

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

MEEKER COUNTY
LITCHFIELD, MINNESOTA

YEAR ENDED DECEMBER 31, 2004

Description of the Office of the State Auditor

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

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

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

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

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

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

Pension - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

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

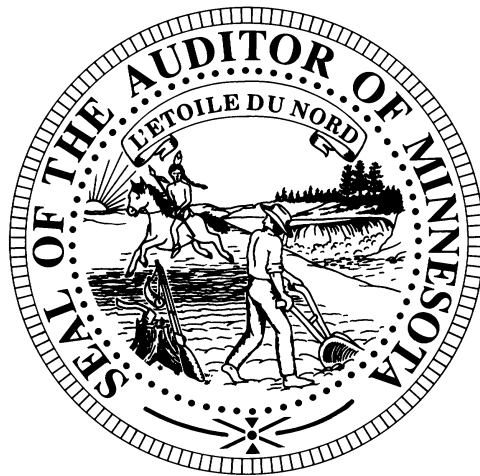
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Year Ended December 31, 2004



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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2004

			<u>Term Expires</u>
Elected			
Commissioners			
Vice Chair	Jim Swenson	District 1	January 2007
Board Member	Dave Gabrielson	District 2	January 2007
Chair	Amy Wilde	District 3	January 2007
Board Member	Hugh Wagner	District 4	January 2007
Board Member	Roney Kutzke	District 5	January 2005
Attorney	Michael Thompson		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 2005
Court Administrator	Linda Schmidt		Indefinite
Coroner	Janis C. Amatuzio, M.D.		Indefinite
Examiner of Titles	Mark Wood		Indefinite
Highway Engineer	Ronald Mortenson		May 2006
Surveyor	Sam Feistner		January 2005
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

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STATE OF MINNESOTA

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Meeker County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Meeker County, Minnesota, as of and for the year ended December 31, 2004, 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 10.5 percent and 14.1 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Meeker County Memorial Hospital Enterprise Fund and the Housing and Redevelopment Authority Component Unit, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Meeker County Memorial Hospital 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, 2004, 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.

As stated in Note 1.E. to the financial statements, beginning net assets have been restated to reflect the reclassification of the Meeker County Memorial Hospital from a discretely presented component unit to a business-type activity of the County.

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

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

In accordance with *Government Auditing Standards*, we have issued our report dated August 18, 2005, on our consideration of Meeker County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 18, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

(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, 2004. 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, 2004, by \$61,917,278 (net assets). Of this amount, \$18,916,689 (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 \$17,043,780 in 2004. This is attributed primarily to an increase in capital assets and change in reporting format for the Meeker County Hospital from "Component Unit" to "Business-type Activity."
- As of the close of 2004, Meeker County's governmental funds reported combined ending fund balances of \$11,611,352, a decrease of \$958,060 in comparison with the prior year. Of this fund balance amount, \$4,415,934 was unreserved and undesignated by Meeker County, and thus available for spending at the government's discretion.
- At the end of 2004, unreserved fund balance for the General Fund was \$4,324,129, or 56 percent of the total General Fund expenditures for that year.
- Meeker County's total debt decreased by \$676,964, or 11 percent during 2004. The key factors in this decrease were scheduled annual repayments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

Meeker County's government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from those that are 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, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

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

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

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

The notes to the financial statements can be found on pages 32 through 65 of this report.

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 \$61,917,278 at the close of 2004. The largest portion of Meeker County's net assets (66.4 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	
	2004	2003	2004	2003	2004	2003
Assets						
Current and other assets	\$ 15,146,779	\$ 16,364,348	\$ 10,304,290	\$ 9,397,205	\$ 25,451,069	\$ 25,761,553
Capital assets	41,171,345	38,463,961	5,694,121	5,724,670	46,865,466	44,188,631
Total Assets	\$ 56,318,124	\$ 54,828,309	\$ 15,998,411	\$ 15,121,875	\$ 72,316,535	\$ 69,950,184
Liabilities						
Long-term liabilities	\$ 6,588,937	\$ 7,226,382	\$ -	\$ -	\$ 6,588,937	\$ 7,226,382
Other liabilities	2,258,068	2,728,429	1,552,252	1,566,033	3,810,320	4,294,462
Total Liabilities	\$ 8,847,005	\$ 9,954,811	\$ 1,552,252	\$ 1,566,033	\$ 10,399,257	\$ 11,520,844
Net Assets						
Invested in capital assets, net of related debt	\$ 35,431,336	\$ 32,083,131	\$ 5,694,121	\$ 5,724,670	\$ 41,125,457	\$ 37,807,801
Restricted	1,875,132	1,463,380	-	-	1,875,132	1,463,380
Unrestricted	10,164,651	11,326,987	8,752,038	7,831,172	18,916,689	19,158,159
Total Net Assets	\$ 47,471,119	\$ 44,873,498	\$ 14,446,159	\$ 13,555,842	\$ 61,917,278	\$ 58,429,340

The unrestricted net assets amount of \$18,916,689 as of December 31, 2004, may be used to meet the County's ongoing obligations to citizens and creditors. Business-type activities reported in 2004 are the result of the reclassification of the Meeker County Memorial Hospital from a discrete component unit of the County to an enterprise fund of the primary government.

Meeker County's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues						
Charges for services	\$ 5,853,370	\$ 3,891,123	\$ 14,850,511	\$ 13,148,157	\$ 20,703,881	\$ 17,039,280
Operating grants and contributions	4,767,299	4,767,530	-	-	4,767,299	4,767,530
Capital grants and contributions	1,932,257	3,829,263	-	-	1,932,257	3,829,263
General revenues						
Property taxes	6,739,325	6,422,967	-	-	6,739,325	6,422,967
Gravel taxes	38,067	-	-	-	38,067	-
Mortgage registry taxes	25,428	-	-	-	25,428	-
Other taxes	1,750	-	-	-	1,750	-
Grants and contributions not restricted to specific programs	2,085,542	-	-	-	2,085,542	-
Gifts and contributions	35,134	-	-	220,000	35,134	220,000
Investment income	68,762	-	113,681	91,303	182,443	91,303
Gain on sale of capital assets	20,558	-	-	-	20,558	-
Miscellaneous	-	2,914,293	-	-	-	2,914,293
Total Revenues	\$ 21,567,492	\$ 21,825,176	\$ 14,964,192	\$ 13,459,460	\$ 36,531,684	\$ 35,284,636
Expenses						
General government	\$ 5,331,720	\$ 3,740,582	\$ -	\$ -	\$ 5,331,720	\$ 3,740,582
Public safety	2,886,307	2,883,335	-	-	2,886,307	2,883,335
Highways and streets	3,726,607	3,386,338	-	-	3,726,607	3,386,338
Sanitation	123,566	114,443	-	-	123,566	114,443
Human services	4,545,251	4,506,884	-	-	4,545,251	4,506,884
Hospital	-	-	14,073,875	12,572,660	14,073,875	12,572,660
Health	938,915	842,736	-	-	938,915	842,736
Culture and recreation	320,344	224,850	-	-	320,344	224,850
Conservation of natural resources	137,402	308,694	-	-	137,402	308,694
Economic development	726,900	162,340	-	-	726,900	162,340
Interest	232,859	351,446	-	-	232,859	351,446
Total Expenses	\$ 18,969,871	\$ 16,521,648	\$ 14,073,875	\$ 12,572,660	\$ 33,043,746	\$ 29,094,308
Increase in Net Assets	\$ 2,597,621	\$ 5,303,528	\$ 890,317	\$ 886,800	\$ 3,487,938	\$ 6,190,328
Net Assets - January 1	44,873,498	39,569,970	13,555,842	12,669,042	58,429,340	52,239,012
Net Assets - December 31	\$ 47,471,119	\$ 44,873,498	\$ 14,446,159	\$ 13,555,842	\$ 61,917,278	\$ 58,429,340

Governmental Activities

Meeker County's activities increased the County's net assets during 2004 by \$2,597,621, primarily through an increase in grant activity and charges for services.

Business-Type Activities

Business-type activities of the Meeker County Memorial Hospital increased Meeker County's net assets by \$890,317, accounting for 26 percent of the total growth in the County's net assets. Charges for services increased \$1,702,354, or 13 percent, while expenses were up only \$1,501,215, or 12 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 \$11,611,352, a decrease of \$958,060 in comparison with the prior year. The majority of this amount, \$4,415,934 consists of unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund for Meeker County. At the end of the current fiscal year, it had an unreserved fund balance of \$4,324,129 while total fund balance was \$4,532,822. 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 56 percent of total General Fund expenditures. In 2004, ending fund balance in the General Fund decreased by \$907,115. The primary reason for this decrease was expenditures and transfers to other funds exceeded budgeted amounts.

The Road and Bridge Fund's unreserved fund balance of \$482,449 at year-end represents 7.5 percent of the fund's annual expenditures. Unreserved fund balance decreased \$1,105,724 during 2004, primarily due to expenditures exceeding budgeted amounts.

The Human Services Fund's unreserved fund balance of \$3,468,337 at year-end represents 76.5 percent of the fund's annual expenditures. Unreserved fund balance, increased \$359,927 during 2004. Revenues exceeded amounts budgeted and expenditures were well below the budget.

The Revolving Loan Fund's unreserved fund balance of \$300,819 at year-end represents 46.3 percent of the fund's annual expenditures. The unreserved fund balance increased \$468,160 during 2004, due to loan principal recapture.

Proprietary Funds. The Meeker County Memorial Hospital enterprise fund is a business-type or proprietary fund, explained earlier in this section. The same information as the government-wide financial statements is provided in the Memorial Hospital enterprise fund, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

There are no differences between the original expenditure budget and the final amended budget. (Meeker County did not amend the 2004 expenditure budget).

Actual revenues exceeded budgeted revenues by \$724,322, primarily due to intergovernmental revenues and charges for services.

