

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

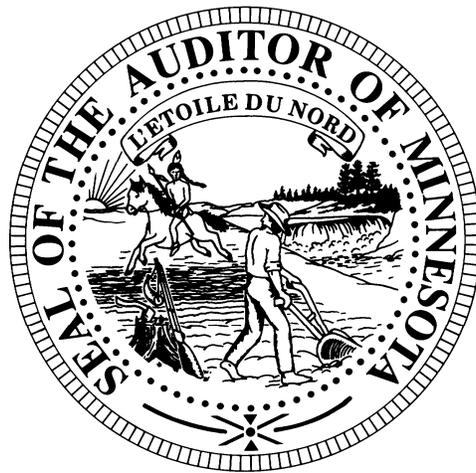
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Year Ended December 31, 2014



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

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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LITTLE FALLS, MINNESOTA**

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**ORGANIZATION SCHEDULE
2014**

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	Kevin Maurer	January 2013	January 2017
2nd District	Jeff Jelinski ¹	January 2013	January 2017
3rd District	Randy Winscher	January 2013	January 2017
4th District	Don Meyer	January 2011	January 2015
5th District	Duane Johnson	January 2011	January 2015
Officers			
Elected			
Attorney	Brian Middendorf	January 2011	January 2015
Auditor/Treasurer	Russ Nygren	January 2011	January 2015
Recorder	Eileen Holtberg*	December 2012	January 2015
Sheriff	Michel Wetzel	January 2011	January 2015
Appointed			
Assessor	Glen Erickson	January 2013	December 2016
Corrections	Nicole Kern		Indefinite
County Administrator	Deb Gruber		Indefinite
Court Administrator	Rhonda Bot		Indefinite
Extension	Susanne Hinrichs		Indefinite
Information Systems	Mike Disher		Indefinite
Planning and Zoning Director	Amy Kowalzek		Indefinite
Public Health Director	Katy Kirchner		Indefinite
Public Works Director	Steven Backowski	May 2012	May 2016
Social Services Director	Brad Vold		Indefinite
Veterans Service Officer	Kathy Marshik	May 2014	May 2018

¹Chair

*Appointed December 31, 2012

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Morrison County
Little Falls, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morrison County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing and Redevelopment Authority (HRA) of Morrison County, a discretely presented component unit, which represents 25 percent, 15 percent, and 86 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the HRA of Morrison County, is based solely on the report of the other auditors. We also did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2014, in which Morrison County has an equity interest. The SCHA is a joint venture discussed in Note. 4.B.6. to the financial statements. The County's investment in the SCHA, \$3,845,418, represents 2.7 percent and 3.1 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have applied procedures on the conversion adjustments to the financial statement of the SCHA, which conform the financial reporting of the investment in joint venture to accounting principles generally accepted in the United States of America.

Our opinion, insofar as it relates to the amount included as an investment in joint venture, prior to these conversion adjustments, is based solely on the report 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 South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morrison County as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morrison County’s basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2015, on our consideration of Morrison 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* in considering Morrison County’s internal control over financial reporting and compliance. It does not include the HRA of Morrison County or the South Country Health Alliance, which were audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 2, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(Unaudited)**

This section of Morrison County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2014. The Management's Discussion and Analysis (MD&A) is required supplementary information specified in the Governmental Accounting Standard Board's Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999. Certain comparative information between the current year, 2014, and the prior year, 2013, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014 fiscal year include the following:

- County-wide net position increased 3.3 percent over the prior year.
- Overall fund level revenues totaled \$40,043,287 and were \$186,168 less than expenditures.
- The General Fund's fund balance increased \$171,315 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts: Independent Auditor's Report; required supplementary information, which includes the MD&A (this section), certain budgetary comparison schedules, and information on the County's other postemployment benefits (OPEB); the basic financial statements; and supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are county-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations in more detail than the county-wide statements.

- The governmental funds statements tell how basic services such as general government, human services, and highways and streets, were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Annual Report Format**

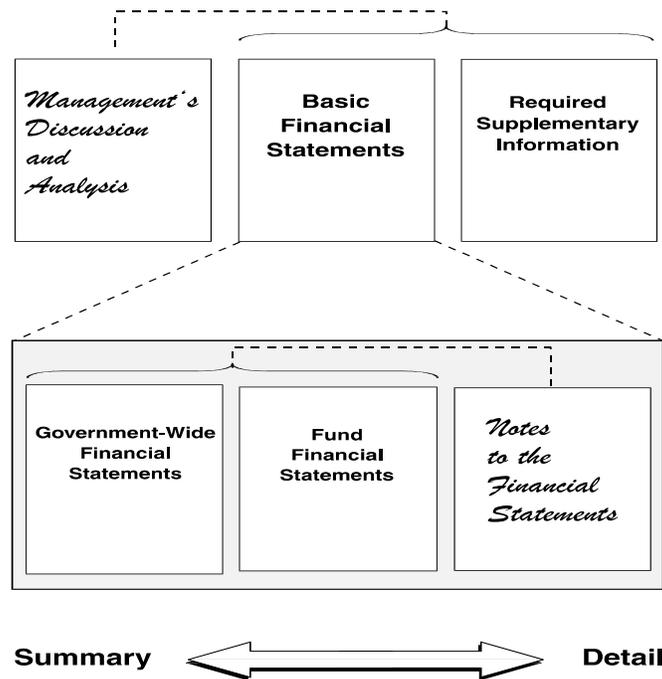


Figure A-2 summarizes the major features of the County’s financial statements, including the portion of the County’s activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the County’s Government-Wide and Fund Financial Statements			
Type of Statements	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County’s funds (except fiduciary funds) and the County’s component units	The activities of the County that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for someone else’s resources
Required financial statements	Statement of net position	Balance sheet	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures, and changes in fund balance	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; agency funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All additions and deductions during the year, regardless of when cash is received or paid

County-Wide Statements

The county-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the County’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two county-wide statements report the County's net position and how it has changed. Net position--the difference between the County's assets and liabilities--is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the County, you need to consider additional nonfinancial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.

In the county-wide financial statements, the County's activities are shown in one category:

- Governmental activities - The County's basic services are included here. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's funds--focusing on its most significant or "major" funds--not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The County establishes other funds to control and manage money for particular purposes (for example, repaying its long-term debts) or to show that it is properly using certain revenues (for example, federal grants).

The County has two kinds of funds:

- Governmental funds - The County's basic services are included in governmental funds, which generally focus on: (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the county-wide statements, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to explain the relationship (or differences) between them.

- Fiduciary funds - The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the county-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was \$124,142,274 on December 31, 2014. (See Table A-1.)

	Table A-1		Percent (%) Change
	Net Position		
	Governmental Activities		
	2014	2013	
Current and other assets	\$ 31,570,650	\$ 30,718,621	2.8
Capital and noncurrent assets	108,519,231	105,329,803	3.0
Total Assets	\$ 140,089,881	\$ 136,048,424	3.0
Current liabilities	\$ 1,815,144	\$ 1,561,980	16.2
Long-term liabilities	14,132,463	14,252,022	(0.8)
Total Liabilities	\$ 15,947,607	\$ 15,814,002	0.8
Net Position			
Net investment in capital assets	\$ 104,661,695	\$ 100,669,132	4.0
Restricted	1,901,275	2,626,515	(27.6)
Unrestricted	17,579,304	16,938,775	3.8
Total Net Position	\$ 124,142,274	\$ 120,234,422	3.3

Change in Net Position

The total County-wide revenues on a full accrual basis were \$39,880,180 for the year ended December 31, 2014. Property taxes and intergovernmental revenues accounted for 82.7 percent of total revenue for the year. (See Table A-2.)

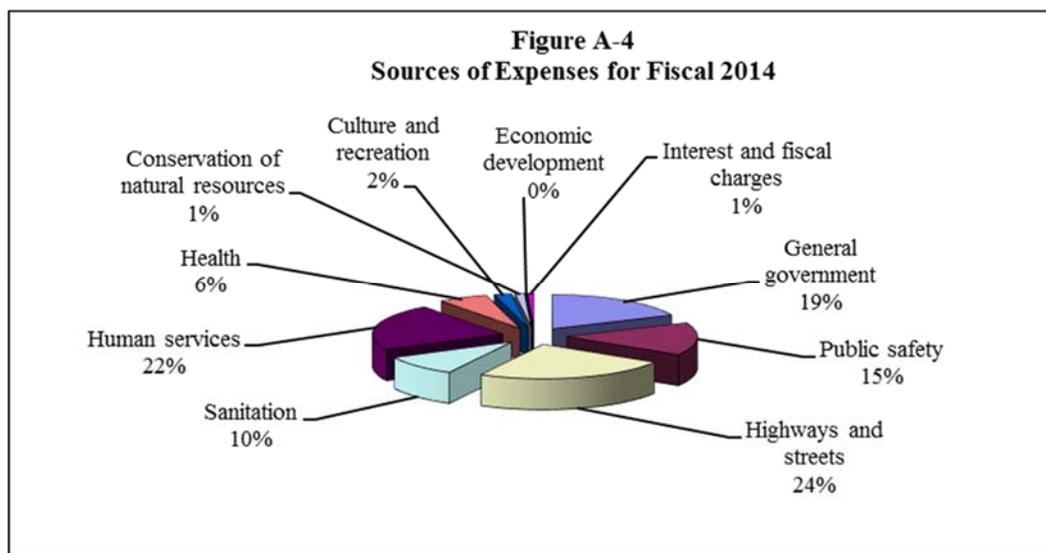
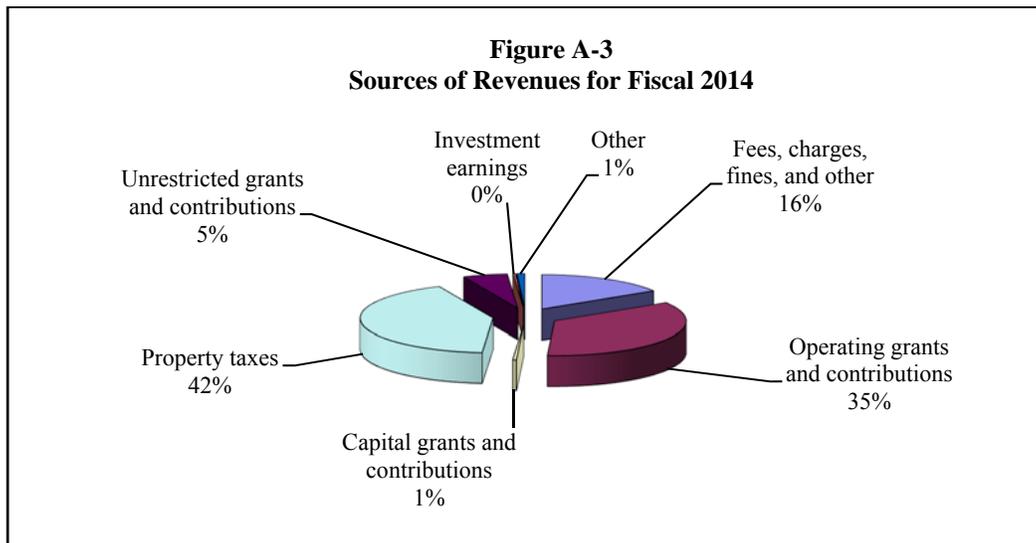
Table A-2
Change in Net Position

	Governmental Activities		Percent (%) Change
	2014	2013	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 6,410,915	\$ 6,187,599	3.6
Operating grants and contributions	13,867,330	13,345,101	3.9
Capital grants and contributions	180,308	1,458,238	(87.6)
General revenues			
Property taxes	16,769,275	16,358,875	2.5
Unrestricted grants and contributions	2,151,479	1,796,142	19.8
Investment earnings	123,744	165,338	(25.2)
Other	377,129	321,980	17.1
Total Revenues	\$ 39,880,180	\$ 39,633,273	0.6
Expenses			
General government	\$ 6,617,583	\$ 6,583,744	0.5
Public safety	5,533,648	5,241,800	5.6
Highways and streets	8,651,351	9,573,208	(9.6)
Sanitation	3,483,474	1,853,779	87.9
Human services	7,973,458	7,544,270	5.7
Health	2,203,491	2,234,567	(1.4)
Culture and recreation	772,689	728,543	6.1
Conservation of natural resources	426,444	405,396	5.2
Economic development	46,000	43,500	5.7
Interest	264,190	281,842	(6.3)
Total Expenses	\$ 35,972,328	\$ 34,490,649	4.3
Increase in Net Position	\$ 3,907,852	\$ 5,142,624	(24.0)
Net Position - Beginning	120,234,422	115,091,798	4.5
Net Position - Ending	\$ 124,142,274	\$ 120,234,422	3.3

Total revenues were more than expenses, increasing net position \$3,907,852 over the prior year.

