

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

YEAR ENDED DECEMBER 31, 2008

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.

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Year Ended December 31, 2008



**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
2008**

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	Thomas R. Wenzel	January 2005	January 2009
2nd District	Jeff Schilling	January 2005	January 2009
3rd District	Gene Young ¹	January 2005	January 2009
4th District	Donald Meyer	January 2007	January 2011
5th District	Duane Johnson	January 2007	January 2011
Officers			
Elected			
Attorney	Brian Middendorf	January 2007	January 2011
Auditor	Russ Nygren	January 2007	January 2011
Recorder	Elda Mae Johnston	January 2007	January 2011
Sheriff	Michel Wetzell	January 2007	January 2011
Treasurer	Deb Gruber	January 2007	January 2011
Appointed			
Assessor	Glen Erickson	December 2005	December 2009
Corrections	Larry Falk		Indefinite
County Administrator	Steve Reger ²	July 2008	January 2009
Court Administrator	Rhonda Dot		Indefinite
Extension	Jim Carlson		Indefinite
Information Systems	Mike Disher		Indefinite
Planning and Zoning Director	Jane Starz		Indefinite
Public Health Director	Bonnie Paulsen		Indefinite
Public Works Director	Steven Backowski	May 2005	May 2009
Social Services Director	Melanie Beseman ³		Indefinite
Veterans Service Officer	Paul Froncak	July 2005	July 2009

¹Chair

²Appointed Interim County Administrator in July 2008.

³Appointed Interim Social Services Director in July 2008.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Morrison County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morrison County, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Morrison County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morrison County as of December 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3.C.9. to the financial statements, during the year ended December 31, 2008, the County adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2009, 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* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

October 8, 2009

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008
(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, 2008. 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, 2008, and the prior year, 2007, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008 fiscal year include the following:

- County-wide net assets increased 2.6 percent over the prior year.
- Overall fund level revenues totaled \$37,868,724 and were \$1,499,402 less than expenditures.
- The General Fund's fund balance decreased \$1,049,980 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts: Independent Auditors' Report; required supplementary information, which includes the MD&A (this section) and certain budgetary comparison schedules; the basic financial statements; and supplemental 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**

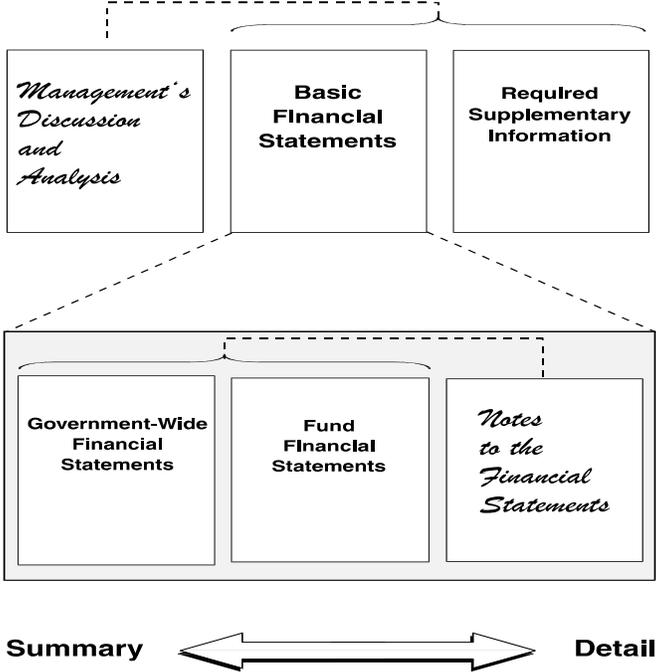


Figure A-2 summarizes the major features of the County’s financial statements, including the portion of the County’s activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

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 assets	Balance sheet	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures, and changes in fund balance	Statement of changes in fiduciary net assets
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 revenues and expenses 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 assets 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 assets and how they have changed. Net assets--the difference between the County's assets and liabilities--are one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net assets 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 non-financial 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, we provide additional information at the bottom of the governmental funds statements that 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 assets. 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 Assets

The County's net assets were \$97,824,654 on December 31, 2008. (See Table A-1.)

Table A-1
Net Assets

	<u>Governmental Activities</u>		<u>Percent (%) Change</u>
	<u>2008</u>	<u>2007</u>	
Current and other assets	\$ 26,381,799	\$ 27,736,253	(4.9)
Capital and noncurrent assets	85,147,136	82,711,041	2.9
Total Assets	<u>\$ 111,528,935</u>	<u>\$ 110,447,294</u>	1.0
Current liabilities	\$ 1,627,186	\$ 1,535,726	6.0
Long-term liabilities	12,077,095	13,590,533	(11.1)
Total Liabilities	<u>\$ 13,704,281</u>	<u>\$ 15,126,259</u>	(9.4)
Net Assets			
Invested in capital assets, net of related debt	\$ 77,196,001	\$ 73,831,162	4.6
Restricted	5,062,342	5,192,943	(2.5)
Unrestricted	15,566,311	16,296,930	(4.5)
Total Net Assets	<u>\$ 97,824,654</u>	<u>\$ 95,321,035</u>	2.6

Changes in Net Assets

The total county-wide revenues on a full accrual basis were \$37,875,621 for the year ended December 31, 2008. Property taxes and intergovernmental revenues accounted for 79.7 percent of total revenue for the year. (See Table A-2.)

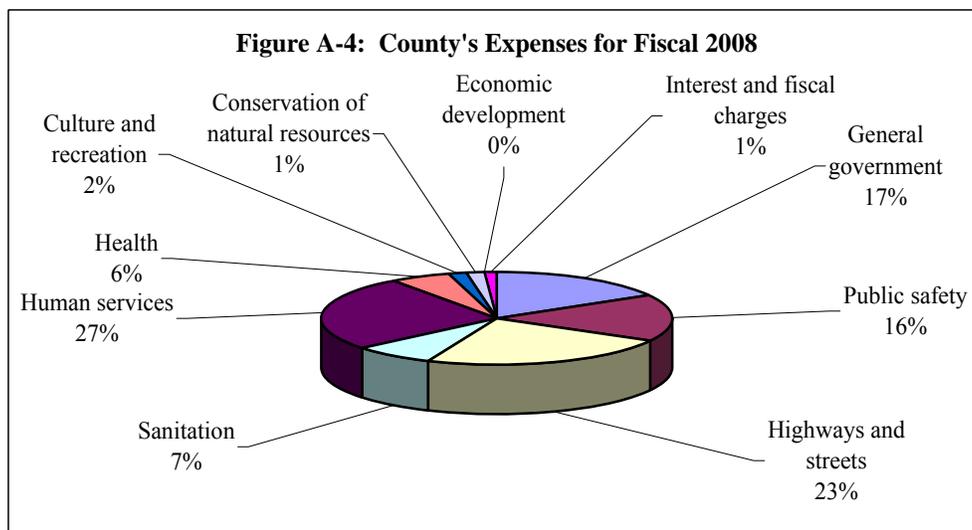
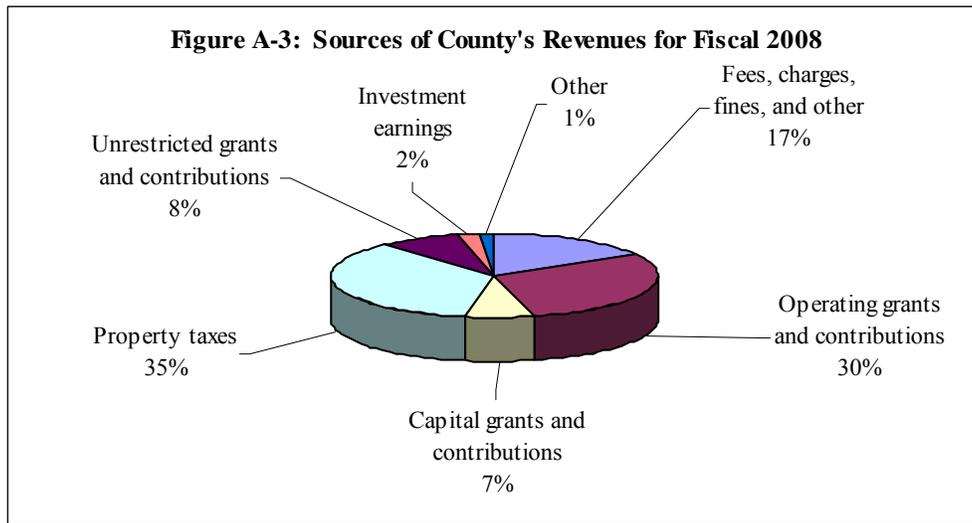
Table A-2
Changes in Net Assets