Actual expenditures exceeded budgeted expenditures by \$1,280,937, primarily due to non-budgeted cash flow for mobile PC project and financing for Woolen Mills mortgage position.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Meeker County's capital assets for its governmental activities at December 31, 2004, totaled \$41,171,345 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, building improvements, and equipment. The County's investment in capital assets increased \$2,707,384 or seven percent from the previous year. The major capital asset events were continued road construction under infrastructure and building improvements.

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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 1,503,906	\$ 1,267,360	\$ 51,951	\$ 51,951	\$ 1,555,857	\$ 1,319,311
Land improvements			112,221	126,792	112,221	126,792
Infrastructure	26,423,873	23,296,080	-	-	26,423,873	23,296,080
Buildings	9,314,397	9,551,565	1,705,925	1,805,769	11,020,322	11,357,334
Building improvements	1,045,016	-	-	-	1,045,016	-
Machinery and equipment	2,857,117	2,806,434	3,824,024	3,740,158	6,681,141	6,546,592
Construction in progress	27,036	1,542,522	-	-	27,036	1,542,522
Total Revenues	<u>\$ 41,171,345</u>	<u>\$ 38,463,961</u>	<u>\$ 5,694,121</u>	<u>\$ 5,724,670</u>	<u>\$ 46,865,466</u>	<u>\$ 44,188,631</u>

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

Long-Term Debt

At the end of the current fiscal year, Meeker County had a total outstanding debt of \$5,740,009, which was backed by the full faith and credit of the government. All outstanding debt related to governmental activities are:

Meeker County's Outstanding Debt

	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 3,570,000	\$ 3,800,000
Certificates of participation	1,808,767	2,046,895
Capital notes	318,617	520,830
Loan payable	<u>42,625</u>	<u>49,248</u>
Total	<u>\$ 5,740,009</u>	<u>\$ 6,416,973</u>

The County's debt related to general obligation bonds, certificates of participation, capital notes, and loans decreased by \$676,964 (11 percent) during the fiscal year due primarily to scheduled repayments. Capital equipment notes of \$520,830 were repaid in 2004, and additional capital equipment notes in the amount of \$320,000 were issued.

Meeker County's bond rating is Aa2 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 2004, Meeker County was 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 2004 was 5.5 percent. This compares with the state unemployment rate of 4.3 percent and shows a decrease of 2.9 percent from the rate of one year ago.

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

By the end of 2004, Meeker County approved its balanced 2005 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Meeker County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Meeker County Auditor, 325 Sibley Avenue North, Litchfield, Minnesota 55355.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 11,153,032	\$ 744,320	\$ 11,897,352	\$ 186,882
Petty cash and change funds	2,690	-	2,690	-
Investments	75,000	-	75,000	149,000
Taxes receivable				
Prior - net	173,744	-	173,744	-
Special assessments receivable				
Prior - net	11,897	-	11,897	-
Noncurrent - net	104,158	-	104,158	-
Accounts receivable - net	76,388	2,993,342	3,069,730	4,635
Accrued interest receivable	59,565	-	59,565	2,188
Due from other governments	2,083,826	-	2,083,826	-
Loans receivable	748,039	-	748,039	-
Leases receivable	323,651	-	323,651	-
Prepaid items	41,949	137,848	179,797	10,885
Inventories	265,616	482,033	747,649	-
Restricted assets				
Investments	-	5,875,772	5,875,772	-
Accrued interest receivable	-	70,975	70,975	-
Deferred charges	27,224	-	27,224	54,202
Other assets	-	-	-	918,150
Capital assets				
Non-depreciable	1,530,942	51,951	1,582,893	219,419
Depreciable - net of accumulated depreciation	39,640,403	5,642,170	45,282,573	4,845,551
Total Assets	\$ 56,318,124	\$ 15,998,411	\$ 72,316,535	\$ 6,390,912
Liabilities				
Accounts payable	\$ 325,575	\$ 559,505	\$ 885,080	\$ 13,839
Salaries payable	305,825	992,747	1,298,572	1,432
Contracts payable	239,324	-	239,324	-
Due to other governments	56,871	-	56,871	-
Accrued interest payable	89,924	-	89,924	2,018
Unearned revenue	1,240,549	-	1,240,549	183
Payable from restricted assets				
Rent deposits	-	-	-	45,900
Long-term liabilities				
Due within one year	704,965	-	704,965	99,930
Due in more than one year	5,883,972	-	5,883,972	4,917,700
Total Liabilities	\$ 8,847,005	\$ 1,552,252	\$ 10,399,257	\$ 5,081,002

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Net Assets</u>				
Invested in capital assets - net of related debt	\$ 35,431,336	\$ 5,694,121	\$ 41,125,457	\$ 147,270
Restricted for				
Highways and streets	1,093,055	-	1,093,055	-
Capital projects	249,143	-	249,143	-
Debt service	409,909	-	409,909	-
Community development projects	-	-	-	918,150
Other purposes	123,025	-	123,025	-
Unrestricted	10,164,651	8,752,038	18,916,689	244,490
Total Net Assets	\$ 47,471,119	\$ 14,446,159	\$ 61,917,278	\$ 1,309,910

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Primary Government			
Governmental activities			
General government	\$ 5,331,720	\$ 1,730,181	\$ 70,874
Public safety	2,886,307	1,117,342	390,988
Highways and streets	3,726,607	1,572,608	880,557
Sanitation	123,566	107,277	-
Human services	4,545,251	372,268	2,302,550
Health	938,915	155,009	548,709
Culture and recreation	320,344	76,615	72,769
Conservation of natural resources	137,402	9,696	100,852
Economic development	726,900	712,374	400,000
Interest	232,859	-	-
Total governmental activities	\$ 18,969,871	\$ 5,853,370	\$ 4,767,299
Business-type activities			
Hospital	14,073,875	14,850,511	-
Total primary government	\$ 33,043,746	\$ 20,703,881	\$ 4,767,299
Discretely Presented Component Units	\$ 990,773	\$ 578,572	\$ 1,177,161

General Revenues

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

Total general revenues

Change in net assets

Net Assets - January 1 - restated - Note 1.E.

Net Assets - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Units
	Governmental Activities	Primary Government Business-Type Activities	Total	
\$ -	\$ (3,530,665)	\$ -	\$ (3,530,665)	
-	(1,377,977)	-	(1,377,977)	
1,896,125	622,683	-	622,683	
-	(16,289)	-	(16,289)	
-	(1,870,433)	-	(1,870,433)	
-	(235,197)	-	(235,197)	
-	(170,960)	-	(170,960)	
36,132	9,278	-	9,278	
-	385,474	-	385,474	
-	(232,859)	-	(232,859)	
\$ 1,932,257	\$ (6,416,945)	\$ -	\$ (6,416,945)	
-	-	776,636	776,636	
\$ 1,932,257	\$ (6,416,945)	\$ 776,636	\$ (5,640,309)	
\$ 31,311				\$ 796,271
	\$ 6,739,325	\$ -	\$ 6,739,325	\$ -
	38,067	-	38,067	-
	25,428	-	25,428	-
	1,750	-	1,750	-
	2,085,542	-	2,085,542	-
	35,134	-	35,134	-
	68,762	113,681	182,443	3,302
	20,558	-	20,558	625
	-	-	-	525
	\$ 9,014,566	\$ 113,681	\$ 9,128,247	\$ 4,452
	\$ 2,597,621	\$ 890,317	\$ 3,487,938	\$ 800,723
	44,873,498	13,555,842	58,429,340	509,187
	\$ 47,471,119	\$ 14,446,159	\$ 61,917,278	\$ 1,309,910

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Revolving Loan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and pooled investments	\$ 4,307,746	\$ 850,245	\$ 3,342,919	\$ 700,819	\$ 1,951,303	\$ 11,153,032
Petty cash and change funds	2,690	-	-	-	-	2,690
Investments	75,000	-	-	-	-	75,000
Taxes receivable						
Prior	90,932	18,868	41,666	-	22,278	173,744
Special assessments receivable						
Prior	-	-	-	-	11,897	11,897
Noncurrent	-	-	-	-	104,158	104,158
Accounts receivable	33,931	-	27,940	-	14,517	76,388
Accrued interest receivable	59,565	-	-	-	-	59,565
Due from other funds	11,874	164	21,593	-	8,955	42,586
Due from other governments	213,640	1,320,404	257,679	-	292,103	2,083,826
Loans receivable	10,000	-	-	718,296	19,743	748,039
Leases receivable	-	-	-	-	323,651	323,651
Inventories	-	265,616	-	-	-	265,616
Advances to other funds	33,719	-	-	-	-	33,719
Prepaid items	41,949	-	-	-	-	41,949
Total Assets	<u>\$ 4,881,046</u>	<u>\$ 2,455,297</u>	<u>\$ 3,691,797</u>	<u>\$ 1,419,115</u>	<u>\$ 2,748,605</u>	<u>\$ 15,195,860</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Revolving Loan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 73,863	\$ 104,042	\$ 97,619	\$ -	\$ 50,051	\$ 325,575
Salaries payable	167,680	46,287	63,633	-	28,225	305,825
Contracts payable	-	239,324	-	-	-	239,324
Due to other funds	29,317	928	7,875	-	4,466	42,586
Due to other governments	11,533	11,602	25,542	-	8,194	56,871
Deferred revenue - unavailable	65,831	1,106,447	28,791	-	138,990	1,340,059
Deferred revenue - unearned	-	198,602	-	718,296	323,651	1,240,549
Advance from other funds	-	-	-	-	33,719	33,719
Total Liabilities	\$ 348,224	\$ 1,707,232	\$ 223,460	\$ 718,296	\$ 587,296	\$ 3,584,508
Fund Balances						
Reserved for						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 434,840	\$ 434,840
Encumbrances	-	-	-	-	29,300	29,300
Inventories	-	265,616	-	-	-	265,616
Loans receivable	10,000	-	-	-	-	10,000
Advances to other funds	33,719	-	-	-	-	33,719
Prepaid items	41,949	-	-	-	-	41,949
Missing heirs	77,706	-	-	-	-	77,706
Gravel tax	45,319	-	-	-	-	45,319
Economic development	-	-	-	400,000	-	400,000
Unreserved						
Designated for cash flows	3,366,092	482,449	1,538,116	-	-	5,386,657
Designated economic development	-	-	-	300,819	-	300,819
Undesignated	958,037	-	1,930,221	-	-	2,888,258
Unreserved, reported in nonmajor						
Special revenue funds	-	-	-	-	1,477,326	1,477,326
Capital projects fund	-	-	-	-	219,843	219,843
Total Fund Balances	\$ 4,532,822	\$ 748,065	\$ 3,468,337	\$ 700,819	\$ 2,161,309	\$ 11,611,352
Total Liabilities and Fund Balances	\$ 4,881,046	\$ 2,455,297	\$ 3,691,797	\$ 1,419,115	\$ 2,748,605	\$ 15,195,860