The County-wide cost of all governmental activities this year was \$35,972,328.

- Some of the cost was paid by the users of the County’s programs (\$6,410,915).
- The federal and state governments subsidized certain programs with grants and contributions (\$14,047,638).
- The remaining County costs (\$15,513,775), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$16,769,275 in property taxes, \$2,151,479 of state aid, and \$500,873 with investment earnings and other general revenues.



(Unaudited)

**Table A-3
Cost of Services**

	Total Cost of Services		Percent (%) Change	Net Cost of (Revenue from) Services		Percent (%) Change
	2014	2013		2014	2013	
General government	\$ 6,617,583	\$ 6,583,744	0.5	\$ 5,097,942	\$ 5,082,339	0.3
Public safety	5,533,648	5,241,800	5.6	4,966,965	4,567,169	8.8
Highways and streets	8,651,351	9,573,208	(9.6)	904,653	485,792	86.2
Sanitation	3,483,474	1,853,779	87.9	1,078,140	(463,764)	332.5
Human services	7,973,458	7,544,270	5.7	2,057,194	2,254,547	(8.8)
Health	2,203,491	2,234,567	(1.4)	240,540	460,723	(47.8)
Culture and recreation	772,689	728,543	6.1	628,803	624,763	0.6
Conservation of natural resources	426,444	405,396	5.2	229,348	162,800	40.9
Economic development	46,000	43,500	5.7	46,000	43,500	5.7
Interest	264,190	281,842	(6.3)	264,190	281,842	(6.3)
Total	\$ 35,972,328	\$ 34,490,649	4.3	\$ 15,513,775	\$ 13,499,711	14.9

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$24,612,158.

Revenues for the County's governmental funds were \$40,043,287, while total expenditures were \$40,229,455.

GENERAL FUND

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects. The following schedule presents a summary of General Fund revenues.

**Table A-4
General Fund Revenues**

	Year Ended December 31		Change	
	2014	2013	Increase (Decrease)	Percent (%)
Taxes	\$ 9,353,546	\$ 9,116,246	\$ 237,300	2.6
Intergovernmental	3,322,210	2,949,705	372,505	12.6
Charges for services	1,781,158	1,683,184	97,974	5.8
Investment income	91,502	109,473	(17,971)	(16.4)
Miscellaneous and other	744,211	761,516	(17,305)	(2.3)
Total General Fund Revenues	\$ 15,292,627	\$ 14,620,124	\$ 672,503	4.6

Total General Fund revenue increased by \$672,503, or 4.6 percent, from the previous year. The mix of property tax and state aid can change significantly from year to year without any net change in revenue. Charges for services increased in 2014 by \$97,974, mainly due to the economy improving and people going places and building things. Interest on investments was also down due to lower interest rates.

The following schedule presents a summary of General Fund expenditures.

**Table A-5
General Fund Expenditures**

	Year Ended December 31		Amount of Increase (Decrease)	Percent (%) Increase (Decrease)
	2014	2013		
General government	\$ 6,182,329	\$ 5,928,083	\$ 254,246	4.3
Public safety	5,590,872	5,173,184	417,688	8.1
Health	2,206,768	2,367,928	(161,160)	(6.8)
Culture and recreation	209,169	140,964	68,205	48.4
Conservation of natural resources	416,297	392,832	23,465	6.0
Economic development	46,000	43,500	2,500	5.7
Intergovernmental	459,843	445,848	13,995	3.1
Total Expenditures	\$ 15,111,278	\$ 14,492,339	\$ 618,939	4.3

General Fund Budgetary Highlights

- Actual revenues were \$545,875 more than expected, which is mostly due to an increase in pass-through revenue and other grants. Charges for services also came in more than budgeted due to the economy improving.
- The actual expenditures were \$56,898 less than budget. This is mainly due to staffing changes and retirements, with numerous staff retiring and staff leaving for other positions.

DEBT SERVICE

An annual levy is made to fund the bond payments for all previous bond issues.

CAPITAL ASSETS

By the end of 2014, the County had invested over \$178.5 million in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-6.) More detailed information about capital assets can be found in Note 2.A.2. to the financial statements. Total depreciation expense for the year was \$4,286,450.

**Table A-6
Capital Assets**

	2014	2013	Percent (%) Change
Land	\$ 4,138,204	\$ 4,098,528	1.0
Buildings	24,149,608	23,153,533	4.3
Machinery, furniture, and equipment	8,952,538	8,184,352	9.4
Infrastructure	141,320,816	135,751,723	4.1
Less: accumulated depreciation	<u>(70,041,935)</u>	<u>(65,858,333)</u>	6.4
Total	<u>\$ 108,519,231</u>	<u>\$ 105,329,803</u>	3.0

LONG-TERM LIABILITIES

At year-end, the County had \$14,132,463 in long-term liabilities outstanding. The County's bonded debt decreased \$955,000 in 2014.

**Table A-7
Long-Term Liabilities**

	2014	2013	Percent (%) Change
General obligation bonds	\$ 7,960,000	\$ 8,915,000	(10.7)
Bond premiums	67,712	77,748	(12.9)
Compensated absences	1,756,249	1,882,593	(6.7)
Net OPEB liability	670,865	552,460	21.4
Estimated liability for landfill closure/postclosure care	<u>3,677,637</u>	<u>2,824,221</u>	30.2
Total	<u>\$ 14,132,463</u>	<u>\$ 14,252,022</u>	(0.8)

FACTORS BEARING ON THE COUNTY'S FUTURE

The County is dependent on the State of Minnesota for a significant portion of its revenue and, as such, the health of the state is of utmost importance. It seems the worst of the economic downturn is behind us, but the County continues to fall behind pre-2008 revenues in Planning and Zoning and the County Recorder's Office. Interest rates continue to be low, hurting interest revenue, but this has been a benefit in regards to refinancing County debt. The inability to rent out jail beds to other counties building jails and not needing space is also having an impact on future revenues. It should also be noted that unfunded mandates continue to have an impact on County costs. With some of the 2015 legislative changes along with the Affordable Care Act law, our Social Services Department is in need of space for new employees as programs are expanded. Along with Social Services, there are other space needs throughout the County that also need to be addressed as the buildings get older. The County is currently doing a space needs analysis to

help determine future needs. As the State of Minnesota pushes more costs down to the County, the property tax continues to be used to fund these programs that have not been funded with property tax dollars before. Maintaining current aid will hopefully slow down these unfunded mandates.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve Messerschmidt, Finance Director, at (320) 632-0131.

CONTACTING THE COUNTY'S DISCRETELY PRESENTED COMPONENT UNITS

The Morrison County Rural Development Finance Authority (RDFA) and the Housing and Redevelopment Authority (HRA) of Morrison County are component units of Morrison County and are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from Morrison County. Complete financial statements of the Morrison County RDFA can be obtained at 213 First Avenue S.E., Little Falls, Minnesota 56345-3196. Complete financial statements of the HRA of Morrison County can be obtained by writing to the HRA of Morrison County, 304 - 2nd Street S.E., Little Falls, Minnesota 56345.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>	
		<u>Housing and Redevelopment Authority</u>	<u>Rural Development Finance Authority</u>
<u>Assets</u>			
Cash and pooled investments	\$ 24,350,228	\$ -	\$ 380,714
Restricted cash	-	23,222	-
Petty cash and change funds	6,025	-	-
Departmental cash	1,829	-	-
Taxes receivable			
Delinquent	571,004	-	-
Special assessments receivable			
Delinquent	6,849	-	-
Accounts receivable	292,619	6,769	-
Accrued interest receivable	50,444	-	-
Due from other governments	1,521,743	-	-
Loans receivable	-	-	496,244
Inventories	924,491	-	-
Investment in joint venture	3,845,418	-	-
Prepaid items	-	603	-
Capital assets			
Non-depreciable	4,138,204	23,500	-
Depreciable - net of accumulated depreciation	104,381,027	232,596	-
Total Assets	\$ 140,089,881	\$ 286,690	\$ 876,958
<u>Liabilities</u>			
Accounts payable	\$ 483,158	\$ 3,736	\$ -
Salaries payable	768,660	10,698	-
Contracts payable	207,219	-	-
Due to other governments	163,525	-	-
Accrued interest payable	39,873	507	-
Unearned revenue	152,709	370	-
Noncurrent liabilities			
Due within one year	1,167,020	39,746	-
Due in more than one year	12,965,443	82,968	-
Total Liabilities	\$ 15,947,607	\$ 138,025	\$ -

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

*EXHIBIT 1
(Continued)*

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>	
		<u>Housing and Redevelopment Authority</u>	<u>Rural Development Finance Authority</u>
<u>Net Position</u>			
Net investment in capital assets	\$ 104,661,695	\$ 137,363	\$ -
Restricted for			
General government	535,771	-	-
Public safety	337,305	-	-
Economic development	-	-	876,958
Debt service	1,028,199	-	-
Section 8 housing	-	38,652	-
Unrestricted	17,579,304	(27,350)	-
Total Net Position	<u>\$ 124,142,274</u>	<u>\$ 148,665</u>	<u>\$ 876,958</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 6,617,583	\$ 1,388,163
Public safety	5,533,648	206,418
Highways and streets	8,651,351	310,743
Sanitation	3,483,474	2,309,437
Human services	7,973,458	1,284,073
Health	2,203,491	910,421
Culture and recreation	772,689	1,652
Conservation of natural resources	426,444	8
Economic development	46,000	-
Interest	264,190	-
Total Primary Government	<u>\$ 35,972,328</u>	<u>\$ 6,410,915</u>
Component units		
Housing and Redevelopment Authority	<u>\$ 621,893</u>	<u>\$ 88,990</u>
Rural Development Finance Authority	<u>\$ 47,271</u>	<u>\$ -</u>

General Revenues

Property taxes
 Payments in lieu of tax
 Grants and contributions not restricted to
 specific programs
 Unrestricted investment earnings
 Miscellaneous
 Gain on sale of capital assets

Total general revenues

Change in net position

Net Position - Beginning, as previously reported
 Prior period adjustment (Note 5.D.)