	Governmental Activities		Total (%) Change
	2008	2007	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 6,302,312	\$ 7,705,019	(18.2)
Operating grants and contributions	11,195,957	8,668,026	29.2
Capital grants and contributions	2,518,638	3,087,939	(18.4)
General revenues			
Property taxes	13,394,815	12,750,743	5.1
Unrestricted grants and contributions	3,064,486	3,319,219	(7.7)
Investment earnings	833,607	1,114,844	(25.2)
Other	565,806	341,035	65.9
Total Revenues	<u>\$ 37,875,621</u>	<u>\$ 36,986,825</u>	2.4
Expenses			
General government	\$ 6,286,707	\$ 5,930,594	6.0
Public safety	5,727,690	5,823,148	(1.6)
Highways and streets	8,264,305	8,261,244	-
Sanitation	2,612,371	2,649,298	(1.4)
Human services	8,861,420	9,231,226	(4.0)
Health	2,201,930	2,064,837	6.6
Culture and recreation	557,847	569,582	(2.1)
Conservation of natural resources	441,160	526,925	(16.3)
Economic development	71,243	53,743	32.6
Interest and fiscal charges on long-term liabilities	347,329	382,414	(9.2)
Total Expenses	<u>\$ 35,372,002</u>	<u>\$ 35,493,011</u>	(0.3)
Increase in Net Assets	\$ 2,503,619	\$ 1,493,814	67.6
Beginning Net Assets	<u>95,321,035</u>	<u>93,827,221</u>	1.6
Ending Net Assets	<u>\$ 97,824,654</u>	<u>\$ 95,321,035</u>	2.6

Total revenues surpassed expenses, increasing net assets \$2,503,619 over last year.

The County-wide cost of all governmental activities this year was \$35,372,002.

- Some of the cost was paid by the users of the County’s programs (\$6,302,312).
- The federal and state governments subsidized certain programs with grants and contributions (\$13,714,595).
- The remaining County costs (\$15,355,095), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$13,394,815 in property taxes, \$3,064,486 of state aid, and \$1,399,413 with investment earnings and other general revenues.



**Table A-3
Cost of Services**

	Total Costs of Services		Percent (%) Change	Net Cost of (Revenue from) Services		Percent (%) Change
	2008	2007		2008	2007	
General government	\$ 6,286,707	\$ 5,930,594	6.0	\$ 4,910,907	\$ 4,272,689	14.9
Public safety	5,727,690	5,823,148	(1.6)	4,500,360	4,218,658	6.7
Highways and streets	8,264,305	8,261,244	-	374,328	1,478,500	(74.7)
Sanitation	2,612,371	2,649,298	(1.4)	524,717	863,755	(39.3)
Human services	8,861,420	9,231,226	(4.0)	3,268,509	3,846,562	(15.0)
Health	2,201,930	2,064,837	6.6	570,580	170,289	235.1
Culture and recreation	557,847	569,582	(2.1)	557,847	569,582	(2.1)
Conservation of natural resources	441,160	526,925	(16.3)	230,191	178,035	29.3
Economic development	71,243	53,743	32.6	70,327	51,543	36.4
Interest	347,329	382,414	(9.2)	347,329	382,414	(9.2)
Total	\$ 35,372,002	\$ 35,493,011	(0.3)	\$ 15,355,095	\$ 16,032,027	(4.2)

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 \$20,377,303.

Revenues for the County's governmental funds were \$37,868,724, while total expenditures were \$39,368,126. During 2008, the County issued no new debt.

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	
	2008	2007	Increase (Decrease)	Percent (%)
Taxes	\$ 6,884,109	\$ 6,566,672	\$ 317,437	4.8
Intergovernmental	3,147,186	3,198,674	(51,488)	(1.6)
Charges for services	2,514,377	3,128,961	(614,584)	(19.6)
Investment income	673,763	936,219	(262,456)	(28.0)
Miscellaneous and other	971,011	1,082,252	(111,241)	(10.3)
Total General Fund Revenues	\$ 14,190,446	\$ 14,912,778	\$ (722,332)	(4.8)

Total General Fund revenue decreased by \$722,332, or (4.8) 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. During 2008, the County was unallotted \$276,302 from the state in County program aid. Charges for services decreased in 2008 due to less demand for jail beds and the downturn in the economy. Interest on investments was also down due to lower interest rates and the reduction in fund balance.

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)
	2008	2007		
General government	\$ 5,951,723	\$ 5,532,702	\$ 419,021	7.6
Public safety	5,703,063	6,122,741	(419,678)	(6.9)
Health	2,150,563	2,027,404	123,159	6.1
Culture and recreation	55,752	61,710	(5,958)	(9.7)
Conservation of natural resources	435,688	521,666	(85,978)	(16.5)
Economic development	71,243	53,743	17,500	32.6
Intergovernmental	872,394	452,223	420,171	92.9
Total Expenditures	\$ 15,240,426	\$ 14,772,189	\$ 468,237	3.2

General Fund Budgetary Highlights

- Over the course of the year, the County did not revise the annual operating budget.
- Actual revenues were \$15,880 more than expected; this was mostly due to increased grant money that was received in 2008.
- The actual expenditures were \$762,729 more than budget. This was due to a South Country Health Alliance capital call of approximately \$400,000, dispatch center renovation costs, and a one-time cost of \$179,000 to close the Juvenile Center in Brainerd.

DEBT SERVICE

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

CAPITAL ASSETS

By the end of 2008, the County had invested over \$133,000,000 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 3.A.2. to the financial statements.) Total depreciation expense for the year was \$3,443,225.

Table A-6
Capital Assets

	2008	2007	Percent (%) Change
Land	\$ 3,729,499	\$ 3,672,859	1.5
Buildings	22,384,624	22,158,009	1.0
Machinery, furniture, and equipment	6,858,965	6,862,915	(0.1)
Infrastructure	100,656,541	95,525,355	5.4
Less: accumulated depreciation	<u>(48,538,628)</u>	<u>(45,572,976)</u>	6.5
Total	<u>\$ 85,091,001</u>	<u>\$ 82,646,162</u>	3.0

LONG-TERM LIABILITIES

At year-end, the County had \$12,077,095, in long-term liabilities outstanding. The County's total debt decreased \$1,513,438 due mainly to scheduled debt payments for bonds.

Table A-7
Long-Term Liabilities

	2008	2007	Percent (%) Change
General obligation bonds	\$ 7,895,000	\$ 8,815,000	(10.4)
Compensated absences	1,778,909	1,796,693	(1.0)
Other postemployment benefits (OPEB)	76,520	-	-
Estimated liability for landfill closure/postclosure	<u>2,326,666</u>	<u>2,978,840</u>	(21.9)
Total	<u>\$ 12,077,095</u>	<u>\$ 13,590,533</u>	(11.1)

FACTORS BEARING ON THE COUNTY'S FUTURE

The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the legislature may decrease revenues again. It is anticipated that the County will be unallocated \$209,000 in program aid in 2009 and another \$418,000 in 2010. This does not take into consideration other programs that are seeing cuts in program aid. The economic downturn has had a negative effect on County revenues such as interest income and planning and zoning charges for services. The inability to rent out jail beds to other counties who are 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. 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.