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Fund balances - total governmental funds	\$	11,611,352
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.		41,171,345
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		1,340,059
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	\$ (5,697,384)	
Less: Deferred charges to be amortized over the life of the bonds	27,224	
Loan payable	(42,625)	
Compensated absences	(848,928)	
Accrued interest payable	(89,924)	
	(6,651,637)	(6,651,637)
Net assets of governmental activities	\$	<u>47,471,119</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Revolving Loan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 3,448,448	\$ 700,329	\$ 1,716,170	\$ -	\$ 999,718	\$ 6,864,665
Special assessments	-	-	-	-	68,727	68,727
Licenses and permits	15,891	-	-	-	-	15,891
Intergovernmental	1,705,022	2,693,277	2,802,883	400,000	874,602	8,475,784
Charges for services	1,910,107	1,579,117	57,968	-	340,975	3,888,167
Gifts and contributions	410	-	-	-	760	1,170
Interest on investments	63,442	-	-	5,320	-	68,762
Miscellaneous	409,752	10,991	314,300	712,374	547,495	1,994,912
Total Revenues	\$ 7,553,072	\$ 4,983,714	\$ 4,891,321	\$ 1,117,694	\$ 2,832,277	\$ 21,378,078
Expenditures						
Current						
General government	\$ 4,192,769	\$ -	\$ -	\$ 24,634	\$ 288,243	\$ 4,505,646
Public safety	2,976,184	-	-	-	-	2,976,184
Highways and streets	-	6,215,315	-	-	-	6,215,315
Sanitation	98,206	-	-	-	29,961	128,167
Human services	-	-	4,531,394	-	-	4,531,394
Health	-	-	-	-	927,326	927,326
Culture and recreation	-	-	-	-	414,236	414,236
Conservation of natural resources	98,954	-	-	-	38,448	137,402
Economic development	102,000	-	-	624,900	-	726,900
Capital outlay	242,961	214,171	-	-	422,591	879,723
Debt service						
Principal retirement	-	-	-	-	999,510	999,510
Interest	-	-	-	-	234,383	234,383
Total Expenditures	\$ 7,711,074	\$ 6,429,486	\$ 4,531,394	\$ 649,534	\$ 3,354,698	\$ 22,676,186
Excess of Revenues Over (Under) Expenditures	\$ (158,002)	\$ (1,445,772)	\$ 359,927	\$ 468,160	\$ (522,421)	\$ (1,298,108)
Other Financing Sources (Uses)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 1,039,587	\$ 1,039,587
Transfers out	(749,113)	-	-	-	(290,474)	(1,039,587)
Proceeds from sale of bonds/notes	-	320,000	-	-	-	320,000
Total Other Financing Sources (Uses)	\$ (749,113)	\$ 320,000	\$ -	\$ -	\$ 749,113	\$ 320,000
Net Change in Fund Balances	\$ (907,115)	\$ (1,125,772)	\$ 359,927	\$ 468,160	\$ 226,692	\$ (978,108)
Fund Balance - January 1	5,439,937	1,853,789	3,108,410	232,659	1,934,617	12,569,412
Increase (decrease) in reserved for inventories	-	20,048	-	-	-	20,048
Fund Balance - December 31	\$ 4,532,822	\$ 748,065	\$ 3,468,337	\$ 700,819	\$ 2,161,309	\$ 11,611,352

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

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**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, 2004**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (978,108)

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

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

Deferred revenue - December 31	\$	1,340,059	
Deferred revenue - January 1		(1,132,603)	207,456

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.

Expenditures for general capital assets and infrastructure	\$	4,401,065	
Current year depreciation		(1,675,639)	2,725,426

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 disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed of. (18,042)

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 (320,000)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments			
General obligation bonds	\$	230,000	
Capital notes		762,213	
Loan payable		6,623	998,836

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

Change in accrued interest payable	\$	7,934	
Amortization of discounts and deferred issuance charges		(6,410)	
Change in compensated absences		(39,519)	
Change in inventories		20,048	(17,947)

Change in net assets of governmental activities (Exhibit 2) \$ 2,597,621

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,915,458	\$ 3,915,458	\$ 3,448,448	\$ (467,010)
Licenses and permits	10,500	10,500	15,891	5,391
Intergovernmental	1,044,188	1,044,188	1,705,022	660,834
Charges for services	1,459,467	1,459,467	1,910,107	450,640
Fines and forfeits	54,785	54,785	-	(54,785)
Gifts and contributions	-	-	410	410
Investments earnings	230,000	230,000	63,442	(166,558)
Miscellaneous	114,352	114,352	409,752	295,400
Total Revenues	\$ 6,828,750	\$ 6,828,750	\$ 7,553,072	\$ 724,322
Expenditures				
Current				
General government				
Commissioners	\$ 169,711	\$ 169,711	\$ 179,569	\$ (9,858)
Court services	339,060	339,060	330,950	8,110
Public defender	25,000	25,000	18,890	6,110
Law library	54,685	54,685	56,441	(1,756)
County administration	91,014	91,014	98,052	(7,038)
County auditor	190,374	190,374	182,910	7,464
County treasurer	292,695	292,695	285,337	7,358
County assessor	203,390	203,390	200,807	2,583
Accounting and auditing	37,000	37,000	52,607	(15,607)
Data processing	138,309	138,309	140,740	(2,431)
Central services	80,150	80,150	103,569	(23,419)
Attorney	397,261	397,261	395,167	2,094
Recorder	158,082	158,082	164,665	(6,583)
Surveyor	13,000	13,000	13,000	-
Planning and zoning	392,661	392,661	400,053	(7,392)
Maintenance	324,933	324,933	368,771	(43,838)
Veterans service officer	116,734	116,734	118,839	(2,105)
Other	290,017	290,017	1,082,402	(792,385)
Total general government	\$ 3,314,076	\$ 3,314,076	\$ 4,192,769	\$ (878,693)
Public safety				
Sheriff	\$ 2,638,752	\$ 2,638,752	\$ 2,787,389	\$ (148,637)
Emergency services	104,608	104,608	92,366	12,242
Coroner	44,376	44,376	44,376	-
E-911 system	-	-	52,053	(52,053)
Total public safety	\$ 2,787,736	\$ 2,787,736	\$ 2,976,184	\$ (188,448)
Sanitation				
Solid waste	\$ 98,829	\$ 98,829	\$ 98,206	\$ 623

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Conservation of natural resources				
County extension	\$ 116,761	\$ 116,761	\$ 91,669	\$ 25,092
Extension Committee	1,800	1,800	2,565	(765)
Agricultural inspections	8,935	8,935	4,720	4,215
Total conservation of natural resources	\$ 127,496	\$ 127,496	\$ 98,954	\$ 28,542
Economic development				
Community development	\$ 102,000	\$ 102,000	\$ 102,000	\$ -
Capital outlay				
General government	\$ -	\$ -	\$ 242,961	\$ (242,961)
Total Expenditures	\$ 6,430,137	\$ 6,430,137	\$ 7,711,074	\$ (1,280,937)
Excess of Revenues Over (Under)				
Expenditures	\$ 398,613	\$ 398,613	\$ (158,002)	\$ (556,615)
Other Financing Sources (Uses)				
Transfers out	(398,613)	(398,613)	(749,113)	(350,500)
Net Change in Fund Balance	\$ -	\$ -	\$ (907,115)	\$ (907,115)
Fund Balance - January 1	5,439,937	5,439,937	5,439,937	-
Fund Balance - December 31	\$ 5,439,937	\$ 5,439,937	\$ 4,532,822	\$ (907,115)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 8

**BUDGETARY COMPARISON STATEMENT
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 784,336	\$ 784,336	\$ 700,329	\$ (84,007)
Intergovernmental	3,601,664	3,601,664	2,693,277	(908,387)
Charges for services	-	-	1,579,117	1,579,117
Miscellaneous	244,000	244,000	10,991	(233,009)
Total Revenues	\$ 4,630,000	\$ 4,630,000	\$ 4,983,714	\$ 353,714
Expenditures				
Current				
Highways and streets				
Administration	\$ 581,010	\$ 581,010	\$ 618,503	\$ (37,493)
Maintenance	1,666,560	1,666,560	1,119,338	547,222
Construction	2,012,020	2,012,020	3,914,224	(1,902,204)
Equipment maintenance and shop	370,410	370,410	563,250	(192,840)
Capital outlay	-	-	214,171	(214,171)
Total Expenditures	\$ 4,630,000	\$ 4,630,000	\$ 6,429,486	\$ (1,799,486)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (1,445,772)	\$ (1,445,772)
Other Financing Sources (Uses)				
Proceeds from sale of bonds/notes	-	-	320,000	320,000
Net Change in Fund Balance	\$ -	\$ -	\$ (1,125,772)	\$ (1,125,772)
Fund Balance - January 1	1,853,789	1,853,789	1,853,789	-
Increase (decrease) in reserved for inventories	-	-	20,048	20,048
Fund Balance - December 31	\$ 1,853,789	\$ 1,853,789	\$ 748,065	\$ (1,105,724)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 9

