,585	31,585	31,510	(75)
Total Revenues	\$ 143,071	\$ 143,071	\$ 145,626	\$ 2,555
Expenditures				
Current				
Culture and recreation	143,071	143,071	143,071	-
Net Change in Fund Balance	\$ -	\$ -	\$ 2,555	\$ 2,555
Fund Balance - January 1	59,659	59,659	59,659	-
Fund Balance - December 31	\$ 59,659	\$ 59,659	\$ 62,214	\$ 2,555

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 5

**BUDGETARY COMPARISON SCHEDULE
COUNTY NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 576,655	\$ 576,655	\$ 605,169	\$ 28,514
Charges for services	81,412	81,412	265,455	184,043
Miscellaneous	-	-	1,500	1,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 658,067	\$ 658,067	\$ 872,124	\$ 214,057
Expenditures				
Current				
Health				
Nursing service	1,031,010	1,031,010	1,173,484	(142,474)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Excess of Revenues Over (Under) Expenditures	\$ (372,943)	\$ (372,943)	\$ (301,360)	\$ 71,583
Other Financing Sources (Uses)				
Transfers in	318,943	318,943	318,942	(1)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	\$ (54,000)	\$ (54,000)	\$ 17,582	\$ 71,582
Fund Balance - January 1	356,201	356,201	356,201	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 302,201	\$ 302,201	\$ 373,783	\$ 71,582
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 6

**BUDGETARY COMPARISON SCHEDULE
TRANSFER STATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 90,000	\$ 90,000	\$ 157,466	\$ 67,466
Miscellaneous	-	-	13,229	13,229
Total Revenues	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 170,695</u>	<u>\$ 80,695</u>
Expenditures				
Current				
Sanitation				
Solid waste	\$ 90,000	\$ 90,000	\$ 74,787	\$ 15,213
Capital outlay	-	-	96,485	(96,485)
Total Expenditures	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 171,272</u>	<u>\$ (81,272)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (577)</u>	<u>\$ (577)</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(14,000)	(14,000)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,577)</u>	<u>\$ (14,577)</u>
Fund Balance - January 1	<u>772,358</u>	<u>772,358</u>	<u>772,358</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 772,358</u></u>	<u><u>\$ 772,358</u></u>	<u><u>\$ 757,781</u></u>	<u><u>\$ (14,577)</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 7

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 105,456	\$ 105,456	\$ 104,792	\$ (664)
Intergovernmental	29,485	29,485	29,353	(132)
Miscellaneous	495,544	495,544	456,537	(39,007)
Total Revenues	\$ 630,485	\$ 630,485	\$ 590,682	\$ (39,803)
Expenditures				
Current				
General government				
Central services	628,752	628,752	347,466	281,286
Excess of Revenues Over (Under)				
Expenditures	\$ 1,733	\$ 1,733	\$ 243,216	\$ 241,483
Other Financing Sources (Uses)				
Transfers out	-	-	(286,438)	(286,438)
Net Change in Fund Balance	\$ 1,733	\$ 1,733	\$ (43,222)	\$ (44,955)
Fund Balance - January 1	366,290	366,290	366,290	-
Fund Balance - December 31	\$ 368,023	\$ 368,023	\$ 323,068	\$ (44,955)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

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

This page was left blank intentionally.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 8

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 233,078	\$ 31,753,890	\$ 31,780,802	\$ 206,166
<u>Liabilities</u>				
Due to other governments	\$ 233,078	\$ 31,753,890	\$ 31,780,802	\$ 206,166
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 141,528	\$ 2,220,643	\$ 2,279,893	\$ 82,278
<u>Liabilities</u>				
Due to other governments	\$ 141,528	\$ 2,220,643	\$ 2,279,893	\$ 82,278
 <u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 71,359	\$ 178,917	\$ 176,368	\$ 73,908
<u>Liabilities</u>				
Due to other governments	\$ 71,359	\$ 178,917	\$ 176,368	\$ 73,908