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, or Russ Nygren, County Auditor, at (320) 632-0130.

COMPONENT UNIT

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. Complete financial statements of the Morrison County Rural Development Finance Authority can be obtained at 213 First Avenue S.E., Little Falls, Minnesota 56345-3196.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	Primary Government Governmental Activities	Component Unit Rural Development Finance Authority
<u>Assets</u>		
Cash and pooled investments	\$ 19,787,249	\$ 219,067
Cash with escrow agent	224,107	-
Petty cash and change funds	10,855	-
Departmental cash	10,274	-
Delinquent taxes receivable	549,771	-
Special assessments receivable		
Delinquent	372	-
Accounts receivable	267,612	-
Accrued interest receivable	415,087	-
Loans receivable	19,000	-
Due from other governments	3,590,049	-
Inventories	462,369	-
Investment in joint venture	1,045,054	-
Deferred charges	56,135	-
Capital assets		
Non-depreciable	3,729,499	-
Depreciable - net of accumulated depreciation	81,361,502	-
Total Assets	\$ 111,528,935	\$ 219,067
<u>Liabilities</u>		
Accounts payable	\$ 471,883	\$ -
Salaries payable	437,513	-
Contracts payable	305,223	-
Due to other governments	175,198	-
Accrued interest payable	138,863	-
Unearned revenue	98,506	-
Long-term liabilities		
Due within one year	1,186,351	-
Due in more than one year	10,890,744	-
Total Liabilities	\$ 13,704,281	\$ -
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 77,196,001	\$ -
Restricted for		
General government	21,262	-
Sanitation	3,036,060	-
Debt service	2,005,020	-
Unrestricted	15,566,311	219,067
Total Net Assets	\$ 97,824,654	\$ 219,067

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 6,286,707	\$ 1,136,624
Public safety	5,727,690	903,234
Highways and streets	8,264,305	501,958
Sanitation	2,612,371	2,002,072
Human services	8,861,420	702,599
Health	2,201,930	1,024,109
Culture and recreation	557,847	-
Conservation of natural resources	441,160	30,800
Economic development	71,243	916
Interest	347,329	-
Total Primary Government	<u>\$ 35,372,002</u>	<u>\$ 6,302,312</u>
Component unit		
Rural Development Finance Authority	<u>\$ 86,726</u>	<u>\$ 60,679</u>
 General Revenues		
		Property taxes
		Payments in lieu of tax
		Grants and contributions not restricted to specific programs
		Unrestricted investment income
		Miscellaneous
		Gain on sale of capital assets
		Total general revenues
		Change in net assets
		Net Assets - Beginning
		Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Rural Development Finance Authority
\$ 239,176	\$ -	\$ (4,910,907)	
324,096	-	(4,500,360)	
4,869,381	2,518,638	(374,328)	
85,582	-	(524,717)	
4,890,312	-	(3,268,509)	
607,241	-	(570,580)	
-	-	(557,847)	
180,169	-	(230,191)	
-	-	(70,327)	
-	-	(347,329)	
\$ 11,195,957	\$ 2,518,638	\$ (15,355,095)	
\$ -	\$ -		\$ (26,047)
		\$ 13,394,815	\$ 57,034
		212,573	-
		3,064,486	7,874
		833,607	1,365
		259,997	-
		93,236	-
		\$ 17,858,714	\$ 66,273
		\$ 2,503,619	\$ 40,226
		95,321,035	178,841
		\$ 97,824,654	\$ 219,067

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FUND FINANCIAL STATEMENTS

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 6,572,991	\$ 3,069,973
Cash with escrow agent	-	224,107
Petty cash and change funds	5,730	75
Departmental cash	9,224	-
Delinquent taxes receivable	276,184	107,088
Special assessments receivable		
Delinquent	-	-
Accounts receivable	119,858	8,466
Accrued interest receivable	290,148	-
Loans receivable	-	-
Due from other funds	4,471	-
Due from other governments	192,943	3,030,961
Inventories	-	462,369
	\$ 7,471,549	\$ 6,903,039
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 167,599	\$ 60,189
Salaries payable	269,217	61,025
Contracts payable	-	305,223
Due to other funds	-	-
Due to other governments	62,888	10,322
Deferred revenue - unavailable	276,184	3,028,064
Deferred revenue - unearned	98,506	-
	\$ 874,394	\$ 3,464,823
Fund Balances		
Reserved for		
Inventories	\$ -	\$ 462,369
Law library	21,262	-
Debt service	-	-
Loans receivable	-	-
Landfill closure	-	-
Election equipment	87,762	-
Unreserved		
Designated for future expenditures	1,877,401	-
Designated for contingencies	219,264	-
Undesignated	4,391,466	2,975,847
Unreserved, reported in nonmajor special revenue funds	-	-
	\$ 6,597,155	\$ 3,438,216
Total Liabilities and Fund Balances	\$ 7,471,549	\$ 6,903,039

EXHIBIT 3

<u>Social Services</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 2,681,321	\$ 5,166,649	\$ 1,971,953	\$ 324,362	\$ 19,787,249
-	-	-	-	224,107
5,050	-	-	-	10,855
-	313	737	-	10,274
112,596	5,328	45,208	3,367	549,771
-	356	-	16	372
29,136	110,152	-	-	267,612
-	92,609	32,330	-	415,087
-	-	-	19,000	19,000
-	-	-	-	4,471
359,404	6,741	-	-	3,590,049
-	-	-	-	462,369
<u>\$ 3,187,507</u>	<u>\$ 5,382,148</u>	<u>\$ 2,050,228</u>	<u>\$ 346,745</u>	<u>\$ 25,341,216</u>
\$ 191,603	\$ 52,447	\$ -	\$ 45	\$ 471,883
105,236	2,035	-	-	437,513
-	-	-	-	305,223
4,471	-	-	-	4,471
97,834	4,154	-	-	175,198
112,596	5,684	45,208	3,383	3,471,119
-	-	-	-	98,506
<u>\$ 511,740</u>	<u>\$ 64,320</u>	<u>\$ 45,208</u>	<u>\$ 3,428</u>	<u>\$ 4,963,913</u>
\$ -	\$ -	\$ -	\$ -	\$ 462,369
-	-	-	-	21,262
-	-	2,005,020	-	2,005,020
-	-	-	19,000	19,000
-	3,036,060	-	-	3,036,060
-	-	-	-	87,762
650,000	1,600,000	-	-	4,127,401
-	-	-	-	219,264
2,025,767	681,768	-	-	10,074,848
-	-	-	324,317	324,317
<u>\$ 2,675,767</u>	<u>\$ 5,317,828</u>	<u>\$ 2,005,020</u>	<u>\$ 343,317</u>	<u>\$ 20,377,303</u>
<u>\$ 3,187,507</u>	<u>\$ 5,382,148</u>	<u>\$ 2,050,228</u>	<u>\$ 346,745</u>	<u>\$ 25,341,216</u>