**BUDGETARY COMPARISON STATEMENT
HUMAN SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,239,339	\$ 2,239,339	\$ 1,716,170	\$ (523,169)
Intergovernmental	2,209,994	2,209,994	2,802,883	592,889
Charges for services	35,635	35,635	57,968	22,333
Miscellaneous	162,335	162,335	314,300	151,965
Total Revenues	\$ 4,647,303	\$ 4,647,303	\$ 4,891,321	\$ 244,018
Expenditures				
Human Services				
Income maintenance	\$ 1,237,741	\$ 1,237,741	\$ 1,201,618	\$ 36,123
Social services	3,563,652	3,563,652	3,329,776	233,876
Total Expenditures	\$ 4,801,393	\$ 4,801,393	\$ 4,531,394	\$ 269,999
Net Change In Fund Balance	\$ (154,090)	\$ (154,090)	\$ 359,927	\$ 514,017
Fund Balance - January 1	3,108,410	3,108,410	3,108,410	-
Fund Balance - December 31	\$ 2,954,320	\$ 2,954,320	\$ 3,468,337	\$ 514,017

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PROPRIETARY FUND

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FUND NET ASSETS
MEEKER COUNTY MEMORIAL HOSPITAL ENTERPRISE FUND
DECEMBER 31, 2004**

Assets

Current assets	
Cash and pooled investments	\$ 744,320
Accounts receivable - net	2,993,342
Inventories	482,033
Prepaid items	137,848
	<hr/>
Total current assets	\$ 4,357,543
Restricted assets	
Investments	\$ 5,875,772
Accrued interest receivable	70,975
	<hr/>
Total restricted assets	\$ 5,946,747
Noncurrent assets	
Capital assets	
Nondepreciable	\$ 51,951
Depreciable - net	5,642,170
	<hr/>
Total noncurrent assets	\$ 5,694,121
	<hr/>
Total Assets	\$ 15,998,411

Liabilities

Current liabilities	
Accounts payable	\$ 559,505
Salaries payable	992,747
	<hr/>
Total Liabilities	\$ 1,552,252

Net Assets

Invested in capital assets	\$ 5,694,121
Unrestricted	8,752,038
	<hr/>
Total Net Assets	\$ 14,446,159

**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, 2004**

Operating Revenues	
Patient services revenues	\$ 14,726,419
Miscellaneous	124,092
	<hr/>
Total Operating Revenues	\$ 14,850,511
	<hr/>
Operating Expenses	
Professional care of patients	\$ 10,070,930
Administration and fiscal services	2,043,197
Property, housekeeping, and laundry	753,795
Dietary	302,364
Depreciation	903,589
	<hr/>
Total Operating Expenses	\$ 14,073,875
	<hr/>
Operating income	\$ 776,636
	<hr/>
Nonoperating revenues (expenses)	
Interest income	113,681
	<hr/>
Change in Net Assets	\$ 890,317
	<hr/>
Net Assets - January 1	13,555,842
	<hr/>
Net Assets - December 31	\$ 14,446,159
	<hr/>

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FIDUCIARY FUNDS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 13

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2004**

	<u>Agency</u>
<u>Assets</u>	
Cash and cash equivalents	<u>\$ 309,761</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 309,761</u>

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COMPONENT UNITS

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

EXHIBIT 14

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2004**

	Economic Development Authority	Housing and Redevelopment Authority	Total
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 13,410	\$ 173,472	\$ 186,882
Investments	149,000	-	149,000
Accounts receivable - net	2,324	2,311	4,635
Accrued interest receivable	2,188	-	2,188
Prepaid items	5,270	5,615	10,885
Total current assets	\$ 172,192	\$ 181,398	\$ 353,590
Noncurrent assets			
Deferred debt issue costs	\$ 54,202	\$ -	\$ 54,202
Other assets	918,150	-	918,150
Capital assets			
Nondepreciable	155,453	63,966	219,419
Depreciable - net	4,422,399	423,152	4,845,551
Total noncurrent assets	\$ 5,550,204	\$ 487,118	\$ 6,037,322
Total Assets	\$ 5,722,396	\$ 668,516	\$ 6,390,912
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 6,078	\$ 7,761	\$ 13,839
Salaries payable	-	1,432	1,432
Accrued interest payable	2,018	-	2,018
Deferred revenue	-	183	183
Customer deposits	40,635	-	40,635
Revenue bonds payable - current	99,930	-	99,930
Total current liabilities	\$ 148,661	\$ 9,376	\$ 158,037
Noncurrent liabilities			
Tenant security deposits	\$ -	\$ 5,265	\$ 5,265
Revenue bonds payable - long-term	4,917,700	-	4,917,700
Total noncurrent liabilities	\$ 4,917,700	\$ 5,265	\$ 4,922,965
Total Liabilities	\$ 5,066,361	\$ 14,641	\$ 5,081,002
<u>Net Assets</u>			
Invested in capital assets, net of related debt	\$ (339,848)	\$ 487,118	\$ 147,270
Restricted for community development projects	918,150	-	918,150
Unrestricted	77,733	166,757	244,490
Total Net Assets	\$ 656,035	\$ 653,875	\$ 1,309,910

EXHIBIT 15

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	EDA	HRA	Total
\$ 918,150	\$ -	\$ 786,601	\$ -	\$ 786,601
259,011	31,311	-	9,670	9,670
\$ 1,177,161	\$ 31,311	\$ 786,601	\$ 9,670	\$ 796,271
		\$ 3,260	\$ 42	\$ 3,302
		525	-	525
		-	625	625
		\$ 3,785	\$ 667	\$ 4,452
		\$ 790,386	\$ 10,337	\$ 800,723
		(134,351)	643,538	509,187
		\$ 656,035	\$ 653,875	\$ 1,309,910

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004

1. Summary of Significant Accounting Policies

Meeker County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Units

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

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Meeker County Economic Development Authority (EDA)	Board of Directors consists of two County Commissioners and five members appointed by the County Commissioners. Meeker County is obligated for the debt and any operating deficits of the EDA.	Meeker County Economic Development Authority 325 Sibley Avenue North Litchfield, Minnesota 55355

**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 Included in 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.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and its business-type activity are offset by program revenues. Direct expenses are those clearly identifiable with

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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 that are 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 Governmental Accounting Standards Board (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 all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 Fund accounts for the revenues and expenditures associated with the County's economic development loan program.

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund type:

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

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be 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, then unrestricted resources as they are 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.

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, 2004, 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 County Memorial Hospital Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2004 were \$182,443.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Restricted Assets

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

6. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's 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, is depreciated using the straight-line method over the following estimated useful lives:

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences

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

8. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received but not yet earned. Governmental funds also 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 an other financing source. 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.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Fund Equity

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

11. Use of Estimates

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

E. Reclassification of Component Unit to Enterprise Fund

Previous financial reports have classified the Meeker County Memorial Hospital as a discretely presented component unit. A re-examination of the criteria used in determining the reporting structure of the hospital found that it should be classified as an enterprise fund of Meeker County. As such, beginning net assets of Meeker County have been restated to reflect the reclassification of the Meeker County Memorial Hospital from a discretely presented component unit to a business-type activity of the County (primary government).

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major and most nonmajor governmental funds. All appropriations lapse at year-end.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

On or before mid-August of each year, all departments submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

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

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

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive balance of \$20,091 as of December 31, 2004, although seventeen 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:

31 ditches with positive balances	\$ 76,448
17 ditches with deficit balances	<u>(56,357)</u>
Net Fund Balance	<u>\$ 20,091</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Primary government	
Cash and pooled investments	\$ 11,897,352
Petty cash and change funds	2,690
Investments (including restricted)	5,950,772
Agency funds	
Cash and pooled investments	<u>309,761</u>
 Total Cash and Investments	 <u>\$ 18,160,575</u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$5,782,723. The bank balance deposit amount was \$5,945,308. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 600,000
Collateralized with securities held by the pledging financial institution's agent in the County's name	<u>5,269,007</u>
Total covered deposits	\$ 5,869,007
Uncollateralized	<u>76,301</u>
Total	<u>\$ 5,945,308</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name; and
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

Following is a summary of the fair values of the County's investments, categorized into the aforementioned levels of risk, at December 31, 2004:

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ 4,663,278	\$ -	\$ 4,684,329	\$ 9,347,607
Negotiable certificates of deposit	-	-	1,358,000	1,358,000
Total Investments	<u>\$ 4,663,278</u>	<u>\$ -</u>	<u>\$ 6,042,329</u>	\$ 10,705,607
Add				
Money market mutual funds				1,613,603
Minnesota Association of Governments Investing for Counties (MAGIC)				55,952
Petty cash and change funds				2,690
Deposits				<u>5,782,723</u>
Total Cash and Investments				<u>\$ 18,160,575</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables at December 31, 2004, 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	\$ 173,744	\$ -
Special assessments	116,055	104,158
Accounts	76,388	-
Due from other governments	2,083,826	-
Interest	59,565	-
Loans	748,039	677,349
Leases	323,651	302,613
Total Governmental Activities	\$ 3,581,268	\$ 1,084,120
Business-Type Activities		
Patient receivables	\$ 2,759,256	\$ -
Due from third-party payors	234,086	-
Total Business-Type Activities	\$ 2,993,342	\$ -

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, 2004, the building is carried in the County's capital assets at \$5,178,956, net of depreciation.

The auditorium lease is for 40 years commencing on June 1, 1996, and ending May 31, 2036. ISD #465 pays semi-annual lease amounts for the first 15 years equal to seven percent of the County's debt service payments for the certificates of participation sold during 1995 to finance the renovation of the Family Services Building.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

The office space lease is for 15 years commencing on June 1, 1996, and ending May 31, 2011. ISD #465 pays semi-annual lease amounts equal to 11 percent of the County's debt service payments for these certificates of participation. The lease payments are due ten days prior to the County's debt payment dates.

Amounts due under the lease agreements have been recorded as leases receivable and deferred revenue in the Family Services Building Fund at December 31, 2004.

3. Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,267,360	\$ 251,546	\$ 15,000	\$ 1,503,906
Construction in progress	1,542,522	27,036	1,542,522	27,036
Total capital assets not depreciated	<u>\$ 2,809,882</u>	<u>\$ 278,582</u>	<u>\$ 1,557,522</u>	<u>\$ 1,530,942</u>
Capital assets depreciated				
Buildings	\$ 13,657,967	\$ 102,361	\$ -	\$ 13,760,328
Building improvements	-	1,100,017	-	1,100,017
Machinery, furniture, and equipment	7,040,515	700,441	141,241	7,599,715
Infrastructure	28,631,145	3,762,186	-	32,393,331
Total capital assets depreciated	<u>\$ 49,329,627</u>	<u>\$ 5,665,005</u>	<u>\$ 141,241</u>	<u>\$ 54,853,391</u>
Less: accumulated depreciation for				
Buildings	\$ 4,106,402	\$ 339,529	\$ -	\$ 4,445,931
Building improvements	-	55,001	-	55,001
Machinery, furniture, and equipment	4,234,081	646,716	138,199	4,742,598
Infrastructure	5,335,065	634,393	-	5,969,458
Total accumulated depreciation	<u>\$ 13,675,548</u>	<u>\$ 1,675,639</u>	<u>\$ 138,199</u>	<u>\$ 15,212,988</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Total capital assets depreciated, net	\$ 35,654,079	\$ 3,989,366	\$ 3,042	\$ 39,640,403
Governmental Activities Capital Assets, Net	\$ 38,463,961	\$ 4,267,948	\$ 1,560,564	\$ 41,171,345

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 51,951	\$ -	\$ -	\$ 51,951
Capital assets depreciated				
Land improvements	\$ 294,790	\$ -	\$ -	\$ 294,790
Buildings	4,376,656	56,471	-	4,433,127
Machinery, furniture, and equipment	10,454,410	825,216	174,435	11,105,191
Total capital assets depreciated	\$ 15,125,856	\$ 881,687	\$ 174,435	\$ 15,833,108
Less: accumulated depreciation for				
Land improvements	\$ 167,998	\$ 14,571	\$ -	\$ 182,569
Buildings	2,570,887	156,315	-	2,727,202
Machinery, furniture, and equipment	6,714,252	732,703	165,788	7,281,167
Total accumulated depreciation	\$ 9,453,137	\$ 903,589	\$ 165,788	\$ 10,190,938
Total capital assets, depreciated, net	\$ 5,672,719	\$ (21,902)	\$ 8,647	\$ 5,642,170
Business-Type Activities Capital Assets, Net	\$ 5,724,670	\$ (21,902)	\$ 8,647	\$ 5,694,121

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	413,723
Public safety		240,374
Highways and streets, including depreciation of infrastructure assets		969,674
Human services		7,828
Health		1,303
Culture and recreation		27,114
Sanitation		15,623
Total Depreciation Expense - Governmental Activities	\$	1,675,639
Business-Type Activities		
Hospital	\$	903,589

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 865
	Human Services	7,875
	Other governmental	3,134
Total Due to General Fund		\$ 11,874
Road and Bridge	Other governmental	\$ 164
Human Services	General	\$ 20,442
	Road and Bridge	63
	Other governmental	1,088
Total Due to Human Services Fund		\$ 21,593

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental	General	\$ 8,875
	Other governmental	80
Total Due to Other Governmental Funds		<u>\$ 8,955</u>
Total Due To/From Other Funds		<u>\$ 42,586</u>

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental	<u>\$ 33,719</u>

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers to nonmajor governmental funds from		
General Fund	\$ 749,113	Annual appropriation and capital project funding
Other nonmajor governmental funds	<u>290,474</u>	Debt service requirements
Total Interfund Transfers	<u>\$ 1,039,587</u>	

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Payables

Payables at December 31, 2004, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 325,575	\$ 559,505
Salaries	305,825	992,747
Contracts	239,324	-
Due to other governments	56,871	-
Total Payables	\$ 927,595	\$ 1,552,252

2. Construction Commitments

The County has active construction projects as of December 31, 2004. The projects include the following:

	Spent-to-Date	Remaining Commitment
General Fund		
Mobile data equipment	\$ 31,300	\$ 29,300
Road and Bridge Fund		
Roads and bridges	3,923,230	-

3. Long-Term Debt

Governmental Activities

Bonds and Notes

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
General Obligation Bonds					
1998 G.O. Law		\$100,000 -	4.15 -		
Enforcement Center Bonds	2018	\$255,000	4.80	\$ 3,250,000	\$ 2,575,000
2002 G.O. EDA Lease		\$100,000 -	3.00 -		
Revenue Bonds	2012	\$145,000	4.50	1,200,000	995,000
Total General Obligation Bonds				\$ 4,450,000	\$ 3,570,000

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Governmental Activities

Bonds and Notes (Continued)

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2004</u>
Refunding Certificates of Participation 2003	2011	\$240,000 - \$285,000	2.00 - 3.50	<u>\$ 2,060,000</u>	\$ 1,820,000
Less: unamortized discount					<u>(11,233)</u>
Total Certificates of Participation, Net					<u>\$ 1,808,767</u>
General Obligation Capital Equipment Notes of 2002	2006	\$94,498 - \$107,990	3.75	<u>\$ 810,000</u>	<u>\$ 318,617</u>

Loans Payable

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

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2004</u>
2001 Septic Loans	2010	\$3,104 - \$3,750	2.00	<u>\$ 68,343</u>	<u>\$ 42,625</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2004, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2005	\$ 240,000	\$ 153,062	\$ 240,000	\$ 46,288
2006	245,000	143,713	245,000	41,438
2007	260,000	133,367	250,000	36,175
2008	270,000	122,283	260,000	30,113
2009	280,000	110,518	265,000	22,886
2010 - 2014	1,340,000	359,956	560,000	19,431
2015 - 2018	935,000	92,201	-	-
Total	\$ 3,570,000	\$ 1,115,100	\$ 1,820,000	\$ 196,331

Year Ending December 31	Capital Equipment Notes		Loans	
	Principal	Interest	Principal	Interest
2005	\$ 210,037	\$ 10,009	\$ 6,756	\$ 819
2006	108,580	1,443	6,891	683
2007	-	-	7,030	545
2008	-	-	7,171	403
2009	-	-	7,315	259
2010	-	-	7,462	112
Total	\$ 318,617	\$ 11,452	\$ 42,625	\$ 2,821

All debt service payments have typically been made by the Debt Service Fund.

**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, 2004, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 3,800,000	\$ -	\$ 230,000	\$ 3,570,000	\$ 240,000
Certificates of participation	2,060,000	-	240,000	1,820,000	240,000
Capital equipment notes	520,830	320,000	522,213	318,617	210,037
Less: deferred amounts for issuance discounts	(13,105)	-	(1,872)	(11,233)	(1,872)
Total bonds and notes payable	\$ 6,367,725	\$ 320,000	\$ 990,341	\$ 5,697,384	\$ 688,165
Loans payable	49,248	-	6,623	42,625	6,756
Compensated absences	809,409	55,568	16,049	848,928	10,044
Long-Term Liabilities	<u>\$ 7,226,382</u>	<u>\$ 375,568</u>	<u>\$ 1,013,013</u>	<u>\$ 6,588,937</u>	<u>\$ 704,965</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 was 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, 2004, the amount of defeased debt outstanding not included in the financial statements was \$1,715,000.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

1. Plan Description (Continued)

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

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

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

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the web at 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 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 are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

2. Funding Policy (Continued)

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

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

The County's contributions for the years ending December 31, 2004, 2003, and 2002, 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
2004	\$ 282,001	\$ 71,126	\$ 31,278
2003	273,735	64,360	27,783
2002	249,770	56,863	24,781

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. Employee Retirement Systems and 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 ended December 31, 2004, 2003, and 2002, were \$1,439, \$1,213, and \$1,311, respectively, equal to the contractually required contributions for each year as set by 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 the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2003 and 2004. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

5. Risk Management (Continued)

The Property and Casualty Division of the MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. The MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the 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 February 8, 2005, the County issued \$2,210,000 in General Obligation Law Enforcement Center Refunding Bonds, Series 2005, to be used to redeem the 1998 General Obligation Law Enforcement Center Bonds.

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 to 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, five each from Meeker, McLeod, 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 \$65,000 as a start-up loan.

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

Crow River Joint Powers Agreement

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

The Board of Directors meets at least two times per year, or more often if needed, at the location to be set by the chair of the Joint Powers Board. The purpose of this agreement is the joint exercise of powers by the counties to promote the orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans that 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. 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 Housing and Redevelopment Authority (HRA) is governed by a five-member board who are appointed by the County Commissioners. Meeker County is obligated for the debt and any operating deficits of the HRA.

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.

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

Basis of Presentation

The Meeker County Housing and Redevelopment Authority and Meeker County Economic Development Authority are each presented as single enterprise funds. The Economic Development Authority does not prepare separate audited financial statements.

Basis of Accounting

The Meeker County Housing and Redevelopment Authority and Meeker County Economic Development Authority are accounted for on the accrual basis of accounting.

Cash and Pooled Investments

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

Cash of the Meeker County Housing and Redevelopment Authority is in the custody of the HRA.