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

*Statement 8
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>ESCROWS AND HELD MONIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ -</u>	<u>\$ 13,988</u>	<u>\$ -</u>	<u>\$ 13,988</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ -</u>	<u>\$ 13,988</u>	<u>\$ -</u>	<u>\$ 13,988</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 445,965</u>	<u>\$ 34,167,438</u>	<u>\$ 34,237,063</u>	<u>\$ 376,340</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 445,965</u>	<u>\$ 34,167,438</u>	<u>\$ 34,237,063</u>	<u>\$ 376,340</u>

ECONOMIC DEVELOPMENT AUTHORITY

This page was left blank intentionally.

**MEEKER COUNTY
LITCHFIELD MINNESOTA**

Statement 9

**STATEMENT OF NET ASSETS
ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2006**

Assets

Current assets

Cash and pooled investments	\$ 84,477
Investments	141,000
Accounts receivable - net	5,876
Accrued interest receivable	4,767
Loans receivable	1,448,130
Prepaid items	19,863

Total current assets **\$ 1,704,113**

Noncurrent assets

Deferred debt issuance costs	\$ 50,058
Capital assets	
Nondepreciable	155,453
Depreciable - net	4,084,962

Total noncurrent assets **\$ 4,290,473**

Total Assets **\$ 5,994,586**

Liabilities

Current liabilities

Accounts payable	\$ 7,679
Due to other governments	1,000,000
Accrued interest payable	2,410
Customer deposits	43,515
Revenue bonds payable - current	99,930

Total current liabilities **\$ 1,153,534**

Noncurrent liabilities

Revenue bonds payable - long-term	4,712,989
-----------------------------------	-----------

Total Liabilities **\$ 5,866,523**

Net Assets

Unrestricted **\$ 128,063**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 10

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2006**

Operating Revenues	
Tenant rents	\$ 499,676
Miscellaneous	580
	580
Total Operating Revenues	\$ 500,256
Operating Expenses	
General services - repairs and maintenance	\$ 34,083
Administration and fiscal services	8,816
Management and caretaking	47,369
Real estate taxes	26,575
Snowplowing	3,265
Utilities	7,540
Water reimbursement	150
Advertising	2,216
Background checks	734
Insurance	30,959
Interest	439
Miscellaneous	30
Depreciation	178,656
	178,656
Total Operating Expenses	\$ 340,832
Operating Income	\$ 159,424
Nonoperating Revenues (Expenses)	
Interest income	\$ 6,762
Gain on sale/disposal of other assets	270,595
Management fees	950
Intergovernmental - Meeker County	(691,974)
Interest expense	(231,347)
Bond issue expense	(2,072)
	(2,072)
Total Nonoperating Revenues (Expenses)	\$ (647,086)
Change in Net Assets	\$ (487,662)
Net Assets - January 1	615,725
	615,725
Net Assets - December 31	\$ 128,063
	128,063

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 11

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2006
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 505,309
Payments to suppliers	<u>(232,942)</u>
Net cash provided by (used in) operating activities	<u>\$ 272,367</u>
Cash Flows from Noncapital Financing Activities	
Intergovernmental expense - Meeker County	<u>\$ (691,974)</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (104,781)
Interest paid on long-term debt	(231,054)
Proceeds from the sale of other assets	818,909
Purchases of capital assets	<u>(7,225)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ 475,849</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 5,088</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 61,330
Cash and Cash Equivalents at January 1	<u>164,147</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 225,477</u></u>
Cash and Cash Equivalents - Statement 9	
Cash and pooled investments	\$ 84,447
Investments	<u>141,000</u>
Total Cash and Cash Equivalents	<u><u>\$ 225,447</u></u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**Statement 11
(Continued)**

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2006
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income to Net Cash

Provided by (Used in) Operating Activities

Operating income	\$ 159,424
-------------------------	-------------------

**Adjustments to reconcile operating income (loss) to net cash
provided by (used in) operating activities**

Depreciation expense	\$ 178,656
Other miscellaneous receipts	950
(Increase) decrease in accounts receivable	3,663
(Increase) decrease in prepaid items	(49)
Increase (decrease) in customer deposits	440
Increase (decrease) in accounts payable	(1,453)
Increase (decrease) in due to other governments	(69,264)