Net Position - Beginning, as restated

Net Position - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Primary Governmental Activities	Component Units	
Operating Grants and Contributions	Capital Grants and Contributions		Housing and Redevelopment Authority	Rural Development Finance Authority
\$ 131,478	\$ -	\$ (5,097,942)		
360,265	-	(4,966,965)		
7,255,647	180,308	(904,653)		
95,897	-	(1,078,140)		
4,632,191	-	(2,057,194)		
1,052,530	-	(240,540)		
142,234	-	(628,803)		
197,088	-	(229,348)		
-	-	(46,000)		
-	-	(264,190)		
\$ 13,867,330	\$ 180,308	\$ (15,513,775)		
\$ 513,368	\$ -		\$ (19,535)	
\$ -	\$ -			\$ (47,271)
		\$ 16,769,275	\$ -	\$ 73,541
		191,177	-	-
		2,151,479	-	1,826
		123,744	-	16,366
		158,204	-	6,634
		27,748	-	-
		\$ 19,421,627	\$ -	\$ 98,367
		\$ 3,907,852	\$ (19,535)	\$ 51,096
		\$ 120,234,422	\$ 179,311	\$ 825,862
		-	(11,111)	-
		\$ 120,234,422	\$ 168,200	\$ 825,862
		\$ 124,142,274	\$ 148,665	\$ 876,958

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FUND FINANCIAL STATEMENTS

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 9,137,709	\$ 4,258,205
Petty cash and change funds	5,800	175
Departmental cash	926	-
Delinquent taxes receivable	314,969	103,214
Special assessments receivable		
Delinquent	-	-
Accounts receivable	73,293	4,600
Accrued interest receivable	36,252	-
Due from other funds	2,129	-
Due from other governments	307,212	773,562
Inventories	-	924,491
	\$ 9,878,290	\$ 6,064,247
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 109,810	\$ 31,838
Salaries payable	461,335	98,800
Contracts payable	-	104,591
Due to other funds	-	-
Due to other governments	39,286	14,549
Unearned revenue	152,709	-
	\$ 763,140	\$ 249,778
Deferred Inflows of Resources		
Unavailable revenue	\$ 314,969	\$ 863,164
Fund Balances (Note 3.D.)		
Nonspendable	\$ -	\$ 924,491
Restricted	873,076	-
Committed	385,887	-
Assigned	2,456,585	4,026,814
Unassigned	5,084,633	-
	\$ 8,800,181	\$ 4,951,305
Total Fund Balances	\$ 8,800,181	\$ 4,951,305
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,878,290	\$ 6,064,247

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

EXHIBIT 3

<u>Social Services</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 4,057,810	\$ 5,290,723	\$ 1,068,044	\$ 537,737	\$ 24,350,228
50	-	-	-	6,025
-	875	28	-	1,829
110,586	7,058	29,073	6,104	571,004
-	6,849	-	-	6,849
70,636	144,090	-	-	292,619
-	14,192	-	-	50,444
-	-	-	-	2,129
429,761	11,208	-	-	1,521,743
-	-	-	-	924,491
<u>\$ 4,668,843</u>	<u>\$ 5,474,995</u>	<u>\$ 1,097,145</u>	<u>\$ 543,841</u>	<u>\$ 27,727,361</u>
\$ 233,316	\$ 93,657	\$ -	\$ 14,537	\$ 483,158
206,933	1,592	-	-	768,660
-	90,503	-	12,125	207,219
2,129	-	-	-	2,129
104,032	5,658	-	-	163,525
-	-	-	-	152,709
<u>\$ 546,410</u>	<u>\$ 191,410</u>	<u>\$ -</u>	<u>\$ 26,662</u>	<u>\$ 1,777,400</u>
<u>\$ 110,586</u>	<u>\$ 13,907</u>	<u>\$ 29,073</u>	<u>\$ 6,104</u>	<u>\$ 1,337,803</u>
\$ -	\$ -	\$ -	\$ -	\$ 924,491
-	3,644,470	1,068,072	-	5,585,618
-	-	-	511,075	896,962
4,011,847	1,625,208	-	-	12,120,454
-	-	-	-	5,084,633
<u>\$ 4,011,847</u>	<u>\$ 5,269,678</u>	<u>\$ 1,068,072</u>	<u>\$ 511,075</u>	<u>\$ 24,612,158</u>
<u>\$ 4,668,843</u>	<u>\$ 5,474,995</u>	<u>\$ 1,097,145</u>	<u>\$ 543,841</u>	<u>\$ 27,727,361</u>

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Fund balances - total governmental funds (Exhibit 3)		\$ 24,612,158
Amounts reported for governmental activities in the statement of net position are different because:		
Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		3,845,418
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		108,519,231
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		1,337,803
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds, net of premium and discount	\$ (8,027,712)	
Compensated absences	(1,756,249)	
Net OPEB liability	(670,865)	
Estimated liability for landfill closure/postclosure care	(3,677,637)	
Accrued interest payable	(39,873)	
	(14,172,336)	(14,172,336)
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 124,142,274</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Road and Bridge
Revenues		
Taxes	\$ 9,353,546	\$ 3,219,003
Special assessments	60	-
Licenses and permits	332,391	-
Intergovernmental	3,322,210	7,662,606
Charges for services	1,781,158	278,998
Fines and forfeits	15,010	-
Investment income	91,502	-
Miscellaneous	396,750	61,145
	\$ 15,292,627	\$ 11,221,752
Expenditures		
Current		
General government	\$ 6,182,329	\$ -
Public safety	5,590,872	-
Highways and streets	-	10,843,960
Sanitation	-	-
Human services	-	-
Health	2,206,768	-
Culture and recreation	209,169	-
Conservation of natural resources	416,297	9,330
Economic development	46,000	-
Intergovernmental		
Highways and streets	-	495,734
Culture and recreation	459,843	-
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
	\$ 15,111,278	\$ 11,349,024
Excess of Revenues Over (Under) Expenditures	\$ 181,349	\$ (127,272)
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	(10,034)	-
	\$ (10,034)	\$ -
Net Change in Fund Balances	\$ 171,315	\$ (127,272)
Fund Balances - January 1	8,628,866	5,008,902
Increase (decrease) in inventories	-	69,675
Fund Balances - December 31	\$ 8,800,181	\$ 4,951,305

EXHIBIT 5

<u>Social Services</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 3,117,358	\$ 218,183	\$ 811,418	\$ 164,651	\$ 16,884,159
-	-	-	-	60
-	17,450	-	-	349,841
5,023,671	123,175	101,987	20,527	16,254,176
668,040	2,275,566	-	-	5,003,762
-	-	-	-	15,010
-	21,986	220	-	113,708
616,033	15,840	325,978	6,825	1,422,571
\$ 9,425,102	\$ 2,672,200	\$ 1,239,603	\$ 192,003	\$ 40,043,287
\$ -	\$ -	\$ -	\$ 117,733	\$ 6,300,062
-	-	-	-	5,590,872
-	-	-	-	10,843,960
-	3,521,006	-	-	3,521,006
8,830,950	-	-	-	8,830,950
-	-	-	-	2,206,768
-	-	-	74,149	283,318
-	-	-	-	425,627
-	-	-	-	46,000
-	-	-	-	495,734
-	-	-	-	459,843
-	-	955,000	-	955,000
-	-	268,525	-	268,525
-	-	1,790	-	1,790
\$ 8,830,950	\$ 3,521,006	\$ 1,225,315	\$ 191,882	\$ 40,229,455
\$ 594,152	\$ (848,806)	\$ 14,288	\$ 121	\$ (186,168)
\$ 10,034	\$ -	\$ -	\$ -	\$ 10,034
-	-	-	-	(10,034)
\$ 10,034	\$ -	\$ -	\$ -	\$ -
\$ 604,186	\$ (848,806)	\$ 14,288	\$ 121	\$ (186,168)
3,407,661	6,118,484	1,053,784	510,954	24,728,651
-	-	-	-	69,675
\$ 4,011,847	\$ 5,269,678	\$ 1,068,072	\$ 511,075	\$ 24,612,158

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (186,168)

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 revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.

Unavailable revenue - December 31	\$ 1,337,803	
Unavailable revenue - January 1	<u>(1,316,040)</u>	21,763

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

Expenditures for general capital assets and infrastructure	\$ 7,488,357	
Net book value of assets disposed or sold	(12,479)	
Current year depreciation	<u>(4,286,450)</u>	3,189,428

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

Principal repayments		
General obligation bonds	\$ 955,000	
Current year amortization of premiums	<u>10,036</u>	965,036

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	\$ 6,125	
Change in compensated absences	126,344	
Change in estimated liability for landfill closure/postclosure care	(853,416)	
Change in OPEB liability	(118,405)	
Change in inventories	<u>69,675</u>	(769,677)

Transactions to record investment in joint venture		
Change in investment in joint venture		<u>687,470</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 3,907,852

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 1,181,934
Departmental cash	2
Accrued interest receivable	<u>4,223</u>
Total Assets	<u><u>\$ 1,186,159</u></u>
<u>Liabilities</u>	
Due to other governments	<u><u>\$ 1,186,159</u></u>

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Morrison County was established February 23, 1855, 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 Morrison County (the 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. The County Administrator, who is appointed by the County Board, serves as its clerk.

Discretely Presented Component Units

The Morrison County Rural Development Finance Authority (RDFA) is a component unit of Morrison County and is reported in a separate column in the government-wide financial statements to emphasize that the RDFA is legally separate from Morrison County. The RDFA was established to promote economic development in rural areas in Morrison County. The RDFA's Board of Commissioners consists of seven members: two are Morrison County Commissioners, two are City of Little Falls Council members, two are appointed by the County Board of Commissioners, and one is appointed by the Little Falls City Council. The RDFA is reported as a component unit of the County because the County can significantly influence the operations of the RDFA.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

The Housing and Redevelopment Authority (HRA) of Morrison County is a component unit of Morrison County and is reported in a separate column in the County's government-wide financial statements to emphasize that the HRA is legally separate from Morrison County. The HRA operates as a local government unit for the purpose of providing housing and redevelopment services to Morrison County. The governing board consists of a five-member board appointed by the Morrison County Commissioners. The financial statements included are as of and for the year ended December 31, 2014.

Complete financial statements of the HRA of Morrison County can be obtained by writing to the Housing and Redevelopment Authority of Morrison County, 304 - 2nd Street S.E., Little Falls, Minnesota 56345.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about 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 revenue, are reported in a single column.

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

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 accounted for in another fund.

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

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

The Solid Waste Special Revenue Fund is used to account for all funds to be used for solid waste. Financing comes primarily from fees.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Debt Service Fund is used to account for the accumulation of resources for, and the payments of, principal, interest, and related costs of the County's long-term bonds.

Additionally, the County reports the following funds:

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. Since, by definition, these assets are being held for the benefit of a third party and cannot be used for activities or obligations of the County, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The government-wide 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. Morrison County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, 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. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2014 were \$91,502.

Morrison County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The investment in the pool is measured at amortized cost per share provided by the pool, which would closely approximate fair value.

2. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

Taxes receivable consist of uncollected taxes payable in the years 2008 through 2014. Taxes receivable are offset by deferred revenue for the amount not collectible within 60 days of December 31 to indicate they are not available to pay current expenditures. No provision has been made for an estimated uncollectible amount.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

2. Receivables and Payables (Continued)

Special assessments receivable consist of delinquent special assessments payable in the years 2008 through 2014 and deferred special assessments payable in 2015 and after. No provision has been made for an estimated uncollectible amount.

3. Inventories

All inventories are valued at cost using the first-in/first-out method. The inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Reported inventories are equally offset by nonspendable fund balance to indicate that they do not constitute available spendable resources.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 50
Building improvements	40
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	5 - 25

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

5. 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 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.

The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation and sick leave. The noncurrent portion consists of the remaining amount of vacation and sick leave.

6. Deferred Outflows/Inflows of Resources and Unearned Revenue

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

6. Deferred Outflows/Inflows of Resources and Unearned Revenue (Continued)

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed entirely in the year the debt was issued.

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.

8. Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

8. Classification of Net Position (Continued)

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

9. Classification of Fund Balances

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are as follows:

Nonspendable is the amount of fund balance that cannot be spent because it is either not in spendable form or is legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted is the amount of fund balance subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions and enabling legislation.

Committed is the amount of fund balance that can only be used for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

9. Classification of Fund Balances (Continued)

Assigned is the amount of fund balance the County intends to use for specific purposes that does not meet the criteria to be classified as “restricted” or “committed.” In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board. The County Board has also adopted a fund balance policy that delegates authority to assign fund balance to the County Administrator and the Accounting and Finance Manager.

Unassigned is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Further detail on fund balance classifications is available in Note 2.D.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance amounts, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The County has adopted a minimum fund balance policy for the General Fund, the Road and Bridge and Social Services Special Revenue Funds, and the Debt Service Fund, as follows:

General Fund - the County is to maintain a spendable, unassigned portion of fund balance in a range equal to 20 to 50 percent of the current year’s General Fund operating expenditures.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

9. Classification of Fund Balances (Continued)

Road and Bridge and Social Services Special Revenue Funds - the County is to maintain spendable, assigned portions of fund balance in a range equal to 20 to 50 percent of the subsequent year's budgeted expenditures.

Debt Service Fund - the County is to maintain a spendable, restricted portion of fund balance equal to the subsequent year's debt service payments.