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Component Unit Disclosures (Continued)

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables at December 31, 2004, for each discretely presented component unit, including the applicable allowances for uncollectible accounts, are as follows:

	EDA	HRA	Total Receivables
Accounts	\$ 2,324	\$ 2,311	\$ 4,635
Accrued interest	2,188	-	2,188
	\$ 4,512	\$ 2,311	\$ 6,823

Capital Assets

Component unit capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
EDA	\$ 155,453	\$ -	\$ -	\$ 155,453
HRA	63,966	-	-	63,966
	\$ 219,419	\$ -	\$ -	\$ 219,419
Capital assets depreciated				
Buildings and equipment				
EDA	\$ 5,095,881	\$ 24,274	\$ -	\$ 5,120,155
HRA	1,028,500	37,051	13,843	1,051,708
	\$ 6,124,381	\$ 61,325	\$ 13,843	\$ 6,171,863

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings and equipment				
EDA	\$ 522,929	\$ 174,827	\$ -	\$ 697,756
HRA	<u>603,756</u>	<u>38,643</u>	<u>13,843</u>	<u>628,556</u>
Total accumulated depreciation	<u>\$ 1,126,685</u>	<u>\$ 213,470</u>	<u>\$ 13,843</u>	<u>\$ 1,326,312</u>
Total capital assets				
depreciation, net	<u>\$ 4,997,696</u>	<u>\$ (152,145)</u>	<u>\$ -</u>	<u>\$ 4,845,551</u>
Total Capital Assets, Net	<u>\$ 5,217,115</u>	<u>\$ (152,145)</u>	<u>\$ -</u>	<u>\$ 5,064,970</u>

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

Economic Development Authority	\$ 174,827
Housing and Redevelopment Authority	<u>38,643</u>
Total Depreciation Expense	<u>\$ 213,470</u>

2. Liabilities

Payables

Payables at December 31, 2004, were as follows:

	<u>EDA</u>	<u>HRA</u>	<u>Total Payables</u>
Accounts	\$ 6,078	\$ 7,761	\$ 13,839
Other accrued expenses	<u>42,653</u>	<u>1,615</u>	<u>44,268</u>
Total Payables	<u>\$ 48,731</u>	<u>\$ 9,376</u>	<u>\$ 58,107</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Long-Term Debt

Long-term debt outstanding at December 31, 2004, for the Economic Development Authority consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Monthly Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
1998 Essential function housing development revenue bonds	2029	\$ 9,996	5.20	\$ 1,810,000	\$ 1,644,637
1999 Essential function housing development revenue bonds	2030	8,037	5.50	1,400,000	1,312,032
2001 Essential function housing development revenue bonds	2032	6,626	5.25	1,200,000	1,157,720
2002 Essential function housing development revenue bonds	2033	5,135	5.25	<u>930,000</u>	<u>903,241</u>
Totals				<u>\$ 5,340,000</u>	<u>\$ 5,017,630</u>

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Debt Service Requirements

Revenue bonds' debt service requirements to maturity for the Economic Development Authority are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 91,059	\$ 266,486
2006	96,042	261,503
2007	101,298	256,246
2008	106,842	250,702
2009	112,690	244,854
2010 - 2014	663,015	1,124,708
2015 - 2019	865,501	922,222
2020 - 2024	1,129,893	657,830
2025 - 2029	1,402,933	313,548
2030 - 2033	448,357	33,211
Total	<u>\$ 5,017,630</u>	<u>\$ 4,331,310</u>

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the Economic Development Authority for the year ended December 31, 2004.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Essential function housing development revenue bonds for					
1998	\$ 1,678,488	\$ -	\$ 33,851	\$ 1,644,637	\$ 37,052
1999	1,335,840	-	23,808	1,312,032	26,551
2001	1,176,688	-	18,968	1,157,720	20,643
2002	918,006	-	14,765	903,241	15,684
Economic Development Authority Long-Term Liabilities	<u>\$ 5,109,022</u>	<u>\$ -</u>	<u>\$ 91,392</u>	<u>\$ 5,017,630</u>	<u>\$ 99,930</u>

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.

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**

GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUND

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

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	<u>Special</u>			
	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
<u>Assets</u>				
Cash and pooled investments	\$ 8,884	\$ 59,074	\$ 309,280	\$ 48,194
Taxes receivable				
Prior	-	2,334	-	-
Special assessments receivable				
Prior	-	-	-	11,897
Noncurrent	-	-	-	104,158
Accounts receivable	-	-	4,967	3,005
Due from other funds	-	-	8,875	80
Due from other governments	9,218	-	77,586	4,926
Loans receivable	-	-	-	-
Leases receivable	-	-	-	-
Total Assets	<u>\$ 18,102</u>	<u>\$ 61,408</u>	<u>\$ 400,708</u>	<u>\$ 172,260</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 2,419	\$ -	\$ 17,678	\$ 8,237
Salaries payable	2,910	-	25,315	-
Due to other funds	7	-	1,826	1,560
Due to other governments	23	-	723	4,495
Deferred revenue - unavailable	-	1,699	-	104,158
Deferred revenue - unearned	-	-	-	-
Advance from other funds	-	-	-	33,719
Total Liabilities	<u>\$ 5,359</u>	<u>\$ 1,699</u>	<u>\$ 45,542</u>	<u>\$ 152,169</u>
Fund Balances				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Reserved for encumbrances	-	-	-	-
Unreserved				
Designated for cash flows	12,743	-	156,750	-
Undesignated	-	59,709	198,416	20,091
Total Fund Balances	<u>\$ 12,743</u>	<u>\$ 59,709</u>	<u>\$ 355,166</u>	<u>\$ 20,091</u>
Total Liabilities and Fund Balances	<u>\$ 18,102</u>	<u>\$ 61,408</u>	<u>\$ 400,708</u>	<u>\$ 172,260</u>

Statement 1

Revenue						
Transfer Station	Family Services Building	Septic System Loan Program	Sheriff's Contingent	Debt Service Fund	Capital Projects Fund	Total
\$ 680,652	\$ 287,978	\$ 24,931	\$ 6,482	\$ 404,017	\$ 121,811	\$ 1,951,303
-	2,028	-	-	17,904	12	22,278
-	-	-	-	-	-	11,897
-	-	-	-	-	-	104,158
6,545	-	-	-	-	-	14,517
-	-	-	-	-	-	8,955
-	69,328	-	100	-	130,945	292,103
-	-	19,743	-	-	-	19,743
-	323,651	-	-	-	-	323,651
\$ 687,197	\$ 682,985	\$ 44,674	\$ 6,582	\$ 421,921	\$ 252,768	\$ 2,748,605
\$ 1,230	\$ 17,783	\$ -	\$ -	\$ -	\$ 2,704	\$ 50,051
-	-	-	-	-	-	28,225
164	-	-	-	-	909	4,466
1	2,952	-	-	-	-	8,194
-	1,366	19,743	-	12,012	12	138,990
-	323,651	-	-	-	-	323,651
-	-	-	-	-	-	33,719
\$ 1,395	\$ 345,752	\$ 19,743	\$ -	\$ 12,012	\$ 3,625	\$ 587,296
\$ -	\$ -	\$ 24,931	\$ -	\$ 409,909	\$ -	\$ 434,840
-	-	-	-	-	29,300	29,300
-	-	-	-	-	-	169,493
685,802	337,233	-	6,582	-	219,843	1,527,676
\$ 685,802	\$ 337,233	\$ 24,931	\$ 6,582	\$ 409,909	\$ 249,143	\$ 2,161,309
\$ 687,197	\$ 682,985	\$ 44,674	\$ 6,582	\$ 421,921	\$ 252,768	\$ 2,748,605

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Special</u>			
	<u>County Parks</u>	<u>Regional Library</u>	<u>County Nurse</u>	<u>Ditch</u>
Revenues				
Taxes	\$ 1,750	\$ 89,323	\$ -	\$ -
Special assessments	-	-	-	62,460
Intergovernmental	15,982	28,185	477,352	-
Charges for services	71,985	-	153,998	-
Gifts and contributions	760	-	-	-
Miscellaneous	4,630	-	1,011	9,696
Total Revenues	\$ 95,107	\$ 117,508	\$ 632,361	\$ 72,156
Expenditures				
Current				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Health	-	-	927,326	-
Culture and recreation	298,510	115,726	-	-
Conservation of natural resources	-	-	-	38,448
Capital outlay	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total Expenditures	\$ 298,510	\$ 115,726	\$ 927,326	\$ 38,448
Excess of Revenues Over (Under) Expenditures	\$ (203,403)	\$ 1,782	\$ (294,965)	\$ 33,708
Other Financing Sources (Uses)				
Transfers in	\$ 164,173	\$ -	\$ 284,940	\$ -
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	\$ 164,173	\$ -	\$ 284,940	\$ -
Net Change in Fund Balances	\$ (39,230)	\$ 1,782	\$ (10,025)	\$ 33,708
Fund Balance - January 1	51,973	57,927	365,191	(13,617)
Fund Balance - December 31	\$ 12,743	\$ 59,709	\$ 355,166	\$ 20,091

Statement 2

Revenue						
Transfer Station	Family Services Building	Septic System Loan Program	Sheriff's Contingent	Debt Service Fund	Capital Projects Fund	Total
\$ -	\$ 90,791	\$ -	\$ -	\$ 817,821	\$ 33	\$ 999,718
-	-	6,267	-	-	-	68,727
-	29,838	-	-	122,436	200,809	874,602
112,473	-	-	2,519	-	-	340,975
-	-	-	-	-	-	760
65	520,093	-	-	-	12,000	547,495
\$ 112,538	\$ 640,722	\$ 6,267	\$ 2,519	\$ 940,257	\$ 212,842	\$ 2,832,277
\$ -	\$ 288,243	\$ -	\$ -	\$ -	\$ -	\$ 288,243
29,961	-	-	-	-	-	29,961
-	-	-	-	-	-	927,326
-	-	-	-	-	-	414,236
-	-	-	-	-	-	38,448
-	-	-	-	-	422,591	422,591
-	-	6,589	-	992,921	-	999,510
-	-	985	-	233,398	-	234,383
\$ 29,961	\$ 288,243	\$ 7,574	\$ -	\$ 1,226,319	\$ 422,591	\$ 3,354,698
\$ 82,577	\$ 352,479	\$ (1,307)	\$ 2,519	\$ (286,062)	\$ (209,749)	\$ (522,421)
\$ -	\$ -	\$ -	\$ -	\$ 290,474	\$ 300,000	\$ 1,039,587
-	(290,474)	-	-	-	-	(290,474)
\$ -	\$ (290,474)	\$ -	\$ -	\$ 290,474	\$ 300,000	\$ 749,113
\$ 82,577	\$ 62,005	\$ (1,307)	\$ 2,519	\$ 4,412	\$ 90,251	\$ 226,692
603,225	275,228	26,238	4,063	405,497	158,892	1,934,617
\$ 685,802	\$ 337,233	\$ 24,931	\$ 6,582	\$ 409,909	\$ 249,143	\$ 2,161,309