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Fund balances - total governmental funds (Exhibit 3)	\$	20,377,303
Amounts reported for governmental activities in the statement of net assets 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.		1,045,054
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		85,091,001
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		3,471,119
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$	(7,895,000)
Compensated absences		(1,778,909)
Estimated liability for landfill closure/postclosure		(2,326,666)
Accrued interest payable		(138,863)
Net other postemployment benefits payable		(76,520)
Deferred debt issuance charges		56,135
		(12,159,823)
Net Assets of Governmental Activities (Exhibit 1)		<u>\$ 97,824,654</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Road and Bridge
Revenues		
Taxes	\$ 6,884,109	\$ 2,525,651
Special assessments	-	-
Licenses and permits	365,750	-
Intergovernmental	3,147,186	7,990,275
Charges for services	2,514,377	365,950
Fines and forfeits	97,165	-
Investment income	673,763	-
Miscellaneous	508,096	136,008
	\$ 14,190,446	\$ 11,017,884
Expenditures		
Current		
General government	\$ 5,951,723	\$ -
Public safety	5,703,063	-
Highways and streets	-	10,227,113
Sanitation	-	-
Human services	-	-
Health	2,150,563	-
Culture and recreation	55,752	-
Conservation of natural resources	435,688	4,490
Economic development	71,243	-
Intergovernmental		
Highways and streets	-	336,486
Human services	395,870	-
Culture and recreation	476,524	-
Debt service		
Principal	-	-
Interest	-	-
	\$ 15,240,426	\$ 10,568,089
Net Change in Fund Balances	\$ (1,049,980)	\$ 449,795
Fund Balances - January 1	7,647,135	3,223,823
Increase (decrease) in reserved for inventories	-	(235,402)
Fund Balances - December 31	\$ 6,597,155	\$ 3,438,216

EXHIBIT 5

<u>Social Services</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 2,610,708	\$ 176,816	\$ 1,032,775	\$ 82,577	\$ 13,312,636
-	9	-	62	71
-	8,995	-	-	374,745
5,491,660	126,766	237,209	19,081	17,012,177
386,016	1,909,834	-	-	5,176,177
-	-	-	-	97,165
-	122,514	37,330	-	833,607
316,583	83,243	17,300	916	1,062,146
\$ 8,804,967	\$ 2,428,177	\$ 1,324,614	\$ 102,636	\$ 37,868,724
\$ -	\$ -	\$ -	\$ 228,214	\$ 6,179,937
-	-	-	-	5,703,063
-	-	-	-	10,227,113
-	3,191,421	-	-	3,191,421
8,450,774	-	-	-	8,450,774
-	-	-	-	2,150,563
-	-	-	25,274	81,026
-	-	-	46	440,224
-	-	-	-	71,243
-	-	-	-	336,486
391,740	-	-	-	787,610
-	-	-	-	476,524
-	-	920,000	-	920,000
-	-	352,126	16	352,142
\$ 8,842,514	\$ 3,191,421	\$ 1,272,126	\$ 253,550	\$ 39,368,126
\$ (37,547)	\$ (763,244)	\$ 52,488	\$ (150,914)	\$ (1,499,402)
2,713,314	6,081,072	1,952,532	494,231	22,112,107
-	-	-	-	(235,402)
\$ 2,675,767	\$ 5,317,828	\$ 2,005,020	\$ 343,317	\$ 20,377,303

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net change in fund balances - total governmental funds (Exhibit 5) **\$ (1,499,402)**

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 (decrease) in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 3,471,119	
Deferred revenue - January 1	(3,410,218)	60,901

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, proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 5,929,149	
Net book value of assets disposed of	(41,085)	
Current year depreciation	(3,443,225)	2,444,839

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

Principal repayments		
General obligation bonds	\$ 920,000	
Current year amortization of issuance costs	(8,744)	911,256

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	\$ 13,557	
Change in compensated absences	17,784	
Change in estimated liability for landfill closure/postclosure	652,174	
Change in other postemployment benefits	(76,520)	
Change in inventories	(235,402)	371,593

Transactions to record investment in joint venture

Increase in investment in joint venture		214,432
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Change in Net Assets of Governmental Activities (Exhibit 2) **\$ 2,503,619**

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 1,313,492
Departmental cash	413
Accrued interest receivable	<u>14,685</u>
Total Assets	<u>\$ 1,328,590</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 1,328,590</u>

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

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, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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 unit 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 Unit

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 Unit (Continued)

Complete financial statements of the Morrison County Rural Development Finance Authority can be obtained at 213 First Avenue S.E., Little Falls, Minnesota 56345-3196.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component unit. 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 assets, 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities 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.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary fund. 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 required to be accounted for in another fund.

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

The 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.

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.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, 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 2008 were \$673,763.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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 (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

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."

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

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 2003 through 2008. 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, and Net Assets or Equity

2. Receivables and Payables (Continued)

Special assessments receivable consist of delinquent special assessments payable in the years 2003 through 2008 and deferred special assessments payable in 2009 and after. No provision has been made for an estimated uncollectible amount.

Noncurrent portions of loans receivable are equally offset by a reservation of fund balance to indicate that they should not be considered available spendable resources since they do not represent net current assets.

3. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. The inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Reported inventories are equally offset by reserved 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 market value at the date of donation.

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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.

6. Deferred Revenue

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

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

8. Fund Equity

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

9. 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.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget at the function level for the year ended December 31, 2008:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
General government	\$ 5,951,723	\$ 5,868,154	\$ 83,569
Public safety	5,703,063	5,397,664	305,399
Conservation of natural resources	435,688	405,433	30,255
Economic development	71,243	61,243	10,000
Intergovernmental			
Human services	395,870	-	395,870
Special Revenue Funds			
Road and Bridge			
Intergovernmental			
Highways and streets	336,486	-	336,486
Social Services			
Intergovernmental			
Human services	391,740	-	391,740
Solid Waste			
Current			
Sanitation	3,191,421	2,970,321	221,100
County Building			
Current			
General government	228,214	75,000	153,214

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. 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 assets	
Governmental activities	
Cash and pooled investments	\$ 19,787,249
Cash with escrow agent	224,107
Petty cash and change funds	10,855
Departmental cash	10,274
Discretely presented component unit	
Cash and pooled investments	219,067
Statement of fiduciary net assets	
Cash and pooled investments	1,313,492
Departmental cash	413
	<hr/>
Total Cash and Investments	\$ 21,565,457

a. Deposits

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

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. 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. The County does not have a deposit policy for custodial credit risk. As of December 31, 2008, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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. At December 31, 2008, 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.

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.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. At December 31, 2008, 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, 2008, 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	25.0%	<1yr	\$ 1,187,180
MAGIC Fund	74.7%	N/A	3,549,413
Money market with broker	N/A	N/A	14,919
Total investments			\$ 4,751,512
Deposits			16,144,534
Cash with escrow agent			224,107
Petty cash and change funds			10,855
Departmental cash			10,687
Cash on hand			204,695
Total cash and investments - primary government			\$ 21,346,390
Component unit			
Deposits			219,067
Total Cash and Investments			\$ 21,565,457

N/A - Not Applicable

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land - infrastructure right-of-way	\$ 1,844,079	\$ 57,740	\$ -	\$ 1,901,819
Land	1,828,780	-	1,100	1,827,680
Total capital assets not depreciated	\$ 3,672,859	\$ 57,740	\$ 1,100	\$ 3,729,499
Capital assets depreciated				
Buildings	\$ 22,158,009	\$ 226,615	\$ -	\$ 22,384,624
Machinery, furniture, and equipment	6,862,915	513,608	517,558	6,858,965
Infrastructure	95,525,355	5,131,186	-	100,656,541
Total capital assets depreciated	\$ 124,546,279	\$ 5,871,409	\$ 517,558	\$ 129,900,130
Less: accumulated depreciation for				
Buildings	\$ 6,375,400	\$ 472,890	\$ -	\$ 6,848,290
Machinery, furniture, and equipment	4,457,143	522,853	477,573	4,502,423
Infrastructure	34,740,433	2,447,482	-	37,187,915
Total accumulated depreciation	\$ 45,572,976	\$ 3,443,225	\$ 477,573	\$ 48,538,628
Total capital assets depreciated, net	\$ 78,973,303	\$ 2,428,184	\$ 39,985	\$ 81,361,502
Governmental Activities Capital Assets, Net	\$ 82,646,162	\$ 2,485,924	\$ 41,085	\$ 85,091,001

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

Governmental activities	
General government	\$ 328,274
Public safety	142,118
Highways and streets, including infrastructure assets	2,855,915
Sanitation	77,856
Human services	16,221
Health	22,601
Culture and recreation	240
Total Depreciation Expense - Governmental Activities	\$ 3,443,225

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, was as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Social Services	\$ 4,471

The Social Services Special Revenue Fund owed the General Fund for miscellaneous costs.