10. 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. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of Morrison County's total cash and investments to the basic financial statements follows:

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 24,350,228
Petty cash and change funds	6,025
Departmental cash	1,829
Discretely presented component units	
Cash and pooled investments	380,714
Restricted cash	23,222
Statement of fiduciary net position	
Cash and pooled investments	1,181,934
Departmental cash	<u>2</u>
 Total Cash and Investments	 <u>\$ 25,943,954</u>

a. Deposits

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

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to minimize custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2014, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its 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;

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. It is the County's policy to minimize investment custodial credit risk by permitting brokers that obtained investments for Morrison County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to Morrison County's custodian. At December 31, 2014, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County does not have a policy on concentration of credit risk.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. At December 31, 2014, the County had no investments requiring a credit rating.

The County does not have additional investment risk policies beyond complying with the requirements of Minnesota statutes.

The following table presents the County's deposit and investment balances at December 31, 2014, and information relating to potential investment risk:

<u>Investment Type</u>	<u>Concentration Risk Over 5 Percent of Portfolio</u>	<u>Interest Rate Risk Maturity Date</u>	<u>Carrying (Fair) Value</u>
Primary government			
Negotiable certificates of deposit	10.96%	<1yr - 3yrs	\$ 902,638
MAGIC Fund	88.94	N/A	7,324,727
Money market account with broker	0.10	N/A	8,125
Total investments			\$ 8,235,490

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Concentration Risk <u>Over 5 Percent of Portfolio</u>	Interest Rate Risk <u>Maturity Date</u>	Carrying (Fair) Value
Deposits			17,248,202
Petty cash and change funds			6,025
Departmental cash			1,829
Cash on hand			48,472
Total cash and investments - primary government			\$ 25,540,018
Component units			
Deposits			403,936
Total Cash and Investments			<u>\$ 25,943,954</u>

N/A - Not Applicable

2. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land - infrastructure right-of-way	\$ 1,982,391	\$ 10,248	\$ -	\$ 1,992,639
Land	2,116,137	29,428	-	2,145,565
Total capital assets not depreciated	\$ 4,098,528	\$ 39,676	\$ -	\$ 4,138,204
Capital assets depreciated				
Buildings	\$ 23,153,533	\$ 996,075	\$ -	\$ 24,149,608
Machinery, furniture, and equipment	8,184,352	883,513	115,327	8,952,538
Infrastructure	135,751,723	5,569,093	-	141,320,816
Total capital assets depreciated	\$ 167,089,608	\$ 7,448,681	\$ 115,327	\$ 174,422,962
Less: accumulated depreciation for				
Buildings	\$ 9,251,178	\$ 512,846	\$ -	\$ 9,764,024
Machinery, furniture, and equipment	5,674,015	607,667	102,848	6,178,834
Infrastructure	50,933,140	3,165,937	-	54,099,077
Total accumulated depreciation	\$ 65,858,333	\$ 4,286,450	\$ 102,848	\$ 70,041,935
Total capital assets depreciated, net	\$ 101,231,275	\$ 3,162,231	\$ 12,479	\$ 104,381,027
Governmental Activities				
Capital Assets, Net	<u>\$ 105,329,803</u>	<u>\$ 3,201,907</u>	<u>\$ 12,479</u>	<u>\$ 108,519,231</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

2. Capital Assets (Continued)

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

Governmental activities	
General government	\$ 340,276
Public safety	210,689
Highway and streets, including infrastructure assets	3,529,132
Sanitation	90,998
Human services	14,491
Health	41,908
Culture and recreation	58,956
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,286,450</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2014, was as follows:

1. Due To/From Other Funds

The Social Services Special Revenue Fund owed the General Fund for miscellaneous costs in the amount of \$2,129.

2. Interfund Transfers

During 2014, an interfund transfer in the amount of \$10,034 was made from the General Fund to the Social Services Special Revenue Fund. The transfer was made to move the remaining balance in the Public Health Drug Task Force reserves to the Social Services Fund to set up a drug court program.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2014, were as follows:

	Governmental Activities
Accounts	\$ 483,158
Salaries	768,660
Contracts	207,219
Due to other governments	163,525
Accrued interest	39,873
Total Payables	\$ 1,662,435

2. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of taxes and special assessments receivable, state grants not collected soon enough after year-end to pay liabilities of the current period, installment loans, and state and federal grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2014, are summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major governmental funds				
General	\$ -	\$ 314,969	\$ 152,709	\$ 467,678
Road and Bridge	-	103,214	759,950	863,164
Social Services	-	110,586	-	110,586
Solid Waste	6,849	7,058	-	13,907
Debt Service	-	29,073	-	29,073
Nonmajor governmental funds				
County Building	-	3,681	-	3,681
County Parks	-	2,423	-	2,423
Total	\$ 6,849	\$ 571,004	\$ 912,659	\$ 1,490,512
Liability				
Unearned revenue	\$ -	\$ -	\$ 152,709	\$ 152,709
Deferred Inflows of Resources				
Unavailable revenue	6,849	571,004	759,950	1,337,803
Total	\$ 6,849	\$ 571,004	\$ 912,659	\$ 1,490,512

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Vacation and Sick Leave

County employees are granted paid time off, in varying amounts, depending on union/non-union status and length of service.

The County pays unused accumulated paid time off to employees upon termination based on two different severance plans. Unvested paid time off valued at \$304,521 at December 31, 2014, is available to employees in the event of an absence but is not paid to them at termination.

4. Retired Employee Health Insurance Benefits

Pursuant to Minn. Stat. § 471.61, subd. 2a, the County pays \$175 per month towards the health insurance for retired union and non-union employees. Retired Sheriff Deputies who are union members receive \$170 per month towards health insurance, and non-union deputies receive \$175 per month. Insurance for retired persons is applied from the date of retirement until age 65. The rates are based on the County's group health policy rates.

The County recognizes the cost of providing health insurance for postemployment benefits on a pay-as-you-go basis. The County contribution for this benefit, paid by the General Fund for the year ended December 31, 2014, was \$17,300 for the eligible employees.

5. Long-Term Debt - Bonds

Bond payments are typically made from the debt service funds. Information on individual bonds payable was as follows:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2014</u>
2009A G.O. Capital Improvement Plan Crossover Refunding Bonds	2018	\$395,000 - \$500,000	2.25 - 3.50	\$ 3,190,000	\$ 1,915,000
2010A G.O. Utility Improvement Plan Bonds	2033	\$155,000 - \$315,000	2.00 - 4.45	4,930,000	4,135,000

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt – Bonds (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
2011A G.O. Capital Equipment Notes	2021	\$135,000 - \$225,000	0.50 - 3.00	1,540,000	1,040,000
2011B G.O. Capital Improvement Plan Refunding Bonds	2018	\$210,000 - \$220,000	1.00 - 1.70	1,290,000	870,000
Total General Obligation Bonds				<u>\$ 10,950,000</u>	<u>\$ 7,960,000</u>

6. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2015	\$ 985,000	\$ 248,398
2016	1,000,000	225,783
2017	1,020,000	200,233
2018	1,055,000	169,961
2019	340,000	148,190
2020 - 2024	1,380,000	590,805
2025 - 2029	1,275,000	360,530
2030 - 2032	905,000	80,476
Total	<u>\$ 7,960,000</u>	<u>\$ 2,024,376</u>

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 8,915,000	\$ -	\$ 955,000	\$ 7,960,000	\$ 985,000
Bond premiums	77,748	-	10,036	67,712	-
Compensated absences	1,882,593	-	126,344	1,756,249	182,020
Estimated liability for closure/postclosure	2,824,221	853,416	-	3,677,637	-
Total Long-Term Liabilities	<u>\$ 13,699,562</u>	<u>\$ 853,416</u>	<u>\$ 1,091,380</u>	<u>\$ 13,461,598</u>	<u>\$ 1,167,020</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

8. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place the final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,677,637 landfill closure and postclosure care liability at December 31, 2014, represents the cumulative amount reported to date based on the use of 84.44 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$572,240 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and is currently making monthly payments for financial assurance to the Solid Waste Special Revenue Fund under financial hardship status. Hardship was granted based on the current Solid Waste Management Plan, which is based on a five-year planning period. In the spring of 1994, Morrison County received approval of its Solid Waste Management Plan, which granted Morrison County ten years of Certificate of Need for solid waste management. At December 31, 2014, the County has restricted net position of \$3,644,470 to finance closure and postclosure care. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenues.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

9. Other Postemployment Benefits (OPEB)

Plan Description

Morrison County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical and dental insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Participants

Participants of the plan consisted of the following at January 1, 2014:

Active employees	241
Retired employees	<u>12</u>
Total Plan Participants	<u><u>253</u></u>

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Morrison County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy.

For fiscal year 2014, the County contributed \$76,977 to the plan; there were 253 participants in the plan.

Annual OPEB Cost and Net OPEB Obligation

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

9. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the County's annual OPEB cost for 2014, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

ARC	\$	191,378
Interest on net OPEB obligation		24,861
Adjustment to ARC		<u>(20,857)</u>
Annual OPEB cost	\$	195,382
Contributions during the year		<u>(76,977)</u>
Increase in net OPEB obligation	\$	118,405
Net OPEB Obligation - Beginning of Year		<u>552,460</u>
Net OPEB Obligation - End of Year	\$	<u><u>670,865</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2012	\$ 194,618	\$ 64,342	33.06%	\$ 437,771
December 31, 2013	200,881	86,192	42.91	552,460
December 31, 2014	195,382	76,977	39.39	670,865

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$2,084,146, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,084,146. The covered payroll (annual payroll of active employees covered by the plan) was \$12,145,344, and the ratio of the UAAL to the covered payroll was 17 percent.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

9. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 9.00 percent, reduced by the decrements to an ultimate rate of 5.00 percent after 12 years. The actuarial value of assets was set to equal to the market value of assets. The UAAL is being amortized over 30 years on a closed basis. As of December 31, 2014, the remaining amortization period is 23 years.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

D. Fund Balance

1. Nonspendable Fund Balance

The detail of nonspendable fund balance at December 31, 2014, is as follows:

Road and Bridge Special Revenue Fund Inventory	<u>\$ 924,491</u>
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2. Restricted Fund Balance

The detail of restricted fund balance at December 31, 2014, is as follows:

	General	Solid Waste	Debt Service
Recorder's technology	\$ 470,063	\$ -	\$ -
Landfill closure and postclosure care	-	3,644,470	-
Law library	19,999	-	-
Attorney forfeitures	45,709	-	-
Sheriff forfeitures	34,808	-	-
911 programs	302,497	-	-
Debt service	-	-	1,068,072
Total Restricted	<u>\$ 873,076</u>	<u>\$ 3,644,470</u>	<u>\$ 1,068,072</u>

3. Committed Fund Balance

The detail of committed fund balance at December 31, 2014, is as follows:

	General	County Building	County Parks
Park projects	\$ -	\$ -	\$ 216,724
County building projects	-	294,351	-
Insurance	385,887	-	-
Total Committed	<u>\$ 385,887</u>	<u>\$ 294,351</u>	<u>\$ 216,724</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

D. Fund Balance (Continued)

4. Assigned Fund Balance

The detail of assigned fund balance at December 31, 2014, is as follows:

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Solid Waste</u>
AIS	\$ 57,816	\$ -	\$ -	\$ -
General government	555,891	-	-	-
Revolving loan	114,525	-	-	-
Septic program	26,900	-	-	-
Jail inmate programs	81,127	-	-	-
Jail upgrades	668,772	-	-	-
Public health programs	-	-	-	-
Sheriff programs	34,421	-	-	-
Technology upgrades	229,515	-	-	-
Veterans programs	36,236	-	-	-
Jail PX	87,744	-	-	-
Human services	-	-	4,011,847	-
Attorney's contingency	-	-	-	-
Solid waste	-	-	-	1,625,208
Boat and water	38,781	-	-	-
Capital equipment	419,468	-	-	-
DARE	22,033	-	-	-
Election programs	83,356	-	-	-
Highways and streets	-	4,026,814	-	-
	<u>\$ 2,456,585</u>	<u>\$ 4,026,814</u>	<u>\$ 4,011,847</u>	<u>\$ 1,625,208</u>
Total Assigned	<u>\$ 2,456,585</u>	<u>\$ 4,026,814</u>	<u>\$ 4,011,847</u>	<u>\$ 1,625,208</u>

3. Pension Plans

A. Defined Benefit Plans

Plan Description

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years.