Total adjustments	\$ 112,943
--------------------------	-------------------

Net Cash Provided by (Used in) Operating Activities	\$ 272,367
--	-------------------

Noncash Investing, Capital, and Financing Activities

Loans receivable	\$ 448,130
Gain on sale of asset	270,595

OTHER SCHEDULE

This page was left blank intentionally.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Shared Revenue

State

Highway users tax	\$	2,971,043
HACA		1,085,736
Market value credit		754,146
Market value credit - mobile home		6,343
Market value credit - agricultural		147,075
PERA rate reimbursement		24,144
Disparity reduction aid		15,746
Police aid		74,057
Agricultural conservation credit		22,498
State financing revenue		2,257
E-911		99,680

Total Shared Revenue **\$ 5,202,725**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	1,039,469
Minnesota Department of Health		58,650

Total Reimbursement for Services **\$ 1,098,119**

Local

Local contributions	\$	691,974
Payments in lieu of taxes		52,737

Total Local **\$ 744,711**

Grants

State

Minnesota Department of Crime Victim Services	\$	750
Corrections		60,956
Public Safety		64,224
Health		163,529
Natural Resources		49,787
Human Services		759,219
Other		72,786
Miscellaneous		3,120
Soil and Water Resources Board		74,118
Pollution Control Agency		69,382

Total State **\$ 1,317,871**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 1
(Continued)

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Grants (Continued)

Federal

Department of		
Agriculture	\$	116,469
Justice		33,727
Health and Human Services		477,033
Homeland Security		51,860
Election Assistance Commission		277,924
		<hr/>

Total Federal	\$	957,013
		<hr/>

Total State and Federal Grants	\$	2,274,884
		<hr/>

Total Intergovernmental Revenue	\$	9,320,439
		<hr/> <hr/>

This page was left blank intentionally.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Meeker County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Meeker County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Meeker County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Meeker County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:
 - Help America Vote Act
 - CFDA #90.401
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Meeker County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED 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 County Auditor, Highway, Social Services, Sheriff, Recorder, Planning and Zoning, Public Health, 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 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.

ITEM ARISING THIS YEAR

06-1 Accounting Policies and Procedures

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

- receipt and deposit of funds,
- purchase of goods and services,
- contracting practices,
- establishing charge accounts at local stores,
- approval and payment of bills,
- accounting for payroll activities,
- accounting for capital assets,
- physical counts of inventory items,
- investment practices and restrictions,
- upgrades to software,
- access to applications and the network,
- data back-ups, and
- annual financial reporting practices.

Written policies and procedures should exist to ensure that the County's and EDA's practices are followed as intended by management. A formalized manual will also provide guidance for future staff.

We recommend a policies and procedures manual be developed for the County's and EDA's accounting practices. A single manual developed by the County could be endorsed by the EDA. We further recommend that the manual(s) be adopted by the County Board and EDA Board.

Client's Response:

Meeker County has started the process to adopt and implement formal policies and procedures for financial accounting, contracting and general practices of the County. The County intends to implement a comprehensive manual for both the County and the EDA. Once completed, the County Board shall adopt this comprehensive manual. The County will work with, but not exclusively with, the Association of Minnesota Counties to implement appropriate procedures manual. (See Section 06-2 below regarding contracting procedures.)

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, 2006, 9 of 49 individual drainage systems had deficit cash balances totaling \$23,253, an improvement over the year-end 2005 cash balances of \$32,737. Eleven of 49 individual systems had deficit equity balances totaling \$91,979, a slight decline from 2005 which had deficits 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 recognize County management's efforts in reducing the cash deficits during 2006. We recommend that these efforts continue. Cash deficits may be eliminated either by loans from other eligible funds of the County or through ongoing cash management practices over the ditch systems. We also recommend that the County levy assessments sufficient to eliminate the equity deficits to the extent allowed by statute.