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

	Governmental Activities
Accounts	\$ 471,883
Salaries	437,513
Contracts	305,223
Due to other governments	175,198
Accrued interest	138,863
Total Payables	\$ 1,528,680

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable, state grants not collected soon enough after year-end to pay liabilities of the current period, and state and federal grants received but not yet earned. Deferred revenue at December 31, 2008, is summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major governmental funds				
General	\$ -	\$ 276,184	\$ 98,506	\$ 374,690
Road and Bridge	-	107,088	2,920,976	3,028,064
Social Services	-	112,596	-	112,596
Solid Waste	356	5,328	-	5,684
Debt Service	-	45,208	-	45,208
Nonmajor governmental funds				
County Building	-	2,409	-	2,409
County Parks	-	958	-	958
County Ditch	16	-	-	16
Total	<u>\$ 372</u>	<u>\$ 549,771</u>	<u>\$ 3,019,482</u>	<u>\$ 3,569,625</u>
Deferred revenue				
Unavailable	\$ 372	\$ 549,771	\$ 2,920,976	\$ 3,471,119
Unearned	<u>-</u>	<u>-</u>	<u>98,506</u>	<u>98,506</u>
Total	<u>\$ 372</u>	<u>\$ 549,771</u>	<u>\$ 3,019,482</u>	<u>\$ 3,569,625</u>

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 \$938,343 at December 31, 2008, is available to employees in the event of an absence but is not paid to them at termination.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

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, 2008, was \$18,550 for the eligible employees.

5. Long-Term Debt - Bonds

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
General obligation bonds					
1998 G.O. Capital Improvement Plan Refunding Bonds	2012	\$30,000 - \$220,000	4.10 - 4.90	\$ 975,000	\$ 445,000
2001 G.O. Capital Improvement Refunding Bonds	2010	\$210,000 - \$260,000	2.25 - 3.75	1,850,000	510,000
2002 G.O. Capital Improvement Plan Bonds	2018	\$155,000 - \$510,000	4.20 - 4.80	3,250,000	3,250,000
2002 G.O. Jail Revenue Refunding Bonds	2010	\$355,000 - \$430,000	3.00 - 3.55	2,725,000	845,000
2003 G.O. Capital Improvement Plan Bonds	2018	\$30,000 - \$65,000	2.50 - 4.25	705,000	545,000
2006A G.O. Capital Improvement Plan Bonds	2018	\$170,000 - \$230,000	4.00 - 4.25	1,785,000	1,785,000
2006B G.O. Capital Improvement Plan Bonds	2011	\$150,000 - \$180,000	4.00	665,000	515,000
Total General Obligation Bonds				<u>\$ 11,955,000</u>	<u>\$ 7,895,000</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Debt Service Requirements

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2009	\$ 970,000	\$ 315,493
2010	1,180,000	275,208
2011	780,000	236,183
2012	625,000	206,643
2013	645,000	179,815
2014 - 2018	3,695,000	433,889
Total	\$ 7,895,000	\$ 1,647,231

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 8,815,000	\$ -	\$ 920,000	\$ 7,895,000	\$ 970,000
Compensated absences	1,796,693	-	17,784	1,778,909	216,351
Net OPEB liability	-	124,264	47,744	76,520	-
Estimated liability for closure/postclosure	2,978,840	-	652,174	2,326,666	-
Total Long-Term Liabilities	\$ 13,590,533	\$ 124,264	\$ 1,637,702	\$ 12,077,095	\$ 1,186,351

8. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a 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 \$2,326,666 landfill closure and postclosure care liability at December 31, 2008, represents the cumulative amount reported to

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

8. Landfill Closure and Postclosure Care Costs (Continued)

date based on the use of 70.66 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$966,096 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. 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, 2008, the County has restricted net assets of \$3,036,060 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.

9. Other Postemployment Benefits

In 2008, the County implemented the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement required the County to calculate and record a net other postemployment benefits (OPEB) obligation at December 31, 2008. The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2008.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

9. Other Postemployment Benefits (Continued)

Plan Description

Morrison County provides a single-employer defined benefit healthcare 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, 2008, the date of the first actuarial valuation:

Active employees	254
Retired employees	<u>14</u>
Total Plan Participants	<u><u>268</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 healthcare plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For fiscal year 2008, the County contributed \$47,744 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost 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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

9. Other Postemployment Benefits

Annual OPEB Cost and Net OPEB Obligation (Continued)

costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2008, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

ARC	\$	124,264
Interest on net OPEB obligation		-
Adjustment to ARC		-
		-
Annual OPEB cost	\$	124,264
Contributions during the year		(47,744)
		(47,744)
Increase in net OPEB obligation	\$	76,520
Net OPEB obligation - beginning		-
		-
Net OPEB obligation - ending	\$	76,520

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 124,264	\$ 47,744	38.42%	\$ 76,520

Funding Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial liability for benefits was \$1,353,368, and the actuarial value of assets was zero, resulting in an unfunded actuarial liability (UAAL) of \$1,353,368. The covered payroll (annual payroll of active employees covered by the plan) was \$15,000,000, and the ratio of the UAAL to the covered payroll was 9.02 percent. Actuarial valuations of an ongoing plan involve estimates of the

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

9. Other Postemployment Benefits

Funding Status and Funding Progress (Continued)

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 healthcare 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, presented in the notes to the required supplementary information following the notes to the financial statements, is intended to present 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. In this first year only one year of funding data is presented.

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 December 31, 2008, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 10.0 percent initially reduced by the decrements to an ultimate rate of 5.0 percent after ten years. The UAAL is being amortized over 30 years on a closed basis.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Pension Plans

A. 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 Public 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.

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

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

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Pension Plans

A. Plan Description (Continued)

For all Public 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 Public 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 Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate increased to 9.4 percent in 2009. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

4. Pension Plans

B. Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	2008	2009
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2008	\$ 633,188	\$ 143,345	\$ 105,411
2007	605,590	133,885	103,229
2006	523,215	100,920	92,367

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

5. 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 Insurance 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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$410,000 per claim in 2008 and \$430,000 per claim in 2009. 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

The Central Minnesota Community Corrections Agency was established by Crow Wing and Morrison Counties in 1974 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, for the purpose of administering, budgeting, staffing, and operating correctional facilities. Effective January 1, 1992, Aitkin County became a member of the Agency. Crow Wing County maintains the accounting records of the Agency.

The governing board is composed of five County Commissioners from each of the participating counties.

The Central Minnesota Community Corrections Agency is funded through state grants and contributions from Aitkin, Crow Wing, and Morrison Counties. Morrison County had expenditures of \$420,045 for community corrections in 2008.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

1. Central Minnesota Community Corrections Agency (Continued)

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.

Complete financial information can be obtained from:

Central Minnesota Community Corrections Agency
Crow Wing County Courthouse
326 Laurel Street
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.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

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

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, 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 \$22,667 in funding to the Commission during 2008. 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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

3. Cass-Todd-Wadena-Morrison Community Health Services

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

The four counties share responsibility to provide secretarial and financial services and to carry out the administrative requirements of the Board of Health. The four public health directors rotate the administrator position each year. The Cass County Auditor serves as the fiscal agent. 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, which is 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.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

5. Central Minnesota Emergency Medical Services Region

The Central Minnesota Emergency Medical Services Region (CMEMSR) was established in 2001 pursuant to Minn. Stat. § 471.59, and is currently operating under a memorandum of understanding between Benton, Cass, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright Counties.