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

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members are required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2014	2013	2012
General Employees Retirement Fund	\$ 745,088	\$ 734,679	\$ 730,490
Public Employees Police and Fire Fund	195,395	177,522	167,696
Public Employees Correctional Fund	85,453	84,374	79,712

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

B. Defined Contribution Plan

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Pension Plans

B. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,003	\$ 6,003
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

4. Summary of Significant Contingencies and Other Items

A. 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. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years. The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$480,000 per claim in 2014 and \$490,000 per claim in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Joint Ventures

1. Central Minnesota Community Corrections Agency

A joint community corrections agency was established in 1974, pursuant to Minn. Stat. § 471.59, between Crow Wing and Morrison Counties. Aitkin County joined the Agency on January 1, 1992, to form the Central Minnesota Community Corrections Agency. The Agency provides detention and correction services to adults and juveniles under the jurisdiction of the Counties, which are parties to the agreement, any other Minnesota county that requests these services, and the Minnesota Department of Corrections.

The governing board is composed of five County Commissioners from each of the participating counties. Crow Wing County maintains the accounting records of the Agency.

The Central Minnesota Community Corrections Agency is funded through state grants and contributions from its member Counties. Morrison County provided \$174,660 to the Agency in 2014.

In the event of dissolution of the Agency, the unexpended balance of monies and assets held by the Agency will be divided between the Counties in proportion to their contributions.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

1. Central Minnesota Community Corrections Agency (Continued)

Complete financial information can be obtained from:

Central Minnesota Community Corrections Agency
c/o Tom Rosenthal, Director
322 Laurel Street, Suite 32
Brainerd, Minnesota 56401

2. Little Falls-Morrison County Airport Commission

The Little Falls-Morrison County Airport Commission was established in 1965, under the authority of Minn. Stat. § 360.042, for the purpose of constructing, operating, and maintaining an airport facility. The City of Little Falls maintains the accounting records of the Commission. The financial activity of the Commission is reported as the Airport Special Revenue Fund, a blended component unit, in the City of Little Falls' annual financial report.

The governing board is composed of six members: three members appointed by the City of Little Falls and three members appointed by Morrison County. The Commission is financed through federal and state grants, earnings from concessions, leases, and charges made for the use of airport facilities. The City and the County share the remainder of the costs equally.

In the event of dissolution of the Commission, all property acquired, including surplus funds, will be divided between the City and the County as follows:

- a. All assets, other than capital improvement assets, will be disposed of in any manner agreed upon by the City of Little Falls and Morrison County. If no agreement is reached within three months after termination, the County Board will appoint an individual as its representative, and the City Council will appoint an individual, who may be a City official, as its representative. The Minnesota Commissioner of Aeronautics will appoint a third person who, together with the City and County appointees, will constitute an advisory board on disposition of the airport property. This board will, as soon as possible,

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

2. Little Falls-Morrison County Airport Commission (Continued)

prepare and recommend to the City Council and County Board a complete plan for the disposition of the property. The plan will provide for the continuation of the use of the property as a public airport, if practicable.

- b. If the agreement is terminated by action of Morrison County, all capital improvement assets will belong to the City of Little Falls free and clear of any claim by the County.
- c. If the agreement is terminated by action of the City of Little Falls, all capital improvement assets jointly owned by the City and County will belong to the City of Little Falls, provided the City pays the County 50 percent of the depreciated value of the capital improvement assets.

Morrison County provided \$21,314 in funding to the Commission during 2014. Financial information for the Commission can be obtained from:

Little Falls-Morrison County Airport Commission
Little Falls City Hall
100 N.E. 7th Avenue
Little Falls, Minnesota 56345

3. Morrison-Todd-Wadena Community Health Services Board

The County Boards of Cass, Morrison, Todd, and Wadena Counties formed a Board of Health in 1977, via a joint powers agreement, for the purposes of maintaining an integrated system of community health services under Minn. Stat. ch. 145. On January 1, 2006, Cass County withdrew from the Board of Health, and Morrison County became the new fiscal agent. The full Board of Health is composed of five County Commissioners in each of the three counties. The Board appoints an executive committee of two County Commissioners from each of the three counties. An advisory committee composed of three representatives from each of the single county advisory committees makes recommendations to the Board of Health throughout the year. An administrative task force of the three public health directors meets on a monthly basis.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

3. Morrison-Todd-Wadena Community Health Services Board (Continued)

The three counties share responsibility to provide secretarial and financial services and to carry out the administrative requirements of the Board of Health. The three public health directors rotate the administrator position each year. Separate financial information is not available.

4. Morrison County Interagency Coordinating Council

The Morrison County Interagency Coordinating Council (MCICC) was established pursuant to Minn. Stat. § 124D.23. Participants include Mid-State Education District 6979; Tri-County Community Action; Morrison County Public Health; Morrison County Social Services; Morrison County Corrections; and Independent School Districts 482, 484, 485, 486, and 487.

The purpose of the MCICC is to strengthen the network of prevention, early identification, and intervention services for children, youth, and families in Morrison County.

Control of the MCICC is vested in a governing board composed of the Morrison County Social Services Director, the Morrison County Public Health Director, a Morrison County Corrections representative, and the Mid-State Education District Director. Morrison County Social Services is the fiscal agent for the MCICC. Financial information for the MCICC is accounted for in the Local Collaborative Agency Fund of Morrison County.

5. Central Minnesota Emergency Medical Services Region

The Central Minnesota Emergency Medical Services Region was established in 2001, under Minn. Stat. § 471.59, to improve access, delivery, and effectiveness of the emergency medical services system; promote systematic and cost-effective delivery of services; and identify and address system needs within the member Counties. The member Counties include Benton, Cass, Crow Wing, Chisago, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright. In 2013, Chisago and Isanti Counties withdrew from the Region. The

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

5. Central Minnesota Emergency Medical Services Region (Continued)

Region established a Board comprising one Commissioner from each member county. The Region's Board has financial responsibility, and Stearns County is the fiscal agent.

Complete financial information can be obtained from:

Ms. Marion Larson
Regional EMS Coordinator
Central Minnesota Emergency Medical Services Region
Stearns County Administration Center
P. O. Box 1107
St. Cloud, Minnesota 56302

6. South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a Joint Powers Agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. As of December 31, 2010, Cass, Freeborn, and Crow Wing Counties withdrew from the joint powers. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

The purpose of the SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health, and medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the above-listed member counties.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

6. South Country Health Alliance (Continued)

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2014, was \$3,845,418. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as Human Services expenses or revenues.

Complete financial information can be obtained from:

Mr. Brian V. Hicks
Chief Fiscal Officer
South Country Health Alliance
2300 Park Drive, Suite 100
Owatonna, Minnesota 55060

7. Central Minnesota Violent Offender Task Force

The Counties of Morrison, Benton, Todd, Sherburne, and Stearns, and the Cities of Sartell, Sauk Rapids, Waite Park, St. Joseph, St. Cloud, and Little Falls, have entered into a joint powers agreement to investigate, identify, and disrupt illegal drug and gang activity through multi-jurisdictional investigations in Central Minnesota.

The Stearns County Sheriff's Office is the fiscal agent for the Central Minnesota Violent Offender Task force. Members provide officers to the Task Force in lieu of appropriations; Morrison County provided no cash funding to this organization during 2014.

Control of the Task Force is vested in a Board of Directors. The members of the board comprise the sheriff of each member county, a county attorney from a member party as the legal advisor to the Task Force, the Chief of Police for the Little Falls Police Department, the Chief of Police for the City of St. Cloud, and one representative from among the Chiefs of Police of Sartell, Sauk Rapids, Waite Park, and St. Joseph, selected annually by a majority vote of the Chiefs of Police.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

7. Central Minnesota Violent Offender Task Force (Continued)

Complete financial information can be obtained from:

City of St. Cloud Police Department
101 - 11th Avenue North
P. O. Box 1616
St. Cloud, Minnesota 56303

8. Central Minnesota Emergency Services Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

The Central Minnesota Emergency Services Board is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their representative City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

8. Central Minnesota Emergency Services Board (Continued)

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants.

Complete financial information can be obtained from:

Central Minnesota Emergency Services Board
City of St. Cloud
Office of the Mayor
City Hall
400 Second Street South
St. Cloud, Minnesota 56303

9. Great River Regional Library

On September 25, 1969, the Great River Regional Library was formed under a joint powers agreement, creating a regional public library system with Benton, Morrison, Stearns, and Wright Counties. It has expanded to include library services in Sherburne and Todd Counties.

The Board of Directors consists of 15 members, representing all six of the member Counties. The County provided \$459,843 to this organization during 2014.

Separate financial information can be obtained from:

Great River Regional Library
1300 W. St. Germain Street
St. Cloud, Minnesota 56301

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

10. Mississippi Headwaters Board

The Mississippi Headwaters Board was established on February 22, 1980, by Aitkin, Beltrami, Cass, Clearwater, Crow Wing, Hubbard, Itasca, and Morrison Counties, pursuant to the provisions of Minn. Stat. § 471.59. The purpose of the Board is to prepare, adopt, and implement a comprehensive land use plan designed to protect and enhance the Mississippi River and related shore land areas within the counties.

The Mississippi Headwaters Board consists of eight members, one appointed from each participating county. Funding is obtained through federal, state, local, and private sources. Crow Wing County maintains the accounting records of the Board. The County provided \$1,500 to this organization during 2014.

Complete financial information can be obtained from:

Mississippi Headwaters Board
Land Services Building
322 Laurel Street
Brainerd, Minnesota 56401

Email: mhb@co.crow-wing.mn.us

11. Rural Minnesota Concentrated Employment Programs, Inc., (Workforce Investment Act - Rural Minnesota Workforce Service Area 2)

Rural Minnesota Concentrated Employment Programs, Inc., was established to create job training and employment opportunities for economically disadvantaged, under-employed, and unemployed persons, and youthful persons in both the private and the public sector.

The County provided \$231,903 to this organization in 2014.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

C. Jointly Governed Organizations

1. Community Health Information Collaborative

The Community Health Information Collaborative (CHIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the CHIC during 2014.

2. Region Four - West Central Minnesota Homeland Security Emergency Management Organization

The Region Four - West Central Minnesota Homeland Security Emergency Management Organization (WCMHSEM) was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the WCMHSEM region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Morrison County's responsibility does not extend beyond making this appointment.

3. Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Morrison County paid MCCC \$95,156 for services provided.

4. Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County made no payments to the joint powers.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Jointly Governed Organizations (Continued)

5. Sentence to Serve

Morrison County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations, and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Morrison County has no operational or financial control over the STS program, Morrison County budgets for a percentage of this program.

The STS program is a joint effort of Morrison County and the Minnesota Departments of Corrections and Natural Resources. It is designed to have a positive effect by helping inmates meet their court orders and by providing work projects, which improve the management of the state's natural resources. The Morrison County STS Program will enter into agreements with entities qualified as Non-Profit 501(c)(3) to provide labor for projects.

D. Subsequent Event

In July of 2015, the South Country Health Alliance lost its bid to continue providing comprehensive health maintenance services to 11 of its 12 participating counties, including Morrison County. The decision by the Minnesota Department of Human Services is being appealed by the 11 counties. The ultimate impact on the South Country Health Alliance and, therefore Morrison County's investment in the joint venture, is unknown.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

5. Housing and Redevelopment Authority of Morrison County

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity

The Housing and Redevelopment Authority (HRA) of Morrison County is a component unit of Morrison County and is reported in a separate column in the County's financial statements to emphasize that the HRA is a legally separate entity from Morrison County. The HRA of Morrison County operates as a local government unit for the purpose of providing housing and redevelopment services to the local area. The governing body consists of a five-member board appointed by the County. The financial statements included are as of and for the year ended December 31, 2014.