Client's Response:

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 collection.

Meeker County has 11 of its 49 individual drainage systems with a negative cash balance on December 31, 2006. The cash balance does not reflect assessments made to landowners to be collected with the subsequent year's taxes as well as assessments on scheduled deferred payment plans. Meeker County has not taken the approach allowed in statute to make assessments to obtain reserve balances.

ITEM ARISING THIS YEAR

06-2

Contracting Procedures

Our review of the County's contracting procedures found the following:

- for the purchase of a boat, trailer, and motor by the Sheriff's Department, written quotes from vendors could not be provided to us;
- no quotes were obtained for the purchase of digital video recorders for the courthouse and Sheriff's Department; and
- three vehicles were purchased for the Sheriff's Department using quotes, which is not in compliance with Minn. Stat. ch. 471.345.

Based on the above conditions, improvement is needed in maintaining records and complying with Minn. Stat. ch. 471.345.

We recommend that County management strengthen its current practices in maintaining contract records and adhering to contracting requirements.

Client's Response:

Meeker County will work towards implementing policies for all departments and the County in general with respect to contracting procedures. Included in the procedures will be guidelines for obtaining, maintaining, and retention of the necessary records. In addition, the policies will address and abide by all public contract law requirements for quotes and bidding practices but will outline the procedure to be used when contracting for the County by a Department or the County in general. Once completed, the County Board shall adopt contracting/accounting procedures as part of the Accounting and Contracting Procedures Comprehensive Manual.

B. 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;
- 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.

Schedule 2
(Continued)

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

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Board of County Commissioners
Meeker County

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County as of and for the year ended December 31, 2006, and have issued our report thereon dated November 7, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Meeker County Memorial Hospital, an enterprise fund of Meeker County, and the Meeker County Housing and Redevelopment Authority, a discretely presented component unit of Meeker County, as described in our report on Meeker County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The Meeker County Memorial Hospital and the Meeker County Housing and Redevelopment Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe neither of the significant deficiencies described above is 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 items 96-1 and 06-2.

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

Meeker County's written responses to the significant deficiencies and legal compliance findings identified in our audit have not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

November 7, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

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

Board of County Commissioners
Meeker County

Compliance

We have audited the compliance of Meeker County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. Meeker County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Meeker County's financial statements include the operations of the Meeker County Housing and Redevelopment Authority, which expended \$290,500 in federal awards during 2006, 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 its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County as of and for the year ended December 31, 2006, and have issued our report thereon dated November 7, 2007. 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 others within Meeker County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

November 7, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

This page was left blank intentionally.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 111,213
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	5,256
Total U.S. Department of Agriculture		\$ 116,469
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Crime Victim Assistance Grant	16.575	\$ 33,727
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State Help America Vote Act	90.401	\$ 277,924
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Education Child Care Mandatory and Matching Funds	93.596	\$ 9,380
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	8,464
Family Planning Services	93.217	18,885
Foster Care Title IV-E	93.658	9,149
Social Services Block Grant Title XX	93.667	125,383
Chafee Foster Care Independent Living	93.674	1,019
Community Mental Health Block Grant	93.958	4,694
Passed Through Minnesota Department of Health Consolidated Knowledge Development and Application Center for Disease Control and Prevention Block Grant	93.230	6,929
Temporary Assistance for Needy Families	93.283	41,921
Block Grant for Prevention and Treatment of Substance Abuse	93.558	199,502
Maternal and Child Health Services Block Grant	93.959	28,946
	93.994	22,761
Total U.S. Department of Health and Human Services		\$ 477,033

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 3
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Program	97.004	\$ 12,147
Boating Safety Financial Assistance	97.012	27,142
Emergency Management Performance Grants	97.042	<u>12,571</u>
Total U.S. Department of Homeland Security		\$ 51,860
Total Federal Awards		\$ <u>957,013</u>

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.