The purpose of the CMEMSR is to improve the planning, coordination, and implementation of emergency medical services within the member counties.

The CMEMSR has established a board which has general supervision over its activities. The Board consists of 14 County Commissioners, one from each of the member counties. Stearns County is the fiscal agent for the CMEMSR and reports the CMEMSR's activities in an agency fund in its financial statements.

Complete financial information can be obtained from:

Scott Miller, Regional EMS Coordinator
Central Minnesota Emergency Medical Services Region
Stearns County Administration Center
705 Courthouse Square
St. Cloud, Minnesota 56303

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 became members. 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 counties' health care functions, referred to as county-based purchasing.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

6. South Country Health Alliance (Continued)

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 member counties.

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, 2008, was \$1,045,054. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as human services expenses.

Complete financial statements for the SCHA may be obtained from its fiscal agent at:

630 Florence Avenue
P. O. Box 890
Owatonna, Minnesota 55060-0890

C. Subsequent Event

On September 1, 2009, the County issued \$3,190,000 General Obligation Capital Improvement Crossover Refunding Bonds, Series 2009A.

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REQUIRED SUPPLEMENTARY INFORMATION

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,039,464	\$ 7,039,464	\$ 6,884,109	\$ (155,355)
Licenses and permits	420,148	420,148	365,750	(54,398)
Intergovernmental	2,838,697	2,838,697	3,147,186	308,489
Charges for services	2,727,236	2,727,236	2,514,377	(212,859)
Fines and forfeits	54,000	54,000	97,165	43,165
Investment income	625,661	625,661	673,763	48,102
Miscellaneous	469,360	469,360	508,096	38,736
Total Revenues	\$ 14,174,566	\$ 14,174,566	\$ 14,190,446	\$ 15,880
Expenditures				
Current				
General government				
Commissioners	\$ 270,402	\$ 270,402	\$ 260,148	\$ 10,254
Courts	38,200	38,200	58,448	(20,248)
Law library	40,000	40,000	43,566	(3,566)
Administrator	336,484	336,484	382,401	(45,917)
Risk management administration	257,484	257,484	263,311	(5,827)
County auditor	743,648	743,648	679,111	64,537
Motor vehicle/license bureau	296,614	296,614	295,654	960
County treasurer	233,832	233,832	223,415	10,417
County assessor	743,253	743,253	734,161	9,092
Data processing	555,876	555,876	566,876	(11,000)
Attorney	680,343	680,343	667,605	12,738
Recorder	356,450	356,450	414,906	(58,456)
Surveyor	2,400	2,400	1,050	1,350
Planning and zoning	320,803	320,803	313,671	7,132
Buildings and plant	761,775	761,775	747,941	13,834
Veterans service officer	178,590	178,590	195,437	(16,847)
Appropriations - airport	27,000	27,000	22,667	4,333
Other general government	25,000	25,000	81,355	(56,355)
Total general government	\$ 5,868,154	\$ 5,868,154	\$ 5,951,723	\$ (83,569)
Public safety				
Sheriff	\$ 2,604,381	\$ 2,604,381	\$ 2,822,635	\$ (218,254)
Boat and water safety	22,762	22,762	19,062	3,700
Emergency services	80,000	80,000	1,924	78,076
Coroner	72,000	72,000	64,293	7,707
County jail	2,309,540	2,309,540	2,285,326	24,214
Civil defense	67,711	67,711	89,778	(22,067)
Community corrections	241,270	241,270	420,045	(178,775)
Total public safety	\$ 5,397,664	\$ 5,397,664	\$ 5,703,063	\$ (305,399)

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Health				
Nursing service	\$ 2,208,348	\$ 2,208,348	\$ 2,150,563	\$ 57,785
Culture and recreation				
Historical society	\$ 44,531	\$ 44,531	\$ 39,952	\$ 4,579
Other	15,800	15,800	15,800	-
Total culture and recreation	\$ 60,331	\$ 60,331	\$ 55,752	\$ 4,579
Conservation of natural resources				
County extension	\$ 156,495	\$ 156,495	\$ 151,994	\$ 4,501
Soil and water conservation	80,000	80,000	80,000	-
Agricultural society	45,336	45,336	69,397	(24,061)
Water planning	29,821	29,821	26,681	3,140
Other	93,781	93,781	107,616	(13,835)
Total conservation of natural resources	\$ 405,433	\$ 405,433	\$ 435,688	\$ (30,255)
Economic development				
Community development	\$ 61,243	\$ 61,243	\$ 71,243	\$ (10,000)
Intergovernmental				
Human services	\$ -	\$ -	\$ 395,870	\$ (395,870)
Culture and recreation				
Library	476,524	476,524	476,524	-
Total intergovernmental	\$ 476,524	\$ 476,524	\$ 872,394	\$ (395,870)
Total Expenditures	\$ 14,477,697	\$ 14,477,697	\$ 15,240,426	\$ (762,729)
Net Change in Fund Balance	\$ (303,131)	\$ (303,131)	\$ (1,049,980)	\$ (746,849)
Fund Balance - January 1	7,647,135	7,647,135	7,647,135	-
Fund Balance - December 31	\$ 7,344,004	\$ 7,344,004	\$ 6,597,155	\$ (746,849)

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,589,602	\$ 2,589,602	\$ 2,525,651	\$ (63,951)
Intergovernmental	9,107,713	9,107,713	7,990,275	(1,117,438)
Charges for services	315,000	315,000	365,950	50,950
Miscellaneous	-	-	136,008	136,008
Total Revenues	\$ 12,012,315	\$ 12,012,315	\$ 11,017,884	\$ (994,431)
Expenditures				
Current				
Highways and streets				
Administration	\$ 354,900	\$ 354,900	\$ 409,695	\$ (54,795)
Maintenance	1,896,656	1,896,656	1,879,087	17,569
Construction	8,348,400	8,348,400	6,778,222	1,570,178
Equipment, maintenance, and shops	1,085,024	1,085,024	1,025,059	59,965
Other	315,000	315,000	135,050	179,950
Total highways and streets	\$ 11,999,980	\$ 11,999,980	\$ 10,227,113	\$ 1,772,867
Conservation of natural resources				
Agricultural inspector	12,335	12,335	4,490	7,845
Intergovernmental				
Highways and streets	-	-	336,486	(336,486)
Total Expenditures	\$ 12,012,315	\$ 12,012,315	\$ 10,568,089	\$ 1,444,226
Net Change in Fund Balance	\$ -	\$ -	\$ 449,795	\$ 449,795
Fund Balance - January 1	3,223,823	3,223,823	3,223,823	-
Increase (decrease) in reserved for inventories	-	-	(235,402)	(235,402)
Fund Balance - December 31	\$ 3,223,823	\$ 3,223,823	\$ 3,438,216	\$ 214,393

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,677,077	\$ 2,677,077	\$ 2,610,708	\$ (66,369)
Intergovernmental	5,204,448	5,204,448	5,491,660	287,212
Charges for services	612,000	612,000	386,016	(225,984)
Miscellaneous	283,800	283,800	316,583	32,783
Total Revenues	\$ 8,777,325	\$ 8,777,325	\$ 8,804,967	\$ 27,642
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,022,025	\$ 3,022,025	\$ 2,883,958	\$ 138,067
Social services	5,875,300	5,875,300	5,566,816	308,484
Total human services	\$ 8,897,325	\$ 8,897,325	\$ 8,450,774	\$ 446,551
Intergovernmental				
Human services	-	-	391,740	(391,740)
Total Expenditures	\$ 8,897,325	\$ 8,897,325	\$ 8,842,514	\$ 54,811
Net Change in Fund Balance	\$ (120,000)	\$ (120,000)	\$ (37,547)	\$ 82,453
Fund Balance - January 1	2,713,314	2,713,314	2,713,314	-
Fund Balance - December 31	\$ 2,593,314	\$ 2,593,314	\$ 2,675,767	\$ 82,453

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 183,237	\$ 183,237	\$ 176,816	\$ (6,421)
Special assessments	-	-	9	9
Licenses and permits	17,000	17,000	8,995	(8,005)
Intergovernmental	128,184	128,184	126,766	(1,418)
Charges for services	1,616,900	1,616,900	1,909,834	292,934
Investment income	-	-	122,514	122,514
Miscellaneous	-	-	83,243	83,243
Total Revenues	\$ 1,945,321	\$ 1,945,321	\$ 2,428,177	\$ 482,856
Expenditures				
Current				
Sanitation				
Solid waste	2,970,321	2,970,321	3,191,421	(221,100)
Net Change in Fund Balance	\$ (1,025,000)	\$ (1,025,000)	\$ (763,244)	\$ 261,756
Fund Balance - January 1	6,081,072	6,081,072	6,081,072	-
Fund Balance - December 31	\$ 5,056,072	\$ 5,056,072	\$ 5,317,828	\$ 261,756

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Budgetary Information

The County Board adopts an annual budget for the following major funds: 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. Annual budgets are 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.

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

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, 2008:

	Expenditures		
	Actual	Final Budget	Excess
General Fund			
Current			
General government	\$ 5,951,723	\$ 5,868,154	\$ 83,569
Public safety	5,703,063	5,397,664	305,399
Conservation of natural resources	435,688	405,433	30,255
Economic development	71,243	61,243	10,000
Intergovernmental			
Human services	395,870	-	395,870

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

2. Excess of Expenditures Over Budget (Continued)

	Expenditures		Excess
	Actual	Final Budget	
Special Revenue Funds			
Road and Bridge			
Intergovernmental			
Highways and streets	336,486	-	336,486
Social Services			
Intergovernmental			
Human services	391,740	-	391,740
Solid Waste			
Current			
Sanitation	3,191,421	2,970,321	221,100

3. Other Post-Employment Benefits Funding Status

The County implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. Currently, only one year's worth of data is available. Future notes will provide additional trend analysis to meet the three year funding status requirements as it becomes available.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2008	\$ -	\$ 1,353,368	\$ 1,353,368	0.00%	\$ 15,000,000	9.02%

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 and service and use fees.

County Ditch - to account for the cost of maintaining County Ditch 901. Financing is provided by special assessments against the benefited property owners.

Revolving Loan - to account for the County's cooperative project revolving loan program.

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.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

NONMAJOR FUNDS

AGENCY FUNDS
(Continued)

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.

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

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.

NONMAJOR GOVERNMENTAL FUNDS

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	Special Revenue Funds				Total
	County Building	County Parks	County Ditch	Revolving Loan	
Assets					
Cash and pooled investments	\$ 119,433	\$ 110,275	\$ -	\$ 94,654	\$ 324,362
Delinquent taxes receivable	2,409	958	-	-	3,387
Special assessments receivable					
Delinquent	-	-	16	-	16
Loans receivable	-	-	-	19,000	19,000
Total Assets	\$ 121,842	\$ 111,233	\$ 16	\$ 113,654	\$ 346,745
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 45	\$ -	\$ -	\$ 45
Deferred revenue - unavailable	2,409	958	16	-	3,383
Total Liabilities	\$ 2,409	\$ 1,003	\$ 16	\$ -	\$ 3,428
Fund Balances					
Reserved for loans receivable	\$ -	\$ -	\$ -	\$ 19,000	\$ 19,000
Unreserved					
Designated for economic development	-	-	-	94,654	94,654
Undesignated	119,433	110,230	-	-	229,663
Total Fund Balances	\$ 119,433	\$ 110,230	\$ -	\$ 113,654	\$ 343,317
Total Liabilities and Fund Balances	\$ 121,842	\$ 111,233	\$ 16	\$ 113,654	\$ 346,745

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Special Revenue Funds				Total
	County Building	County Parks	County Ditch	Revolving Loan	
Revenues					
Taxes	\$ 59,437	\$ 23,140	\$ -	\$ -	\$ 82,577
Special assessments	-	-	62	-	62
Intergovernmental	13,748	5,333	-	-	19,081
Miscellaneous	-	-	-	916	916
Total Revenues	\$ 73,185	\$ 28,473	\$ 62	\$ 916	\$ 102,636
Expenditures					
Current					
General government	\$ 228,214	\$ -	\$ -	\$ -	\$ 228,214
Culture and recreation	-	25,274	-	-	25,274
Conservation of natural resources	-	-	46	-	46
Debt service					
Interest	-	-	16	-	16
Total Expenditures	\$ 228,214	\$ 25,274	\$ 62	\$ -	\$ 253,550
Net Change in Fund Balances	\$ (155,029)	\$ 3,199	\$ -	\$ 916	\$ (150,914)
Fund Balances - January 1	274,462	107,031	-	112,738	494,231
Fund Balances - December 31	\$ 119,433	\$ 110,230	\$ -	\$ 113,654	\$ 343,317

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 61,252	\$ 61,252	\$ 59,437	\$ (1,815)
Intergovernmental	13,748	13,748	13,748	-
Total Revenues	\$ 75,000	\$ 75,000	\$ 73,185	\$ (1,815)
Expenditures				
Current				
General government	75,000	75,000	228,214	(153,214)
Net Change in Fund Balance	\$ -	\$ -	\$ (155,029)	\$ (155,029)
Fund Balance - January 1	274,462	274,462	274,462	-
Fund Balance - December 31	\$ 274,462	\$ 274,462	\$ 119,433	\$ (155,029)

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 23,617	\$ 23,617	\$ 23,140	\$ (477)
Intergovernmental	5,333	5,333	5,333	-
Total Revenues	\$ 28,950	\$ 28,950	\$ 28,473	\$ (477)
Expenditures				
Current				
Culture and recreation				
Parks	28,950	28,950	25,274	3,676
Net Change in Fund Balance	\$ -	\$ -	\$ 3,199	\$ 3,199
Fund Balance - January 1	107,031	107,031	107,031	-
Fund Balance - December 31	\$ 107,031	\$ 107,031	\$ 110,230	\$ 3,199

FIDUCIARY FUNDS

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>LOCAL COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 658,511	\$ 235,664	\$ 84,969	\$ 809,206
Departmental cash	482	413	482	413
Accrued interest receivable	25,699	14,685	25,699	14,685
Total Assets	<u>\$ 684,692</u>	<u>\$ 250,762</u>	<u>\$ 111,150</u>	<u>\$ 824,304</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 684,692</u>	<u>\$ 250,762</u>	<u>\$ 111,150</u>	<u>\$ 824,304</u>
 <u>MOTOR VEHICLE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 18,482</u>	<u>\$ 243,322</u>	<u>\$ 241,593</u>	<u>\$ 20,211</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 18,482</u>	<u>\$ 243,322</u>	<u>\$ 241,593</u>	<u>\$ 20,211</u>
 <u>SPECIAL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ -</u>	<u>\$ 187,414</u>	<u>\$ 177,844</u>	<u>\$ 9,570</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ -</u>	<u>\$ 187,414</u>	<u>\$ 177,844</u>	<u>\$ 9,570</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 7,668,350	\$ 7,668,350	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 7,668,350	\$ 7,668,350	\$ -
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 48,494	\$ 692,276	\$ 703,493	\$ 37,277
<u>Liabilities</u>				
Due to other governments	\$ 48,494	\$ 692,276	\$ 703,493	\$ 37,277
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 337,856	\$ 35,130,173	\$ 35,082,766	\$ 385,263
<u>Liabilities</u>				
Due to other governments	\$ 337,856	\$ 35,130,173	\$ 35,082,766	\$ 385,263