2. Budget Information

The HRA adopts an estimated revenue and expense budget for each fund. Comparisons of estimated revenues and budgeted expenses to actual are not presented in the financial statements. Amendments to the original budget require board approval. Appropriations lapse at year-end. The HRA does not use encumbrance accounting.

3. Assets, Liabilities, and Fund Equity Accounts

Cash and Cash Equivalents

Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost. All checking, savings, certificates of deposit, and cash on hand are included in cash for the cash flow statement.

Prepaid Items

Prepaid expenses present the unexpired premium on insurance policies.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of each fund involved.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

5. Housing and Redevelopment Authority of Morrison County

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Fund Equity Accounts (Continued)

Capital Assets

Capital assets, including property, buildings, and furniture and equipment, are reported in the applicable business-type activities columns in the government-wide financial statements, and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Depreciation is recorded using the straight-line method over the various lives of the assets, which range from 3 to 40 years.

Liabilities

All liabilities are recorded as incurred in the appropriate enterprise fund.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the HRA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Vacation and Sick Leave

Under the HRA's personnel policies, employees are granted vacation and sick leave in varying amounts based on status and length of service. Vacation amounts range from one day to two days per month. Unpaid vacation pay is generally paid at the

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

5. Housing and Redevelopment Authority of Morrison County

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Fund Equity Accounts

Vacation and Sick Leave (Continued)

time of separation from employment. Sick leave is earned at a rate of up to one and one-half days per month with a maximum accumulation of 100 days. Maximum accumulation for vacation is 24 days.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

B. Detailed Notes

1. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that, in the event of a bank failure, the HRA's deposits and investments may not be returned or the HRA will not be able to recover collateral securities in the possession of an outside party. The HRA does not include a disclosure concerning deposit policies for custodial credit risk in its financial statements. As of December 31, 2014, the book balance of the HRA's deposits totaled \$23,222, and the bank balance totaled \$30,871.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

5. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes (Continued)

2. Capital Assets

A summary of the HRA's capital assets at December 31, 2014, follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and improvements	\$ 23,500	\$ -	\$ -	\$ 23,500
Capital assets depreciated				
Buildings	\$ 328,029	\$ 579	\$ -	\$ 328,608
Equipment and other	12,802	-	-	12,802
Total capital assets depreciated	\$ 340,831	\$ 579	\$ -	\$ 341,410
Less: accumulated depreciation	93,607	15,207	-	108,814
Total capital assets depreciated, net	\$ 247,224	\$ (14,628)	\$ -	\$ 232,596
Business-Type Activities Capital Assets, Net	\$ 270,724	\$ (14,628)	\$ -	\$ 256,096

Depreciation expense was charged to the following funds:

Business-type activities	
Housing Choice Vouchers	\$ 706
State/Local	14,501
	<u>15,207</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 15,207</u>

3. Liabilities

Liabilities at December 31, 2014, consisted of the following:

Accounts payable (less than 90 days)	\$ 3,736
Unearned revenues	370
Salaries payable	10,698
Accrued liabilities - other	794
Accrued compensated absences - current portion	1,275
Accrued compensated absences - noncurrent	1,912
Accrued interest payable	507
Current portion of long-term debt	37,677
Long-term debt, net of current	81,056
	<u>138,025</u>
Total Liabilities	<u>\$ 138,025</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

5. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes

3. Liabilities (Continued)

Long-term debt includes: (1) a mortgage note payable to US Bank secured by the building owned by the HRA, with an interest rate of 4.64 percent and monthly payments of \$1,506; and (2) a \$30,000 loan from Pine Country Bank with an interest rate of 5.00 percent, due on May 1, 2015.

Long-term liability activity for the year ended December 31, 2014, was as follows:

	<u>Building Loan</u>	<u>Pine Country Bank</u>	<u>Total</u>
Balance - January 1, 2014	\$ 104,272	\$ 29,310	\$ 133,582
Payments made	(11,642)	(3,207)	(14,849)
Balance - December 31, 2014	<u>\$ 92,630</u>	<u>\$ 26,103</u>	<u>\$ 118,733</u>
Due Within One Year	<u>\$ 11,574</u>	<u>\$ 26,103</u>	<u>\$ 37,677</u>

Debt service requirements at December 31, 2014, were as follows:

<u>Year Ending December 31</u>	<u>Building Loan</u>	<u>Pine Country Bank</u>	<u>Total</u>
2015	\$ 11,574	\$ 26,103	\$ 37,677
2016	12,153	-	12,153
2017	12,731	-	12,731
2018	13,310	-	13,310
2019	13,976	-	13,976
Thereafter	<u>28,886</u>	<u>-</u>	<u>28,886</u>
Balance December 31, 2014	<u>\$ 92,630</u>	<u>\$ 26,103</u>	<u>\$ 118,733</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

5. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes

3. Liabilities (Continued)

Changes in compensated absences for the period ended December 31, 2014, are as follows:

Balance - January 1, 2014	\$	6,037
Net change in compensated absences		<u>(2,850)</u>
Balance - December 31, 2014	\$	<u>3,187</u>
Due Within One Year	\$	<u>1,275</u>

C. Pension Plan

Eligible employees participate in a defined benefit pension plan with the Principal Mutual Insurance Company. The plan provides for coverage as follows:

Total Wages	\$	<u>50,320</u>	
Covered Wages	\$	<u>50,320</u>	
Employer contribution	\$	4,026	8.0%
Employee contribution		<u>2,516</u>	<u>5.0</u>
Total	\$	<u>6,542</u>	<u>13.0%</u>

D. Summary of Significant Contingencies and Other Items

Risk Management

The HRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty and workers' compensation liabilities are insured. The HRA retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the basic financial statements.

Prior Period Adjustment

Correct prior year accounts receivable	\$	<u>11,111</u>
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REQUIRED SUPPLEMENTARY INFORMATION

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 9,238,083	\$ 9,238,083	\$ 9,353,546	\$ 115,463
Special assessments	-	-	60	60
Licenses and permits	293,470	293,470	332,391	38,921
Intergovernmental	2,838,549	2,838,549	3,322,210	483,661
Charges for services	1,732,200	1,732,200	1,781,158	48,958
Fines and forfeits	2,000	2,000	15,010	13,010
Investment income	200,000	200,000	91,502	(108,498)
Miscellaneous	442,450	442,450	396,750	(45,700)
	<u>\$ 14,746,752</u>	<u>\$ 14,746,752</u>	<u>\$ 15,292,627</u>	<u>\$ 545,875</u>
Expenditures				
Current				
General government				
Commissioners	\$ 286,836	\$ 286,836	\$ 269,116	\$ 17,720
Courts	98,200	98,200	79,314	18,886
Law library	35,000	35,000	34,026	974
Administrator	391,337	391,337	371,868	19,469
Risk management administration	265,845	265,845	265,320	525
Auditor/treasurer	921,421	921,421	832,127	89,294
Motor vehicle/license bureau	329,904	329,904	327,736	2,168
Assessor	815,500	815,500	812,544	2,956
Information services	620,013	620,013	507,970	112,043
Attorney	793,939	793,939	784,520	9,419
Recorder	408,269	408,269	365,006	43,263
Surveyor	2,400	2,400	8,475	(6,075)
Planning and zoning	336,692	336,692	378,830	(42,138)
Buildings and plant	797,680	797,680	756,677	41,003
Veterans service officer	214,470	214,470	236,678	(22,208)
Appropriations - airport	20,500	20,500	21,314	(814)
Other general government	60,000	60,000	130,808	(70,808)
	<u>\$ 6,398,006</u>	<u>\$ 6,398,006</u>	<u>\$ 6,182,329</u>	<u>\$ 215,677</u>
Public safety				
Sheriff	\$ 2,906,352	\$ 2,906,352	\$ 2,870,789	\$ 35,563
Boat and water safety	14,351	14,351	19,208	(4,857)
Coroner	74,000	74,000	63,287	10,713
E-911 system	110,000	110,000	207,538	(97,538)
County jail	1,907,012	1,907,012	1,849,225	57,787
Civil defense	78,743	78,743	103,032	(24,289)
Community corrections	174,605	174,605	174,660	(55)
Other public safety	86,824	86,824	303,133	(216,309)
	<u>\$ 5,351,887</u>	<u>\$ 5,351,887</u>	<u>\$ 5,590,872</u>	<u>\$ (238,985)</u>

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

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Health				
Nursing service	\$ 2,460,651	\$ 2,460,651	\$ 2,206,768	\$ 253,883
Culture and recreation				
Historical society	\$ 37,500	\$ 37,500	\$ 37,635	\$ (135)
Other	29,300	29,300	171,534	(142,234)
Total culture and recreation	\$ 66,800	\$ 66,800	\$ 209,169	\$ (142,369)
Conservation of natural resources				
County extension	\$ 162,913	\$ 162,913	\$ 160,390	\$ 2,523
Soil and water conservation	92,500	92,500	92,500	-
Agricultural society	35,000	35,000	35,194	(194)
Water planning	20,627	20,627	20,627	-
Other	73,949	73,949	107,586	(33,637)
Total conservation of natural resources	\$ 384,989	\$ 384,989	\$ 416,297	\$ (31,308)
Economic development				
Community development	\$ 46,000	\$ 46,000	\$ 46,000	\$ -
Intergovernmental				
Culture and recreation				
Library	\$ 459,843	\$ 459,843	\$ 459,843	\$ -
Total Expenditures	\$ 15,168,176	\$ 15,168,176	\$ 15,111,278	\$ 56,898
Excess of Revenues Over (Under)				
Expenditures	\$ (421,424)	\$ (421,424)	\$ 181,349	\$ 602,773
Other Financing Sources (Uses)				
Transfers out	-	-	(10,034)	(10,034)
Net Change in Fund Balance	\$ (421,424)	\$ (421,424)	\$ 171,315	\$ 592,739
Fund Balance - January 1	8,628,866	8,628,866	8,628,866	-
Fund Balance - December 31	\$ 8,207,442	\$ 8,207,442	\$ 8,800,181	\$ 592,739

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,217,246	\$ 3,217,246	\$ 3,219,003	\$ 1,757
Intergovernmental	6,496,235	6,496,235	7,662,606	1,166,371
Charges for services	-	-	278,998	278,998
Miscellaneous	-	-	61,145	61,145
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 9,713,481</u>	<u>\$ 9,713,481</u>	<u>\$ 11,221,752</u>	<u>\$ 1,508,271</u>
Expenditures				
Current				
Highways and streets				
Administration	\$ 409,977	\$ 409,977	\$ 423,270	\$ (13,293)
Maintenance	2,763,747	2,763,747	3,091,144	(327,397)
Construction	5,341,461	5,341,461	5,843,593	(502,132)
Equipment maintenance and shop	1,186,130	1,186,130	1,445,821	(259,691)
Other	-	-	40,132	(40,132)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total highways and streets	<u>\$ 9,701,315</u>	<u>\$ 9,701,315</u>	<u>\$ 10,843,960</u>	<u>\$ (1,142,645)</u>
Conservation of natural resources				
Agricultural inspector	12,166	12,166	9,330	2,836
Intergovernmental				
Highways and streets	-	-	495,734	(495,734)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 9,713,481</u>	<u>\$ 9,713,481</u>	<u>\$ 11,349,024</u>	<u>\$ (1,635,543)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (127,272)</u>	<u>\$ (127,272)</u>
Fund Balance - January 1	<u>5,008,902</u>	<u>5,008,902</u>	<u>5,008,902</u>	<u>-</u>
Increase (decrease) in inventories	<u>-</u>	<u>-</u>	<u>69,675</u>	<u>69,675</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	<u>\$ 5,008,902</u>	<u>\$ 5,008,902</u>	<u>\$ 4,951,305</u>	<u>\$ (57,597)</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,096,270	\$ 3,096,270	\$ 3,117,358	\$ 21,088
Intergovernmental	4,867,530	4,867,530	5,023,671	156,141
Charges for services	515,900	515,900	668,040	152,140
Miscellaneous	386,700	386,700	616,033	229,333
Total Revenues	\$ 8,866,400	\$ 8,866,400	\$ 9,425,102	\$ 558,702
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,091,250	\$ 3,091,250	\$ 3,332,896	\$ (241,646)
Social services	5,841,150	5,841,150	5,498,054	343,096
Total Expenditures	\$ 8,932,400	\$ 8,932,400	\$ 8,830,950	\$ 101,450
Excess of Revenues Over (Under) Expenditures	\$ (66,000)	\$ (66,000)	\$ 594,152	\$ 660,152
Other Financing Sources (Uses)				
Transfers in	-	-	10,034	10,034
Net Change in Fund Balance	\$ (66,000)	\$ (66,000)	\$ 604,186	\$ 670,186
Fund Balance - January 1	3,407,661	3,407,661	3,407,661	-
Fund Balance - December 31	\$ 3,341,661	\$ 3,341,661	\$ 4,011,847	\$ 670,186