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 3

**BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ 1,750	\$ 1,750
Intergovernmental	-	-	15,982	15,982
Charges for services	31,172	31,172	71,985	40,813
Gifts and contributions	650	650	760	110
Miscellaneous	3,250	3,250	4,630	1,380
Total Revenues	\$ 35,072	\$ 35,072	\$ 95,107	\$ 60,035
Expenditures				
Current				
Culture and recreation				
Parks	148,745	148,745	298,510	(149,765)
Excess of Revenues Over (Under) Expenditures	\$ (113,673)	\$ (113,673)	\$ (203,403)	\$ (89,730)
Other Financing Sources (Uses)				
Transfers in	113,673	113,673	164,173	50,500
Net Change in Fund Balance	\$ -	\$ -	\$ (39,230)	\$ (39,230)
Fund Balance - January 1	51,973	51,973	51,973	-
Fund Balance - December 31	\$ 51,973	\$ 51,973	\$ 12,743	\$ (39,230)

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 4

**BUDGETARY COMPARISON SCHEDULE
REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 99,873	\$ 99,873	\$ 89,323	\$ (10,550)
Intergovernmental	15,853	15,853	28,185	12,332
Total Revenues	\$ 115,726	\$ 115,726	\$ 117,508	\$ 1,782
Expenditures				
Current				
Culture and recreation				
Regional library	115,726	115,726	115,726	-
Net Change in Fund Balance	\$ -	\$ -	\$ 1,782	\$ 1,782
Fund Balance - January 1	57,927	57,927	57,927	-
Fund Balance - December 31	\$ 57,927	\$ 57,927	\$ 59,709	\$ 1,782

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 5

**BUDGETARY COMPARISON SCHEDULE
COUNTY NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 83,401	\$ 83,401	\$ 477,352	\$ 393,951
Charges for services	457,513	457,513	153,998	(303,515)
Miscellaneous	-	-	1,011	1,011
Total Revenues	\$ 540,914	\$ 540,914	\$ 632,361	\$ 91,447
Expenditures				
Current				
Health				
Nursing service	825,854	825,854	927,326	(101,472)
Excess of Revenues Over (Under) Expenditures	\$ (284,940)	\$ (284,940)	\$ (294,965)	\$ (10,025)
Other Financing Sources (Uses)				
Transfers in	284,940	284,940	284,940	-
Net Change in Fund Balance	\$ -	\$ -	\$ (10,025)	\$ (10,025)
Fund Balance - January 1	248,915	248,915	365,191	116,276
Fund Balance - December 31	\$ 248,915	\$ 248,915	\$ 355,166	\$ 222,527

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 6

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 64,417	\$ 64,417	\$ 90,791	\$ 26,374
Intergovernmental	13,633	13,633	29,838	16,205
Miscellaneous	194,925	497,220	520,093	22,873
Total Revenues	\$ 272,975	\$ 575,270	\$ 640,722	\$ 65,452
Expenditures				
Current				
General government				
Central services	272,975	272,975	288,243	(15,268)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 302,295	\$ 352,479	\$ 50,184
Other Financing Sources (Uses)				
Transfers out	-	(302,295)	(290,474)	11,821
Net Change in Fund Balance	\$ -	\$ -	\$ 62,005	\$ 62,005
Fund Balance - January 1	275,228	275,228	275,228	-
Fund Balance - December 31	\$ 275,228	\$ 275,228	\$ 337,233	\$ 62,005

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 7

**BUDGETARY COMPARISON SCHEDULE
TRANSFER STATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 110,000	\$ 110,000	\$ 112,473	\$ 2,473
Miscellaneous	-	-	65	65
Total Revenues	\$ 110,000	\$ 110,000	\$ 112,538	\$ 2,538
Expenditures				
Current				
Sanitation				
Solid waste	94,250	94,250	29,961	64,289
Net Change in Fund Balance	\$ 15,750	\$ 15,750	\$ 82,577	\$ 66,827
Fund Balance - January 1	603,225	603,225	603,225	-
Fund Balance - December 31	\$ 618,975	\$ 618,975	\$ 685,802	\$ 66,827

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

The Game and Fish Fund accounts for the collection and distribution of funds for the State of Minnesota wildlife licenses.

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

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

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

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 8

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GAME AND FISH</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 18	\$ -	\$ 18	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 18	\$ -	\$ 18	\$ -
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 163,312	\$ 27,262,756	\$ 27,244,111	\$ 181,957
<u>Liabilities</u>				
Due to other governments	\$ 163,312	\$ 27,262,756	\$ 27,244,111	\$ 181,957
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 74,316	\$ 2,085,271	\$ 2,086,297	\$ 73,290
Due from other governments	63	-	63	-
Total Assets	\$ 74,379	\$ 2,085,271	\$ 2,086,360	\$ 73,290
<u>Liabilities</u>				
Due to other governments	\$ 74,379	\$ 2,085,271	\$ 2,086,360	\$ 73,290

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

*Statement 8
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 21,459	\$ 209,823	\$ 176,768	\$ 54,514
<u>Liabilities</u>				
Due to other governments	\$ 21,459	\$ 209,823	\$ 176,768	\$ 54,514
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 259,105	\$ 29,557,850	\$ 29,507,194	\$ 309,761
Due from other governments	63	-	63	-
Total Assets	\$ 259,168	\$ 29,557,850	\$ 29,507,257	\$ 309,761
<u>Liabilities</u>				
Due to other governments	\$ 259,168	\$ 29,557,850	\$ 29,507,257	\$ 309,761

ECONOMIC DEVELOPMENT AUTHORITY

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 9

**STATEMENT OF NET ASSETS
ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2004**

Assets

Current assets

Cash and pooled investments	\$ 13,410
Investments	149,000
Accounts receivable - net	2,324
Accrued interest receivable	2,188
Prepaid items	5,270

Total current assets **\$ 172,192**

Noncurrent assets

Deferred debt issue costs	\$ 54,202
Other assets	918,150
Capital assets	
Nondepreciable	155,453
Depreciable - net	4,422,399

Total noncurrent assets **\$ 5,550,204**

Total Assets **\$ 5,722,396**

Liabilities

Current liabilities

Accounts payable	\$ 6,078
Accrued interest payable	2,018
Customer deposits	40,635
Revenue bonds payable - current	99,930

Total current liabilities **\$ 140,565**

Noncurrent liabilities

General obligation revenue bonds payable - long-term	4,917,700
--	-----------

Total Liabilities **\$ 5,066,361**

Net Assets

Invested in capital assets net of related debt	\$ (339,848)
Restricted for community development projects	918,150
Unrestricted	77,733

Total Net Assets **\$ 656,035**

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 10

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2004**

Operating Revenues	
Tenant rents	\$ 513,696
Miscellaneous	170
	170
Total Operating Revenues	\$ 513,866
Operating Expenses	
Administration and fiscal services	\$ 3,230
Legal and accounting	3,598
Maintenance and repairs	26,535
Management and caretaking	49,502
Real estate taxes	24,970
Snowplowing	4,081
Utilities	8,705
Water reimbursement	114
Advertising	3,776
Background checks	699
Insurance	29,942
Interest	105
Miscellaneous	662
Depreciation	174,827
	174,827
Total Operating Expenses	\$ 330,746
Operating Income (Loss)	\$ 183,120
Nonoperating Revenues (Expenses)	
Intergovernmental	\$ 918,150
Interest income	3,260
Management fees	525
Interest expense	(255,444)
Bond issue expense	(59,225)
	(59,225)
Total Nonoperating Revenues (Expenses)	\$ 607,266
Change in Net Assets	\$ 790,386
Net Assets - January 1	(134,351)
Net Assets - December 31	\$ 656,035

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Statement 11

**STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2004
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from tenants	\$ 515,618
Payments to suppliers	(141,265)
	<hr/>
Net cash provided by (used in) operating activities	\$ 374,353
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	\$ (24,274)
Principal paid on long-term debt	(91,392)
Interest paid on long-term debt	(251,214)
Bond issuance costs	(59,225)
	<hr/>
Net cash provided by (used in) capital and related financing activities	\$ (426,105)
Cash Flows from Investing Activities	
Investment earnings received	\$ 3,466
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (48,286)
Cash and Cash Equivalents at January 1	210,696
	<hr/>
Cash and Cash Equivalents at December 31	\$ 162,410
	<hr/> <hr/>
Cash and Cash Equivalents	
Cash and pooled investments	\$ 13,410
Investments	149,000
	<hr/>
Total Cash and Cash Equivalents	\$ 162,410
	<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities	
Operating income	\$ 183,120
	<hr/>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation expense	\$ 174,827
Other miscellaneous receipts	525
(Increase) decrease in accounts receivable	562
(Increase) decrease in prepaid items	13,704
Increase (decrease) in accounts payable	950
Increase (decrease) in customer deposits	665
	<hr/>
Total adjustments	\$ 191,233
	<hr/>
Net Cash Provided by (Used in) Operating Activities	\$ 374,353
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OTHER SCHEDULE

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

State Shared Revenue	
Highway users tax	\$ 2,469,536
HACA	999,871
Agricultural MVC	477,297
Mobile home MVC	3,216
Residential MVC	393,784
PERA rate reimbursement	107,402
Disparity reduction aid	15,745
Agricultural conservation aid	17,662
State police aid	64,890
	<hr/>
Total State Shared Revenue	\$ 4,549,403
Reimbursement for Services	
Minnesota Department of Human Services	\$ 1,877,094
	<hr/>
Local Payments	
Local contributions	\$ 98,996
Payments in lieu of taxes	35,134
	<hr/>
Total Local Payments	\$ 134,130
Grants	
State	
Minnesota Department/Board of	
Veterans Affairs	\$ 2,800
Corrections	150,991
Public Safety	92,531
Health	87,651
Natural Resources	19,543
Human Services	130,035
Soil and Water Resources	72,009
Pollution Control Agency	10,820
Office of Environmental Assistance	81,309
Peace Officers Board	7,162
Other departments	575
	<hr/>
Total State	\$ 655,426
Federal	
Agriculture	\$ 140,497
Housing and Urban Development	400,000
Justice	198,342
Health and Human Services	408,707
Homeland Security	106,441
Environmental Protection Agency	5,744
	<hr/>
Total Federal	\$ 1,259,731
Total State and Federal Grants	\$ 1,915,157
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Total Intergovernmental Revenue	\$ 8,475,784
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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004

I. SUMMARY OF AUDITOR'S RESULTS

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

Community Development Block Grant	CFDA #14.228
Public Safety Partnership Community Policing	CFDA #16.710
- 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 Recorder, Planning and Zoning, Sheriff, Public Health, Social Services, Extension, and the Economic Development Authority Component Unit. This is not unusual in operations the size of Meeker County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

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

Client's Response:

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS 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, 2004, 14 of 49 individual drainage systems had deficit cash balances totaling \$29,404; 17 of 49 individual systems had deficit equity balances totaling \$56,357.

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

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

Client's Response:

Assessments are levied annually to recover money for expenditures made against the County Ditch Accounts. Loans from the revenue fund are made when insufficient cash is available in individual ditch accounts. Cash deficits are most noticeable at year-end due to the number of projects done after harvest in the fall and the timing of payments for this work versus collection from individual landowners.

ITEM ARISING THIS YEAR

04-1

County Sheriff's Office - Clothing Allowance

Employees of the Sheriff's Office who are covered by a union contract are entitled to a uniform allowance, as stipulated in the contract. There is no County policy that provides a clothing allowance for the County Sheriff or other non-union staff of the Sheriff's Office. Our review of County expenditures found that the County Sheriff and other non-union staff of the Sheriff's Office were being reimbursed for clothing items. These items included clothing suitable for everyday wear, such as a sport coat, jeans, athletic shoes and a suit.

Federal law has long distinguished between non-deductible personal clothing and deductible work clothing. For employees who wear uniforms, the cost of the uniform is deductible only if the uniform is (1) specifically required as a condition of employment, and (2) not of a type adaptable to general usage as ordinary clothing. *See, e.g. Pevsner v. Commissioner*, 628 F.2d 467 (5th Cir. 1980); Rev. Rul. 70-474, 1970-2 C.B. 34; Mimeograph 6463, C.B. 1950-1; IRS Publication 529 (2004). This longstanding distinction is mandatory for tax reporting. If any non-deductible clothing is reimbursed, the expenditure is income and must be included as such on the employee's W-2 (Wage and Tax Statement).

For public employers, the distinction between personal and reimbursable work clothing is important because, while public employers may reimburse officers and employees for valid government expenditures, they lack authority to purchase personal items for officers or employees. Government entities may not make donations or give gifts to people, non-profits, charities, etc., unless based upon specific statutory or charter authority. *See, e.g., Ops. Att'y Gen. 59a-3* (Aug. 19, 1947), 442a-17 (Jan. 17, 1938), 59-A-3 (May 21, 1948) and (Sept. 28, 1933). Similarly, a government entity cannot provide in-kind benefits to employees unless specific statutory authority exists for the benefit. *See Ops. Att'y Gen. 359b* (Oct. 24, 1989) and 161b-12 (Jan. 24, 1989). Public employers should not purchase personal items for employees, including sport coats, jeans, athletic shoes and suits.

We recommend that the County discontinue reimbursing non-union staff of the Sheriff's Office for personal clothing, including sport coats, jeans, athletic shoes, and suits. W-2 statements prepared for 2005 should include amounts reimbursed for personal clothing. If the County Board approves a clothing allowance for the County Sheriff and other non-union staff, we recommend that the policy include the following:

- Reimbursement only for clothing required to be worn at work and not suitable for everyday wear,
- The positions entitled to the allowance,
- The maximum dollar amount allowed for each position,
- Specific clothing items to be allowed for reimbursement.

As an alternative, the County could dispense with clothing reimbursements for these positions. The County Board also has discretion to adjust the monetary compensation for these positions.

As indicated above, this comment is limited to our review of reimbursements to non-union staff. “The method of compensation for maintenance and upkeep of uniforms and clothing falls within the purview of ‘terms and conditions of employment’....” *Law Enforcement Labor Services, Inc. v. City of Roseville*, 393 N.W. 2d 670, 673-74 (Minn. Ct. App. 1986). Such terms and conditions, determined through labor negotiations, are outside the scope of this comment.

Client’s Response:

The County recognizes the need for a policy to more clearly identify specific non-union Sheriff’s Office positions entitled to a clothing or equipment allowance. The policy needs to address maximum dollar amount and clothing items to be allowed. As an alternative, the County is strongly considering the possibility of dispensing with clothing reimbursements and making monetary compensation for Sheriff’s Office non-contract employees.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

02-1 Annual Financial Report

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

The process for preparing the County’s 2004 financial report found more involvement by County staff than in previous years. Reclassifications of account balances and other audit-related adjustments to working trial balances were

reduced. Overall, the County's participation was a positive step in the preparing the entire financial report. Progression towards completion of the financial statements, schedules, and notes to the financial statements would be the future goal.

We commend County staff for their efforts in preparing the 2004 financial report. Continuing with the experience gained this past year should enable staff to do more for future financial reports. We are available throughout the year for any assistance that may be requested.

Client's Response:

The County Staff has worked extensively to implement the new standards and guidelines as set by the State Auditor's Office to become more involved with the financial reporting process.

New guidelines set in 2003 for auditing Counties and the implementation of GASB 34 has resulted in an extensive amount of change. It has been a team effort to update computer programs, change receipting and warrant procedures, eliminate reclassifications and audit-related adjustments. We have updated our Chart of Accounts to produce reports formatted with the new standards.

With the experience gained this past year, County Staff will be providing more of the financial reports in the upcoming year.

ITEM ARISING THIS YEAR

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

During our fieldwork, we found that an all-terrain vehicle (ATV) was traded to a dealer as a credit against the purchase of new motorized equipment by the Sheriff's Office. According to the purchase order, the Sheriff's Office received a credit of \$600 for the 1997 ATV traded to the dealer. Our review of the Kelley Blue Book prices for a 1997 ATV in good condition found the price to be \$1,775. This is a substantial difference from the amount received from the dealer, though we do not know the condition of the vehicle when it was traded. Presently, the County has no policy that addresses a process for trading versus selling County vehicles and other equipment.

Schedule 2
(Continued)

We recommend that the County Board establish a policy for discarding motorized equipment in the Sheriff's Office. The policy should require County staff to document their efforts in attaining fair market value for the items traded. As an alternative to trading these items, the County Board may choose to sell them along with other County-owned vehicles through the County's auction, which is held periodically. The policy established by the Board should be extended to all departments of the County.

Client's Response:

The County will develop a policy that addresses a process for discarding of equipment. This policy will include trading versus selling of County vehicles and other equipment.

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PATRICIA ANDERSON
STATE AUDITOR

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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, 2004, and have issued our report thereon dated August 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Meeker County Memorial Hospital, an enterprise fund of Meeker County, and the Meeker County Housing and Redevelopment Authority, a discretely presented component unit of Meeker County. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us. The Meeker County Memorial Hospital was not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meeker County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 96-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the

financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition indicated above is not a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that for the items tested, Meeker County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 96-1 and 04-1.

This report is intended solely for the information and use of the Board of County Commissioners and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 18, 2005



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PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Meeker County

Compliance

We have audited the compliance of Meeker County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Meeker County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Meeker County's financial statements include the operations of the Meeker County Housing and Redevelopment Authority, which expended \$290,320 in federal awards during 2004, which are not included in the schedule of expenditures of federal awards. Our audit, described below, did not include the operations of the Meeker County Housing and Redevelopment Authority because it was audited by other auditors.

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

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

In our opinion, Meeker County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Meeker County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Meeker County as of and for the year ended December 31, 2004, and have issued our report thereon dated August 18, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. We did not audit the financial statements of the Meeker County Memorial Hospital or the Meeker County Housing and Redevelopment Authority. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 18, 2005

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**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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	\$ 80,295
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	60,202
Total U.S. Department of Agriculture		\$ 140,497
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grant (CDBG)	14.228	\$ 400,000
U.S. Department of Justice		
Direct Public Safety Partnership - Community Policing Grant	16.710	\$ 140,304
Passed Through Minnesota Department of Public Safety Crime Victim Assistance Grant	16.575	58,038
Total U.S. Department of Justice		\$ 198,342
Federal Environmental Protection Agency		
Passed Through Minnesota Department of Health State Indoor Radon Grant	66.032	\$ 5,744
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Education Consolidated Knowledge Development and Application Program	93.230	\$ 12,432
Child Care Mandatory and Matching Funds	93.596	7,991
Passed Through Minnesota Department of Health Family Planning Services	93.217	15,885
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	25,645
Block Grants - Community Mental Health Services	93.958	6,406
Maternal and Child Health Services Block Grant	93.994	24,268

**MEEKER COUNTY
LITCHFIELD, MINNESOTA**

Schedule 3
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families	93.558	127,806
Foster Care Title IV-E	93.658	10,463
Social Services Block Grant Title XX	93.667	137,621
Chafee Foster Care Independent Living	93.674	11,540
Prevention/Treatment of Substance Abuse Block Grant	93.959	<u>28,650</u>
Total U.S. Department of Health and Human Services		\$ 408,707
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment	97.004	\$ 86,819
Emergency Management - State and Local Assistance	97.042	19,472
State and Local Emergency Operation Planning	97.051	<u>150</u>
Total U.S. Department of Homeland Security		\$ 106,441
Total Federal Awards		<u>\$ 1,259,731</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.
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.