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 7,858,904	\$ 7,858,904	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 7,858,904	\$ 7,858,904	\$ -
 <u>MORRISON, TODD, AND WADENA BOARD OF HEALTH</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 824,068	\$ 772,103	\$ 51,965
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 824,068	\$ 772,103	\$ 51,965
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,063,343	\$ 52,840,171	\$ 52,590,022	\$ 1,313,492
Departmental cash	482	413	482	413
Accrued interest receivable	25,699	14,685	25,699	14,685
Total Assets	\$ 1,089,524	\$ 52,855,269	\$ 52,616,203	\$ 1,328,590
<u>Liabilities</u>				
Due to other governments	\$ 1,089,524	\$ 52,855,269	\$ 52,616,203	\$ 1,328,590

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OTHER SCHEDULE

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Shared Revenue

State

Highway users tax	\$	4,837,797
County program aid		1,218,835
Market value credit - real property		1,762,587
Market value credit - mobile home		5,692
PERA rate reimbursement		48,267
Disparity reduction aid		29,105
Police aid		123,629
Enhanced 911		112,361
		112,361

Total Shared Revenue **\$ 8,138,273**

Reimbursement for Services

Minnesota Department of Human Services	\$	692,077
		692,077

Payments

Local

City contributions	\$	31,280
Payments in lieu of taxes		212,573
		212,573

Total Payments **\$ 243,853**

Grants

State

Minnesota Department of		
Corrections	\$	32,833
Transportation		1,156,933
Health		146,367
Natural Resources		129,285
Human Services		2,023,375
Veterans Services		32,512
Water and Soil Resources Board		180,169
Pollution Control Agency		85,582
Peace Officer Standards and Training Board		8,411
		8,411

Total State **\$ 3,795,467**

Federal

Department of		
Agriculture	\$	369,038
Justice		1,252
Transportation		1,308,886
Health and Human Services		2,436,280
Homeland Security		27,051
		27,051

Total Federal **\$ 4,142,507**

Total State and Federal Grants **\$ 7,937,974**

Total Intergovernmental Revenue **\$ 17,012,177**

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 8

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

I. SUMMARY OF AUDITOR'S RESULTS

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

Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Morrison County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-2 Departmental Internal Accounting Control

Due to the limited number of office personnel within the various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Offices that do not have sufficient segregation of duties include Planning and Zoning, Sheriff, Jail, Public Health, and Social Services. In these offices, there may be only one employee to receive and account for departmental collections. This is not unusual in small departmental situations; 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.

Examples of incompatible duties that should be performed by separate individuals are:

- receipting collections, posting collections to registers, and making bank deposits;
- signing checks and reconciling the bank accounts;
- receipting collections and posting collections to the accounts receivable records;
- approving receivable write-offs/write-downs and posting adjustments to the accounts receivable records; and
- data entry, adjusting accounting codes, and reviewing the monthly detailed report of receipts and disbursements for accuracy.

Some procedures the County's management may wish to consider to strengthen controls in these offices include:

- Departmental collections should be remitted to the County Treasurer more frequently than once each month, perhaps weekly or even daily, to reduce the amount of funds on hand.

- Department heads should monitor operations within their offices to determine that reports are submitted properly and are in agreement with cash balances and grant expenditures.
- When an office has only a department head and one other employee, the department head should perform some of the accounting functions.

We recommend that County management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that adequate controls are in place over cash, receivables, and other items.

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.

PREVIOUSLY REPORTED ITEMS RESOLVED

Audit Adjustments (06-1)

Our audit identified and corrected material misstatements in the financial statements that were not initially identified by the County's internal controls.

Resolution

No material audit adjustments were needed to correct the 2008 financial statements.

Segregation of Duties – Disbursements (07-1)

During our review of the general disbursement process, we noted several individuals who had the ability to both process disbursements and set up new vendors.

Resolution

The disbursement processing, vendor set-up, and maintenance duties have now been adequately segregated. All new vendors added to the system are reviewed by the Deputy Auditor/Finance Director on a regular basis.

Segregation of Duties - Payroll (07-2)

During our review of the payroll function, we noted that the individual who processes payroll also had the ability to change pay rates and add new employees to the payroll system.

Resolution

All employee status changes, including new employees and changes to pay rates, are initiated by the Administration Department. New procedures have been established requiring the County Auditor and the Deputy Auditor/Finance Director to review the payroll status changes on a monthly basis.

Controls Over Accounting System Journal Entries (07-3)

Certain employees had been given access to both create and post a journal entry without review or approval by a second person.

Resolution

The Deputy Auditor/Finance Director posts all journal entries. During 2008, new procedures were implemented requiring the County Auditor to review and sign off on all journal entries.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Administrative Offense Procedures (03-1)

The Morrison County Board created Administrative Offense Procedures through the adoption of several ordinances. Pursuant to these ordinances, Sheriff Department deputies issued administrative civil penalty tickets for various state traffic offenses including speeding, failure to obey traffic signals, and improper turns. Minn. Stat. ch. 169 states that local public entities do not have authority to issue administrative tickets for state traffic offenses.

Resolution

During 2009, the Minnesota Legislature enacted Minn. Stat. § 169.999, to both authorize the issuance of administrative citations for certain traffic offenses by local units of government, and to prescribe criteria for the citations. In order to use this authority, local governments must act to comply with the new law. Morrison County is in the process of enacting the prescribed criteria required to comply with this statute.

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REBECCA OTTO
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STATE OF MINNESOTA

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

Board of County Commissioners
Morrison County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morrison County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 8, 2009. 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.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Morrison County complied with the material terms and conditions of applicable legal provisions.

Morrison County's written response to the significant deficiency identified in our audit has been included in the Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

October 8, 2009

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

Board of County Commissioners
Morrison County

Compliance

We have audited the compliance of Morrison County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Morrison County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

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

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morrison County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 8, 2009. Our audit was performed for the purpose of forming opinions on the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

October 8, 2009

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 9

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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	\$ 167,929
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Special Nutrition Assistance Program	10.561	201,109
Total U.S. Department of Agriculture		\$ 369,038
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	\$ 1,252
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,318,266
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	9,753
Total U.S. Department of Transportation		\$ 1,328,019
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	\$ 59,900
Temporary Assistance for Needy Families (TANF)	93.558	266,199
Child Support Enforcement	93.563	585,417
Refugee and Entrant Assistance Grant	93.566	522
Child Care Cluster		
Child Care and Development Block Grant	93.575	149,676
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	86,434
Foster Care (Title IV-E)	93.658	197,205
Social Services Block Grant (Title XX)	93.667	217,243
Chafee Foster Care Independence Program	93.674	5,500
Children's Insurance Program	93.767	823
Medical Assistance Program	93.778	568,868
Block Grants for Community Mental Health Services	93.958	11,348
Block Grants for Prevention and Treatment of Substance Abuse	93.959	150,453
Passed Through Minnesota Department of Health Immunization Grants	93.268	500
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	52,083
Temporary Assistance for Needy Families (TANF)	93.558	42,398
Maternal and Child Health Services Block Grant	93.994	41,711
Total U.S. Department of Health and Human Services		\$ 2,436,280

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**Schedule 9
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 4,223
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	22,828
Total U.S. Department of Homeland Security		\$ 27,051
Total Federal Awards		\$ 4,161,640

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Morrison County. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are based on the modified accrual basis of accounting. Due to timing differences in revenue recognition under the modified accrual basis, expenditures on this schedule may not match the federal revenues reported in the financial statements. In 2008, reimbursable expenditures of \$19,133 for CFDA No. 20.205 were not recognized as revenues because the reimbursements were not received within the period of availability.
3. During 2008, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.