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 215,862	\$ 215,862	\$ 218,183	\$ 2,321
Licenses and permits	16,000	16,000	17,450	1,450
Intergovernmental	114,007	114,007	123,175	9,168
Charges for services	1,981,204	1,981,204	2,275,566	294,362
Investment income	-	-	21,986	21,986
Miscellaneous	53,500	53,500	15,840	(37,660)
Total Revenues	\$ 2,380,573	\$ 2,380,573	\$ 2,672,200	\$ 291,627
Expenditures				
Current				
Sanitation				
Solid waste	3,634,385	3,634,385	3,521,006	113,379
Net Change in Fund Balance	\$ (1,253,812)	\$ (1,253,812)	\$ (848,806)	\$ 405,006
Fund Balance - January 1	6,118,484	6,118,484	6,118,484	-
Fund Balance - December 31	\$ 4,864,672	\$ 4,864,672	\$ 5,269,678	\$ 405,006

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2012	\$ -	\$ 1,924,502	\$ 1,924,502	0.00%	\$ 11,064,617	17.39%
January 1, 2013	-	2,065,138	2,065,138	0.00	11,479,540	17.98
January 1, 2014	-	2,084,146	2,084,146	0.00	12,145,344	17.16

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Budgetary Information

The County Board adopts annual budgets for the General Fund, and the Road and Bridge, Social Services, and Solid Waste Special Revenue Funds. These budgets are prepared on the modified accrual basis of accounting. An annual budget is not adopted for the Debt Service Fund.

Based on a process established by the County Board, all departments of the County submit requests for appropriations to the County Administrator each year. After review, analysis, and discussions with the departments, the County Administrator's proposed budget is presented to the County Board for review. The County Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The overall budget is prepared by fund, function, and department. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriations--is the function level. Budgets may be amended during the year with proper approval.

2. Excess of Expenditures Over Budget

The following major governmental funds had expenditures in excess of budget at the function level for the year ended December 31, 2014:

	Actual	Expenditures Final Budget	Excess
General Fund			
Current			
Public safety	\$ 5,590,872	\$ 5,351,887	\$ 238,985
Culture and recreation	209,169	66,800	142,369
Conservation of natural resources	416,297	384,989	31,308
Road and Bridge Special Revenue Fund			
Current			
Highways and streets	10,843,960	9,701,315	1,142,645
Intergovernmental			
Highways and streets	495,734	-	495,734

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

NONMAJOR 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.

County Building - to account for funds accumulated for the repair of buildings used for County administration. Financing is provided primarily by an annual property tax levy.

County Parks - to account for the operation, maintenance, and development of the County's park system including acquisition of land, park development, park maintenance, and administration of park activities. Financing is provided primarily by an annual property tax levy.

AGENCY FUNDS

The agency funds are used to account for assets held by the County as an agent for other governmental units, individuals, or private organizations.

Local Collaborative - to account for the collection and payment of amounts due to the Morrison County Interagency Coordinating Council.

Motor Vehicle - to account for the collection and payment of fees and licenses for motor vehicles, boats, and snowmobiles.

Special Districts - to account for the collection and distribution of tax levies for districts other than schools, towns, and cities.

School Districts - to account for the collection and distribution of tax levies for school districts.

State Revenue - to account for transfers of the State of Minnesota's share of mortgage registry taxes.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

NONMAJOR FUNDS

AGENCY FUNDS
(Continued)

Towns and Cities - to account for the collection and distribution of tax levies for towns and cities.

Morrison, Todd, and Wadena Board of Health - to account for the receipts and disbursements of the Morrison, Todd, and Wadena Board of Health.

Forfeited Land - to account for all funds collected per state statute for sales of property forfeited for unpaid taxes.

Taxes and Penalties - to account for the collection and distribution of taxes and penalties to the various taxing districts.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	Special Revenue Funds		
	County Building	County Parks	Total
<u>Assets</u>			
Cash and pooled investments	\$ 294,863	\$ 242,874	\$ 537,737
Delinquent taxes receivable	3,681	2,423	6,104
Total Assets	\$ 298,544	\$ 245,297	\$ 543,841
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 512	\$ 14,025	\$ 14,537
Contracts payable	-	12,125	12,125
Total Liabilities	\$ 512	\$ 26,150	\$ 26,662
Deferred Inflows of Resources			
Unavailable revenue	\$ 3,681	\$ 2,423	\$ 6,104
Fund Balances			
Committed			
Park projects	\$ -	\$ 216,724	\$ 216,724
County building projects	294,351	-	294,351
Total Fund Balances	\$ 294,351	\$ 216,724	\$ 511,075
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 298,544	\$ 245,297	\$ 543,841

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Special Revenue Funds		
	County Building	County Parks	Total
Revenues			
Taxes	\$ 111,451	\$ 53,200	\$ 164,651
Intergovernmental	14,014	6,513	20,527
Miscellaneous	4,724	2,101	6,825
Total Revenues	\$ 130,189	\$ 61,814	\$ 192,003
Expenditures			
Current			
General government	\$ 117,733	\$ -	\$ 117,733
Culture and recreation	-	74,149	74,149
Total Expenditures	\$ 117,733	\$ 74,149	\$ 191,882
Net Change in Fund Balance	\$ 12,456	\$ (12,335)	\$ 121
Fund Balance - January 1	281,895	229,059	510,954
Fund Balance - December 31	\$ 294,351	\$ 216,724	\$ 511,075

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 110,986	\$ 110,986	\$ 111,451	\$ 465
Intergovernmental	14,014	14,014	14,014	-
Miscellaneous	-	-	4,724	4,724
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 125,000	\$ 125,000	\$ 130,189	\$ 5,189
Expenditures				
Current				
General government	125,000	125,000	117,733	7,267
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	\$ -	\$ -	\$ 12,456	\$ 12,456
Fund Balance - January 1	281,895	281,895	281,895	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - December 31	\$ 281,895	\$ 281,895	\$ 294,351	\$ 12,456
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 51,435	\$ 51,435	\$ 53,200	\$ 1,765
Intergovernmental	6,513	6,513	6,513	-
Miscellaneous	-	-	2,101	2,101
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 57,948	\$ 57,948	\$ 61,814	\$ 3,866
Expenditures				
Current				
Culture and recreation				
Parks	67,948	67,948	74,149	(6,201)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	\$ (10,000)	\$ (10,000)	\$ (12,335)	\$ (2,335)
Fund Balance - January 1	229,059	229,059	229,059	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - December 31	\$ 219,059	\$ 219,059	\$ 216,724	\$ (2,335)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FIDUCIARY FUNDS

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>LOCAL COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 535,275	\$ 161,332	\$ 240,287	\$ 456,320
Departmental cash	6	2	6	2
Accrued interest receivable	5,159	4,223	5,159	4,223
Total Assets	\$ 540,440	\$ 165,557	\$ 245,452	\$ 460,545
<u>Liabilities</u>				
Due to other governments	\$ 540,440	\$ 165,557	\$ 245,452	\$ 460,545
 <u>MOTOR VEHICLE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 20,925	\$ 264,168	\$ 271,751	\$ 13,342
<u>Liabilities</u>				
Due to other governments	\$ 20,925	\$ 264,168	\$ 271,751	\$ 13,342
 <u>SPECIAL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 144,845	\$ 144,845	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 144,845	\$ 144,845	\$ -

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 8,475,176	\$ 8,475,176	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 8,475,176	\$ 8,475,176	\$ -
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 93,232	\$ 741,220	\$ 695,146	\$ 139,306
<u>Liabilities</u>				
Due to other governments	\$ 93,232	\$ 741,220	\$ 695,146	\$ 139,306
 <u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 9,495,260	\$ 9,495,260	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 9,495,260	\$ 9,495,260	\$ -

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MORRISON, TODD, AND WADENA BOARD OF HEALTH</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 265,641	\$ 1,178,728	\$ 1,367,608	\$ 76,761
<u>Liabilities</u>				
Due to other governments	\$ 265,641	\$ 1,178,728	\$ 1,367,608	\$ 76,761
 <u>FORFEITED LAND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 80,877	\$ 5,384	\$ 83,696	\$ 2,565
<u>Liabilities</u>				
Due to other governments	\$ 80,877	\$ 5,384	\$ 83,696	\$ 2,565
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 411,742	\$ 40,158,493	\$ 40,076,595	\$ 493,640
<u>Liabilities</u>				
Due to other governments	\$ 411,742	\$ 40,158,493	\$ 40,076,595	\$ 493,640

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**EXHIBIT C-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,407,692	\$ 60,624,606	\$ 60,850,364	\$ 1,181,934
Departmental cash	6	2	6	2
Accrued interest receivable	5,159	4,223	5,159	4,223
Total Assets	\$ 1,412,857	\$ 60,628,831	\$ 60,855,529	\$ 1,186,159
<u>Liabilities</u>				
Due to other governments	\$ 1,412,857	\$ 60,628,831	\$ 60,855,529	\$ 1,186,159

RURAL DEVELOPMENT FINANCE AUTHORITY COMPONENT UNIT

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**MORRISON COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY
LITTLE FALLS, MINNESOTA**

EXHIBIT D-1

**GENERAL FUND BALANCE SHEET
AND GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	General Fund	Reconciliation	Governmental Activities
<u>Assets</u>			
Current assets			
Cash	\$ 380,714	\$ -	\$ 380,714
Loans receivable	496,244	-	496,244
	Total Assets	\$ -	\$ 876,958
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u>			
Deferred Inflows of Resources			
Unavailable revenue	\$ 496,244	\$ (496,244)	\$ -
Fund Balance			
Restricted for economic development	380,714	(380,714)	
Net Position			
Restricted for economic development		876,958	876,958
	Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ -	\$ 876,958
 Reconciliation of the General Fund Balance to Net Position			
Fund Balance - General Fund			\$ 380,714
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.			496,244
Net Position - Governmental Activities			\$ 876,958

**MORRISON COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY
LITTLE FALLS, MINNESOTA**

EXHIBIT D-2

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Reconciliation	Governmental Activities
Revenues			
Taxes	\$ 73,541	\$ -	\$ 73,541
Intergovernmental			
State-shared revenues	1,826	-	1,826
Investment income	16,366	-	16,366
Insurance dividends	461	-	461
Miscellaneous	50,333	(44,160)	6,173
Total Revenues	\$ 142,527	\$ (44,160)	\$ 98,367
Expenditures/Expenses			
Current			
Economic development	47,271	-	47,271
Net Change in Fund Balance/Change in Net Position	\$ 95,256	\$ (44,160)	\$ 51,096
Fund Balance/Net Position - January 1	285,458	540,404	825,862
Fund Balance/Net Position - December 31	\$ 380,714	\$ 496,244	\$ 876,958

**Reconciliation of the Statement of General Fund Revenues,
Expenditures, and Changes in Fund Balance to the Statement
of Activities**

Net Change in Fund Balance \$ 95,256

In the fund, 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 revenue between the fund statement and the statement of activities is the increase or decrease in unavailable revenue.

(44,160)

Change in Net Position of Governmental Activities

\$ 51,096

OTHER SCHEDULES

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

Shared Revenue

State

Highway users tax	\$	6,848,052
County program aid		1,611,014
Market value credit - real property		403,761
PERA rate reimbursement		48,267
Disparity reduction aid		29,097
Aquatic invasive species		59,340
Police aid		141,530
SCORE		90,802
Enhanced 911		111,082
		111,082

Total shared revenue **\$ 9,342,945**

Reimbursement for Services

Minnesota Department of Human Services	\$	947,380
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Payments - Local

Local share of construction	\$	174,108
Payments in lieu of taxes		191,177
		191,177

Total payments - local **\$ 365,285**

Grants

State

Minnesota Department/Board of		
Corrections	\$	17,686
Public Safety		210,674
Health		222,305
Veterans Affairs		10,000
Revenue		3,529
Natural Resources		147,970
Human Services		1,671,823
Water and Soil Resources		197,088
Pollution Control Agency		5,095
Peace Officer Standards and Training Board		7,080
		7,080

Total state **\$ 2,493,250**

Federal

Department of		
Agriculture	\$	419,102
Justice		14,585
Transportation		21,192
Health and Human Services		2,530,155
Homeland Security		120,282
		120,282

Total federal **\$ 3,105,316**

Total state and federal grants **\$ 5,598,566**

Total Intergovernmental Revenue **\$ 16,254,176**

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT E-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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	\$ 150,623
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>268,479</u>
Total U.S. Department of Agriculture		\$ 419,102
U.S. Department of Justice		
Direct		
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	\$ 8,985
Passed Through Minnesota Department of Public Safety Residential Substance Abuse Treatment for State Prisoners	16.593	<u>5,600</u>
Total U.S. Department of Justice		\$ 14,585
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 5,764
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	13,041
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>2,387</u>
Total U.S. Department of Transportation		\$ 21,192
U.S. Department of Health and Human Services		
Direct		
Drug-Free Communities Support Program Grants	93.276	\$ 118,525
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families (Total Promoting Safe and Stable Families 93.556 - \$21,463)	93.556	7,068
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 - \$301,649)	93.558	250,435
Child Support Enforcement	93.563	596,887
Refugee and Entrant Assistance - State Administered Programs	93.566	1,357
Child Care and Development Block Grant	93.575	7,341
Stephanie Tubbs Jones Child Welfare Services Program	93.645	4,659
Foster Care - Title IV-E	93.658	151,029
Social Services Block Grant	93.667	184,458
Chafee Foster Care Independence Program	93.674	7,801
Children's Health Insurance Program	93.767	129
Medical Assistance Program	93.778	847,068
Block Grants for Community Mental Health Services	93.958	6,781
Block Grants for Prevention and Treatment of Substance Abuse	93.959	194,502

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**EXHIBIT E-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 Health		
Public Health Emergency Preparedness	93.069	8,601
Universal Newborn Hearing Screening	93.251	3,350
Immunization Cooperative Agreements	93.268	3,363
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	9,932
PPHF: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed Solely by Prevention and Public Health Funds	93.531	34,815
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 - \$301,649)	93.558	51,214
Maternal and Child Health Services Block Grant to the States	93.994	26,445
Passed Through Becker County, Minnesota		
Promoting Safe and Stable Families (Total Promoting Safe and Stable Families 93.556 - \$21,463)	93.556	14,395
Total U.S. Department of Health and Human Services		\$ 2,530,155
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 6,427
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	12,653
Emergency Management Performance Grants	97.042	22,755
Total U.S. Department of Homeland Security		\$ 41,835
Total Federal Awards		\$ 3,026,869

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Morrison County. The County's reporting entity is defined in Note 1 to the financial statements.

Morrison County's financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Morrison County component unit, which expended \$475,619 in federal awards during the year ended December 31, 2014. Those expenditures are not included in the County's Schedule of Expenditures of Federal Awards because the HRA had a separate single audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Morrison County under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Morrison County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Morrison County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 3,105,316
Grants unavailable in 2013, recognized as revenue in 2014	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	<u>(78,447)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 3,026,869</u>

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement	CFDA #93.563

The threshold for distinguishing between Types A and B programs was \$300,000.

Morrison County qualified as a low-risk auditee? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1996-002

Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: Several of the County's departments that collect fees lack proper segregation of duties. Offices that do not have sufficient segregation of duties include Planning and Zoning, Sheriff, Public Health, and Social Services. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Morrison 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.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us it does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

Recommendation: We recommend the County's elected officials and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

Client's Response:

Morrison County is fully aware of the limited number of office personnel in various offices and will do what is necessary to ensure that the assets of Morrison County are protected.

ITEM ARISING THIS YEAR

Finding 2014-001

County Jail and Canteen Account

Criteria: Management is responsible for establishing and maintaining internal control. The County should have sufficient controls in place over the County Jail operations, including the inmate canteen, to ensure the inventory of items for sale, receipts, and disbursements are being properly secured and accounted for.

Condition: During our audit of the County Jail's financial operations we noted the following:

- The Jail uses several different prenumbered "R" receipt books to receipt collections at several different locations within the Jail facility. The "R" receipts are not being reconciled to ensure that all of the sequential receipt numbers are being included when deposits are made to the County.
- When inmate canteen goods are received from vendors, they are not compared with the amount ordered or the amount invoiced and paid.
- When the individual canteen items ordered by inmates are delivered, the inmate does not sign to verify receipt of the items.
- There is no formal inventory system in place to account for the items held in the canteen.
- The Programmer is the only staff member who maintains the canteen inventory and orders goods. There are no backup staff members to perform these duties.
- There is no system in place for the Jail staff setting the prices for the items sold in the inmate canteen to monitor the sale price against the cost of the items.
- Three of the five canteen account program disbursements tested had a questionable public purpose. \$25.85 was spent on a retirement plaque; \$228.85 was spent on party supplies; and \$67.98 was spent on a retirement cake.

Context: The County Sheriff operates a canteen fund to purchase and sell items used by the inmates. Inmate purchases are deducted from the inmates' available funds. Revenues received from the sale of items are deposited with the County, and purchases of goods for resale are paid by the County. All transactions are recorded in the County's general ledger.

Effect: Lack of control over cash and canteen inventory in the County Jail, and expenditure of profits from canteen operations for items that do not have a public purpose.

Cause: There are several different “R” receipt books being used at one time, and a reconciliation of receipt numbers is not being performed. The County has no formal policies and procedures over the operations of the inmate canteen. The expenditure for party supplies was incorrectly coded by the department.

Recommendation: We recommend the number of different “R” receipt books being used at one time is minimized, and that receipt numbers are reviewed and reconciled to ensure all receipt numbers are included in remittances to the County. We further recommend the County establish formal policies and procedures for the inmate canteen operations, and that all profits from canteen operations be spent for appropriate public purposes.

Client’s Response:

All of our “R” receipt books are now being recorded in a spreadsheet. The receipts being sent to the Auditor are recorded in numerical order to be sure that all receipts are being used from the Booking/Fingerprinting Fee books. All receipts for PX money collected have the “R” receipts numbers written on the “J” receipts and then entered into the spreadsheet as they are deposited into the accounts. Since we have started this at the end of January we have not seen any issue with missing receipts.

We now have a file and spreadsheet for all PX items ordered. We also keep inventory for all items ordered by the inmates. We do a full inventory of our PX room twice a year. There was also a new line added to the inmates PX order sheet that says “I agree that once I receive my order and the Correctional Officer leaves the block that my order is complete and I have received all of my PX items” as well as a line that says “Your PX order is not complete and will not be filled unless it is signed above”.

We have set up a pricing system that sets all prices at 100% over cost so that we are covering costs, but not making a profit. We check these prices once or twice a year to ensure they are still in line with costs.

We will approve and code all expenses to ensure that they are expensed to the appropriate general ledger account, and that they are following County guidelines. If we have any questions, we will contact the Auditor’s office for assistance.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding 2014-002

Collateral Assignments

Criteria: Collateral assignments are required by Minn. Stat. § 118A.03, subd. 4, to be in writing and provide, upon default, that a depository shall release collateral pledged to the government entity on demand. The collateral must be 110 percent of the uninsured amount on deposit. The value of collateral should be monitored and substitutions of collateral should not be permitted unless the new collateral is of equal value to the collateral withdrawn. Notice should be provided to the County of any withdrawal or substitution of collateral.

Condition: Morrison County has deposits with Pine Country Bank in Royalton, Minnesota. To secure these deposits, US Bank holds collateral pledged to Morrison County. The standard “Collateral Control Agreement” (Agreement) provided by US Bank does not meet the statutory requirements as follows:

- The second paragraph of the Agreement states that “Owner has granted Secured party a security interest in certain financial assets...” The document wherein the Owner “grants” or “assigns” rights in the collateral is the “assignment.” Nowhere in the Agreement does the depository bank transfer any of its interests in the collateral to Morrison County.
- Minn. Stat. § 118A.03, subd. 4, requires the “assignment” to “...recite that upon default the financial institution shall release to the government entity ...the collateral pledged.” The Agreement does not contain this statutorily required language.
- Agreement Sections 5(g) and 5(h) both indicate that, unless the custodial bank is found to be guilty of gross negligence or willful misconduct, Morrison County (and the depository) will indemnify the custodial bank. The Minnesota Attorney General has indicated that public entities lack the authority to indemnify private companies.
- There is no mention of the amount of collateral that is to be pledged under the Agreement. By statute, the amount of collateral pledged must be 110 percent of the uninsured amount on deposit. *See* Minn. Stat. § 118A.03, subd. 3.

- There is no mention of the written notice required for substitutions and withdrawals. *See* Minn. Stat. § 118A.03, subd. 5. This is legally necessary because Section 10 of the Agreement states that this is the entire agreement between the parties. Further, from a practical point of view, such a provision is necessary because the “Safekeeping Agreement Terms and Conditions” provides in Section 8 that US Bank will allow the depository bank to withdraw the pledged securities at any time upon written request. This means that US Bank will allow the depository bank to withdraw all or some of the collateral with no notice to Morrison County.
- Under Section 5(c) of the Agreement, US Bank does not warrant the value or validity of securities held. This is in contrast to a Federal Reserve Bank custodial account, wherein the Federal Reserve Bank monitors the value and type of the collateral held and will not permit substitutions unless the new collateral is of equal value to that of the collateral withdrawn. US Bank not only does not monitor the value or validity of the collateral, it allows the depository bank to substitute and reduce the amount of collateral with no notice to Morrison County.

Context: Current collateral assignments are advisable to ensure that proper statutory language is included in the collateral assignments so that the County’s interests are properly protected. The collateral assignments should also be approved by the bank’s board of directors or loan committee in order to be enforceable. *See* 12 U.S.C. § 1823(e).

Effect: The current Agreement with US Bank does not conform to the requirements of Minn. Stat. § 118A.03, subds. 3, 4, and 5.

Cause: The County has not been successful in its attempts to obtain a pledge agreement from US Bank that conforms to the requirements of Minn. Stat. § 118A.03, subds. 3, 4, and 5.

Recommendation: We recommend the County obtain from its depository bank a written assignment that meets statutory requirements. The assignment should be reviewed to make sure it includes the statutory language required by Minn. Stat. § 118A.03, subds. 3, 4, and 5, and is approved by the bank’s board of directors or loan committee.

Client's Response:

An attorney from US Bank has been working with legal staff from the State Auditor's Office to try and resolve this issue. We hope to have this issue resolved and new pledge documents in place by the end of 2015. If this can't be achieved, we have discussed the option with Pine Country Bank of using another depository who can provide the needed language and documents.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Morrison County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Independent Auditor's Report

Board of County Commissioners
Morrison County
Little Falls, Minnesota

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morrison County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 2, 2015. Our report includes references to other auditors who audited the financial statements of the Housing and Redevelopment Authority of Morrison County, a discretely presented component unit, and the South Country Health Alliance joint venture, as described in our report on Morrison County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morrison County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-002 and 2014-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morrison County's financial statements are free from 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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the cities administer tax increment financing in Morrison County.

In connection with our audit, nothing came to our attention that caused us to believe that Morrison County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 2014-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

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

Morrison County's Response to Findings

Morrison County's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 2, 2015

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Morrison County
Little Falls, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Morrison County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. Morrison County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Morrison County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Morrison County component unit, which expended \$475,619 in federal awards during the year ended December 31, 2014, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the HRA of Morrison County because it had a separate single audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Morrison County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Morrison 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Morrison County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Morrison County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 2, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR