

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**MORRISON COUNTY**  
**LITTLE FALLS, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2005**

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

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

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

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

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

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

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

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

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

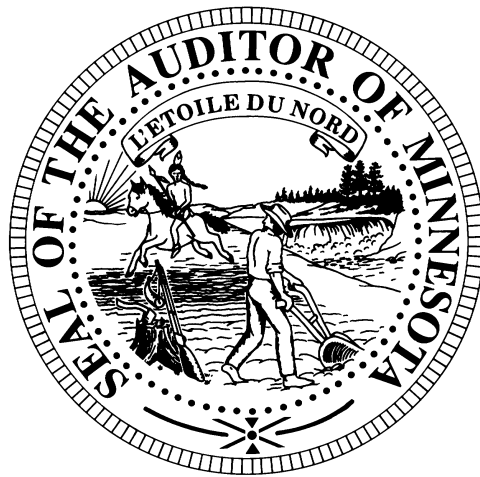
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

**Year Ended December 31, 2005**



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

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**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

**ORGANIZATION SCHEDULE  
2005**

Office	Name	Term of Office	
		From	To
<b>Commissioners</b>			
1st District	Tom Wenzel	January 2005	January 2009
2nd District	Jeff Schilling*	January 2005	January 2009
3rd District	Gene Young	January 2005	January 2009
4th District	Donald Meyer	January 2003	January 2007
5th District	William Block	January 2003	January 2007
<b>Officers</b>			
<b>Elected</b>			
Attorney	Conrad Freeburg	January 2003	January 2007
Auditor	Russ Nygren	January 2003	January 2007
Recorder	Elda Mae Johnston	January 2003	January 2007
Sheriff	Michel Wetzal	January 2003	January 2007
Treasurer	Deb Gruber	July 2005	December 2006
<b>Appointed</b>			
Assessor	Glen Erickson	December 2005	December 2009
Corrections	Larry Falk		Indefinite
County Administrator	Tim Houle		Indefinite
Court Administrator	Rhonda Russell		Indefinite
Extension	Jim Carlson		Indefinite
Information Systems	Mike Disher		Indefinite
Planning and Zoning Director	Jane Starz		Indefinite
Public Health Director	Kirsten Hoese		Indefinite
Public Works Director	Steve Backowski	May 2005	May 2009
Social Services Director	Steve Reger		Indefinite
Veterans Service Officer	Paul Froncak	July 2005	July 2009

\*Chair

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PATRICIA ANDERSON  
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, 2005, 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, 2005, 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.

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 listed in the table of contents is presented for purposes of additional analysis 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2006, 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/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: August 10, 2006

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

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**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2005  
(Unaudited)**

This section of Morrison County's annual financial report presents our Management's Discussion and Analysis (MD&A) of the County's financial performance during the fiscal year that ended on December 31, 2005.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2005 fiscal year included the following:

- The County's total net assets increased 7.6 percent over the prior year.
- Revenues for all governmental activities totaled \$34,075,344, and were \$6,152,776 more than expenses.
- The General Fund's fund balance increased \$250,916 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 fund 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 fund 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.

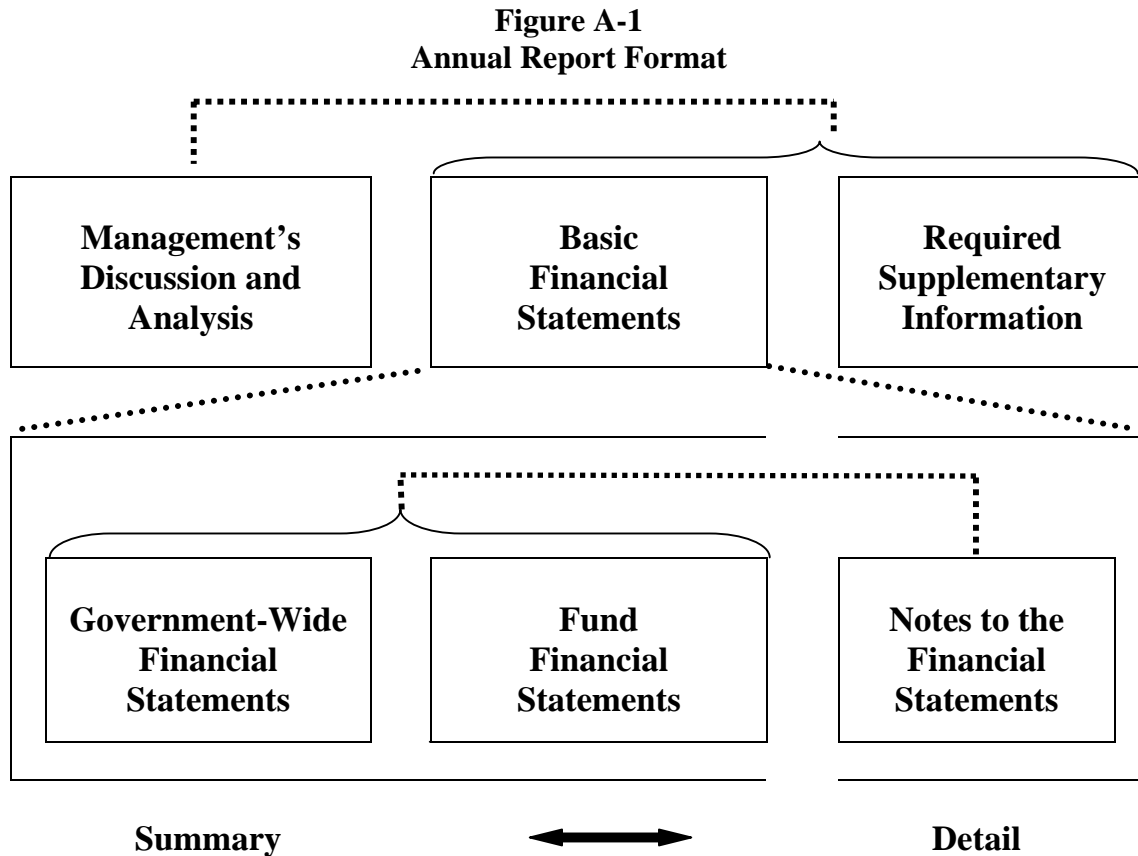


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

<b>Figure A-2 Major Features of the County's Government-Wide and Fund Financial Statements</b>			
	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire County government (except fiduciary funds) and the County's component unit	The activities of the County that are not 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, additional nonfinancial factors, such as changes in the County’s property tax base and the condition of County buildings and other facilities, need to be considered.

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 \$87,640,599 on December 31, 2005. (See Table A-1.)

**Table A-1**  
**Net Assets**

	2005	2004	Percent Change (%)
Current and other assets	\$ 26,079,699	\$ 27,382,257	(4.8)
Capital and noncurrent assets	<u>77,062,582</u>	<u>70,600,562</u>	9.2
Total Assets	<u>\$ 103,142,281</u>	<u>\$ 97,982,819</u>	5.3
Current liabilities	\$ 3,804,557	\$ 3,750,308	1.4
Long-term liabilities	<u>11,697,125</u>	<u>12,744,688</u>	(8.2)
Total Liabilities	<u>\$ 15,501,682</u>	<u>\$ 16,494,996</u>	(6.0)
Net Assets			
Net assets invested in capital assets net of related debt	\$ 67,947,582	\$ 59,938,562	13.4
Restricted	5,795,276	7,014,649	(17.4)
Unrestricted	<u>13,897,741</u>	<u>14,534,612</u>	(4.4)
Total Net Assets	<u>\$ 87,640,599</u>	<u>\$ 81,487,823</u>	7.6

### Changes in Net Assets

The County-wide total revenues were \$34,075,344 for the year ended December 31, 2005. Property taxes and intergovernmental revenues accounted for 78 percent of total revenue for the year. (See Table A-2.)

**Table A-2**  
**Changes in Net Assets**

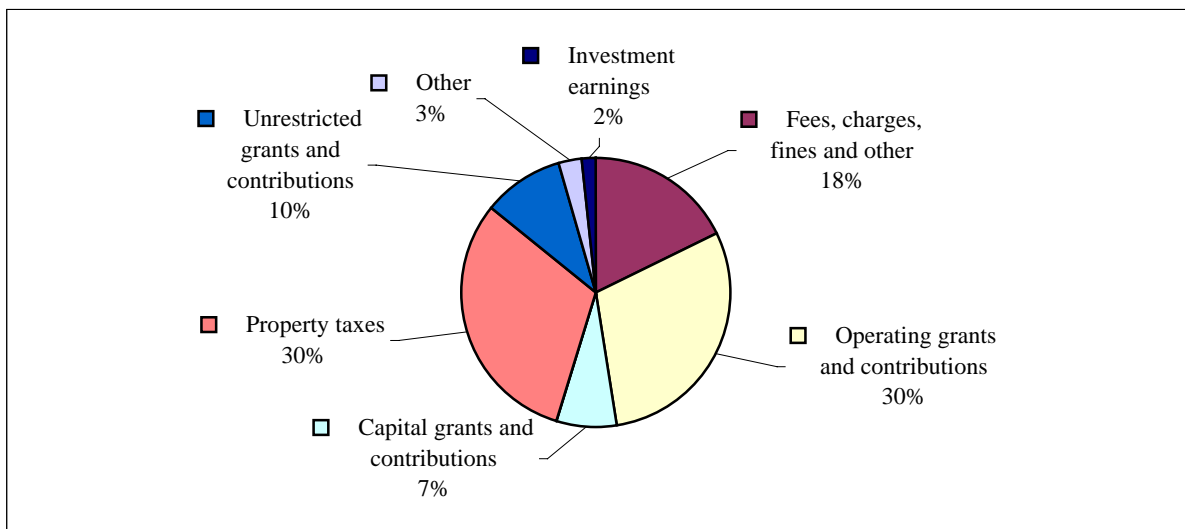
	<u>2005</u>	<u>2004</u>	<u>Percent Change (%)</u>
<b>Revenues</b>			
Program revenues			
Fees, charges, fines, and other	\$ 6,051,388	\$ 5,595,220	8.2
Operating grants and contributions	10,129,242	8,812,472	14.9
Capital grants and contributions	2,487,034	2,548,270	(2.4)
General revenues			
Property taxes	10,567,743	9,709,165	8.8
Unrestricted grants and contributions	3,368,795	3,128,850	7.7
Investment earnings	610,659	421,956	44.7
Other	860,483	938,103	(8.3)
<b>Total Revenues</b>	<u>\$ 34,075,344</u>	<u>\$ 31,154,036</u>	9.4
<b>Expenses</b>			
General government	\$ 5,104,785	\$ 4,660,268	9.5
Public safety	4,285,808	3,735,012	14.7
Highways and streets	4,689,595	8,130,625	(42.3)
Sanitation	2,139,606	2,070,216	3.4
Human services	8,706,205	7,996,320	8.9
Health	1,534,034	1,404,936	9.2
Culture and recreation	85,262	85,793	(0.6)
Conservation of natural resources	548,999	345,927	58.7
Economic development	444,208	422,051	5.2
Interest and fiscal charges on long-term Liabilities	384,066	436,484	(12.0)
<b>Total Expenses</b>	<u>\$ 27,922,568</u>	<u>\$ 29,287,632</u>	(4.7)
<b>Increase in Net Assets</b>	\$ 6,152,776	\$ 1,866,404	229.7
<b>Beginning Net Assets</b>	<u>81,487,823</u>	<u>79,621,419</u>	2.3
<b>Ending Net Assets</b>	<u>\$ 87,640,599</u>	<u>\$ 81,487,823</u>	7.6

Total revenues surpassed expenses, increasing net assets \$6,152,776 over last year.

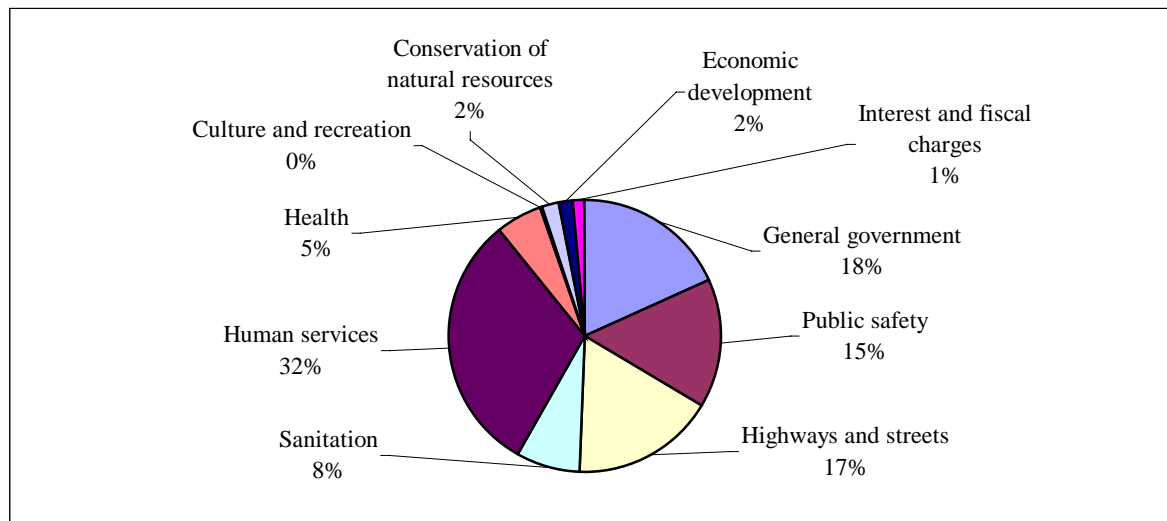
The County-wide cost of all governmental activities this year was \$27,922,568.

- Some of the cost was paid by the users of the County’s programs (\$6,051,388).
- The federal and state governments subsidized certain programs with grants and contributions (\$12,616,276).
- The remaining County costs (\$9,254,904), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$10,567,743 in property taxes, \$3,368,795 of state aid, and \$1,471,142 with investment earnings and other general revenues.

**Figure A-3**  
**Sources of County’s Revenues for Fiscal Year 2005**



**Figure A-4**  
**County’s Expenses for Fiscal Year 2005**



(Unaudited)

**Table A-3  
Cost of Services**

	Total Cost of Services			Net Cost of (Revenue from) Services		
	2005	2004	Percent Change (%)	2005	2004	Percent Change (%)
General government	\$ 5,104,785	\$ 4,660,268	9.5	\$ 3,677,082	\$ 3,787,752	(2.9)
Public safety	4,285,808	3,735,012	14.7	2,925,465	2,392,166	22.3
Highways and streets	4,689,595	8,130,625	(42.3)	(2,899,759)	1,985,031	246.1
Sanitation	2,139,606	2,070,216	3.4	526,897	462,984	13.8
Human services	8,706,205	7,996,320	8.9	3,172,192	2,343,850	35.3
Health	1,534,034	1,404,936	9.2	509,455	281,083	81.2
Culture and recreation	85,262	85,793	(0.6)	(18,586)	(22,112)	(15.9)
Conservation of natural resources	548,999	345,927	58.7	533,884	242,381	120.3
Economic development	444,208	422,051	5.2	444,208	422,051	5.2
Interest	384,066	436,484	(12.0)	384,066	436,484	(12.0)
<b>Totals</b>	<b>\$ 27,922,568</b>	<b>\$ 29,287,632</b>	<b>(4.7)</b>	<b>\$ 9,254,904</b>	<b>\$ 12,331,670</b>	<b>(25.0)</b>

**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 \$22,813,594. Of this amount, \$15,628,510, or 68 percent, is available for spending at the County’s discretion.

Revenues for the County’s governmental funds were \$35,839,901, while total expenditures were \$35,745,584.

**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**

Source	Year Ended December 31		Change	
	2005	2004	Increase (Decrease)	Percent (%)
Taxes	\$ 5,358,762	\$ 4,903,858	\$ 454,904	9.3
Intergovernmental	2,716,357	2,540,556	175,801	6.9
Charges for services	2,521,495	2,355,498	165,997	7.0
Investment income	435,063	290,409	144,654	49.8
Miscellaneous and other	871,739	798,308	73,431	9.2
<b>Total General Fund Revenues</b>	<b>\$ 11,903,416</b>	<b>\$ 10,888,629</b>	<b>\$ 1,014,787</b>	<b>9.3</b>

(Unaudited)



Total General Fund revenue increased by \$1,014,787, or 9.3 percent, from the previous year. The mix of property tax revenue and state aid can change significantly from year to year without any net change in revenue.

The following schedule presents a summary of General Fund expenditures.

**Table A-5  
General Fund Expenditures**

Function	Year Ended December 31		Change	
	2005	2004	Increase (Decrease)	Percent (%)
General government	\$ 4,841,168	\$ 4,436,729	\$ 404,439	9.1
Public safety	4,272,611	3,800,686	471,925	12.4
Health	1,497,508	1,380,022	117,486	8.5
Culture and recreation	54,407	52,958	1,449	2.7
Conservation of natural resources	542,598	338,132	204,466	60.5
Economic development	53,833	53,043	790	1.5
Intergovernmental	390,375	369,008	21,367	5.8
Debt service	-	3,900	(3,900)	(100.0)
Total General Fund Expenditures	\$ 11,652,500	\$ 10,434,478	\$ 1,218,022	11.7

### General Fund Budgetary Highlights

Over the course of the year, the County did not revise the annual operating budget.

- Actual revenues were \$810,612 more than expected.
- The actual expenditures were \$423,085 more than budget.

### CONSTRUCTION PROJECTS AND DEBT SERVICE

The County is currently constructing new highway and landfill administration buildings, both of which are scheduled for completion in 2006. The construction activity for these projects is being run through the Road and Bridge and Solid Waste Special Revenue Funds, respectively.

The County issued no new debt in 2005. An annual levy is made to fund the bond payments for all previous bond issues.

### CAPITAL ASSETS

By the end of 2005, the County had invested over \$116,000,000 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 2.A.2. to the financial statements.) Total depreciation expense for the year was \$3,242,356.

**Table A-6  
Capital Assets**

	2005	2004	Percent Change (%)
Land	\$ 3,410,681	\$ 2,707,946	26.0
Construction in progress	3,660,845	116,475	3,043.0
Buildings	17,640,039	17,594,539	0.3
Machinery, furniture, and equipment	5,800,739	5,603,356	3.5
Infrastructure	85,794,007	80,812,242	6.2
Less: accumulated depreciation	<u>(39,243,729)</u>	<u>(36,233,996)</u>	8.3
Totals	<u>\$ 77,062,582</u>	<u>\$ 70,600,562</u>	9.2

**LONG-TERM LIABILITIES**

At year-end, the County had \$13,263,629 in long-term liabilities outstanding. The current portion of these liabilities is \$1,566,504.

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

	2005	2004	Percent Change (%)
General obligation bonds	\$ 8,965,000	\$ 10,437,000	(14.1)
Installment purchase	150,000	225,000	(33.3)
Compensated absences	1,367,027	1,264,015	8.1
Estimated liability for landfill closure/ postclosure	<u>2,781,602</u>	<u>2,667,868</u>	4.3
Total	<u>\$ 13,263,629</u>	<u>\$ 14,593,883</u>	(9.1)

**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.

**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.

## **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, 2005**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Rural Development Finance Authority</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 22,619,997	\$ 40,205
Petty cash and change funds	6,805	-
Departmental cash	23,296	-
Cash with fiscal agent	65,472	-
Delinquent taxes receivable	342,474	-
Special assessments receivable		
Delinquent	811	-
Deferred	606	-
Accounts receivable	229,712	-
Accrued interest receivable	264,215	-
Loans receivable	10,000	-
Due from other governments	2,087,945	-
Inventories	406,996	-
Deferred charges	21,370	-
Capital assets		
Non-depreciable	7,071,526	-
Depreciable - net of accumulated depreciation	69,991,056	-
<b>Total Assets</b>	<b>\$ 103,142,281</b>	<b>\$ 40,205</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 532,125	\$ -
Salaries payable	735,746	-
Contracts payable	483,334	-
Due to other governments	305,038	-
Accrued interest payable	154,440	-
Unearned revenue	27,370	-
Long-term liabilities		
Due within one year	1,566,504	-
Due in more than one year	11,697,125	-
<b>Total Liabilities</b>	<b>\$ 15,501,682</b>	<b>\$ -</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 67,947,582	\$ -
Restricted for		
General government	26,696	-
Highways and streets	145,624	-
Sanitation	3,125,463	-
Debt service	2,497,493	-
Unrestricted	13,897,741	40,205
<b>Total Net Assets</b>	<b>\$ 87,640,599</b>	<b>\$ 40,205</b>

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

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**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines and Other</u>
<b>Primary Government</b>		
<b>Governmental activities</b>		
General government	\$ 5,104,785	\$ 1,214,811
Public safety	4,285,808	1,119,838
Highways and streets	4,689,595	684,279
Sanitation	2,139,606	1,532,087
Human services	8,706,205	888,190
Health	1,534,034	612,183
Culture and recreation	85,262	-
Conservation of natural resources	548,999	-
Economic development	444,208	-
Interest	384,066	-
	\$ 27,922,568	\$ 6,051,388
<b>Total governmental activities</b>		
	\$ 27,922,568	\$ 6,051,388
<b>Component unit</b>		
Rural Development Finance Authority	\$ 128,621	\$ 323
	\$ 128,621	\$ 323
<b>General Revenues</b>		
Property taxes		
Tax increments		
Payments in lieu of tax		
Grants and contributions not restricted to specific programs		
Unrestricted investment income		
Miscellaneous		
<b>Total general revenues</b>		
<b>Change in net assets</b>		
<b>Net Assets - Beginning</b>		
<b>Net Assets - Ending</b>		



**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Component Unit Rural Development Finance Authority</b>
\$ 199,515	\$ 13,377	\$ (3,677,082)	
240,505	-	(2,925,465)	
4,431,418	2,473,657	2,899,759	
80,622	-	(526,897)	
4,645,823	-	(3,172,192)	
412,396	-	(509,455)	
103,848	-	18,586	
15,115	-	(533,884)	
-	-	(444,208)	
-	-	(384,066)	
<b>\$ 10,129,242</b>	<b>\$ 2,487,034</b>	<b>\$ (9,254,904)</b>	
<b>\$ -</b>	<b>\$ -</b>		<b>\$ (128,298)</b>
		\$ 10,567,743	\$ 60,548
		-	92,869
		30,365	-
		3,368,795	4,275
		610,659	486
		830,118	-
		<b>\$ 15,407,680</b>	<b>\$ 158,178</b>
		<b>\$ 6,152,776</b>	<b>\$ 29,880</b>
		<b>81,487,823</b>	<b>10,325</b>
		<b>\$ 87,640,599</b>	<b>\$ 40,205</b>

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**FUND FINANCIAL STATEMENTS**

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 6,315,149	\$ 4,212,404
Petty cash and change funds	1,680	75
Departmental cash	14,681	-
Cash with escrow agent	-	-
Delinquent taxes receivable	165,961	66,368
Special assessments receivable		
Delinquent	-	-
Deferred	-	-
Accounts receivable	107,551	2,479
Accrued interest receivable	185,652	-
Loans receivable	-	-
Due from other funds	8,732	-
Due from other governments	236,387	1,370,701
Inventories	-	406,996
Advance to other funds	-	-
	<b>\$ 7,035,793</b>	<b>\$ 6,059,023</b>
<b>Total Assets</b>	<b>\$ 7,035,793</b>	<b>\$ 6,059,023</b>

**EXHIBIT 3**

<u>Social Services</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,588,846	\$ 4,617,456	\$ 2,378,933	\$ 507,209	\$ 22,619,997
5,050	-	-	-	6,805
-	3,042	5,573	-	23,296
-	-	65,472	-	65,472
75,314	504	32,300	2,027	342,474
-	718	-	93	811
-	-	-	606	606
6,388	48,560	64,734	-	229,712
-	68,782	9,781	-	264,215
-	-	-	10,000	10,000
-	27,000	-	-	35,732
474,810	6,047	-	-	2,087,945
-	-	-	-	406,996
-	900,000	-	-	900,000
<u>\$ 5,150,408</u>	<u>\$ 5,672,109</u>	<u>\$ 2,556,793</u>	<u>\$ 519,935</u>	<u>\$ 26,994,061</u>

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 104,956	\$ 51,079
Salaries payable	437,433	101,177
Contracts payable	-	416,484
Due to other funds	-	-
Due to other governments	147,760	5,037
Deferred revenue - unavailable	165,961	883,599
Deferred revenue - unearned	27,370	-
Advance from other funds	-	900,000
	<b>\$ 883,480</b>	<b>\$ 2,357,376</b>
<b>Fund Balances</b>		
Reserved for		
Encumbrances	\$ -	\$ -
Inventories	-	406,996
Advance to other funds	-	-
Law library	26,696	-
Debt service	-	-
Loans receivable	-	-
Landfill closure	-	-
Highway projects	-	145,624
Unreserved		
Designated for future expenditures	1,552,409	-
Designated for contingencies	158,968	-
Undesignated	4,414,240	3,149,027
Unreserved, reported in nonmajor Special revenue funds	-	-
	<b>\$ 6,152,313</b>	<b>\$ 3,701,647</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,035,793</b>	<b>\$ 6,059,023</b>

**EXHIBIT 3**  
**(Continued)**

<u>Social Services</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 237,283	\$ 138,668	\$ -	\$ 139	\$ 532,125
194,473	2,663	-	-	735,746
-	66,850	-	-	483,334
8,732	-	27,000	-	35,732
149,210	3,031	-	-	305,038
75,314	1,222	32,300	2,726	1,161,122
-	-	-	-	27,370
-	-	-	-	900,000
<b>\$ 665,012</b>	<b>\$ 212,434</b>	<b>\$ 59,300</b>	<b>\$ 2,865</b>	<b>\$ 4,180,467</b>
\$ -	\$ 72,812	\$ -	\$ -	\$ 72,812
-	-	-	-	406,996
-	900,000	-	-	900,000
-	-	-	-	26,696
-	-	2,497,493	-	2,497,493
-	-	-	10,000	10,000
-	3,125,463	-	-	3,125,463
-	-	-	-	145,624
960,000	1,361,400	-	-	3,873,809
-	-	-	-	158,968
3,525,396	-	-	-	11,088,663
-	-	-	507,070	507,070
<b>\$ 4,485,396</b>	<b>\$ 5,459,675</b>	<b>\$ 2,497,493</b>	<b>\$ 517,070</b>	<b>\$ 22,813,594</b>
<b>\$ 5,150,408</b>	<b>\$ 5,672,109</b>	<b>\$ 2,556,793</b>	<b>\$ 519,935</b>	<b>\$ 26,994,061</b>

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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, 2005**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>22,813,594</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		77,062,582
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		1,161,122
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	\$ (8,965,000)	
Installment purchases	(150,000)	
Compensated absences	(1,367,027)	
Estimated liability for landfill closure/postclosure	(2,781,602)	
Accrued interest payable	(154,440)	
Deferred debt issuance charges	21,370	
	(13,396,699)	(13,396,699)
<b>Net assets of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>87,640,599</u></b>

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 5,358,762	\$ 2,064,419
Special assessments	-	-
Licenses and permits	330,391	-
Intergovernmental	2,716,357	9,355,225
Charges for services	2,521,495	674,017
Fines and forfeits	52,750	-
Investment income	435,063	-
Miscellaneous	488,598	10,262
	<b>\$ 11,903,416</b>	<b>\$ 12,103,923</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 4,841,168	\$ -
Public safety	4,272,611	-
Highways and streets	-	9,656,973
Sanitation	-	-
Human services	-	-
Health	1,497,508	-
Culture and recreation	54,407	-
Conservation of natural resources	542,598	5,858
Economic development	53,833	-
<b>Intergovernmental</b>		
Highways and streets	-	338,783
Library	390,375	-
<b>Debt service</b>		
Principal	-	-
Interest	-	-
	<b>\$ 11,652,500</b>	<b>\$ 10,001,614</b>
<b>Net Change in Fund Balance</b>	<b>\$ 250,916</b>	<b>\$ 2,102,309</b>
<b>Fund Balance - January 1</b>	<b>5,901,397</b>	<b>1,583,377</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>15,961</b>
	<b>\$ 6,152,313</b>	<b>\$ 3,701,647</b>
<b>Fund Balance - December 31</b>	<b>\$ 6,152,313</b>	<b>\$ 3,701,647</b>

**EXHIBIT 5**

<u>Social Services</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,180,807	\$ 4,026	\$ 879,234	\$ 59,296	\$ 10,546,544
-	347	-	708	1,055
-	12,525	-	-	342,916
5,347,035	82,378	280,102	19,040	17,800,137
167,372	1,500,663	-	-	4,863,547
-	-	-	-	52,750
4,802	121,841	48,953	-	610,659
720,818	18,899	380,694	3,022	1,622,293
<b>\$ 8,420,834</b>	<b>\$ 1,740,679</b>	<b>\$ 1,588,983</b>	<b>\$ 82,066</b>	<b>\$ 35,839,901</b>
\$ -	\$ -	\$ -	\$ 76,658	\$ 4,917,826
-	-	-	-	4,272,611
-	-	-	-	9,656,973
-	3,365,396	-	-	3,365,396
8,672,377	-	-	-	8,672,377
-	-	-	-	1,497,508
-	-	-	30,615	85,022
-	-	-	577	549,033
-	-	-	-	53,833
-	-	-	-	338,783
-	-	-	-	390,375
-	-	1,547,000	-	1,547,000
-	-	398,731	116	398,847
<b>\$ 8,672,377</b>	<b>\$ 3,365,396</b>	<b>\$ 1,945,731</b>	<b>\$ 107,966</b>	<b>\$ 35,745,584</b>
\$ (251,543)	\$ (1,624,717)	\$ (356,748)	\$ (25,900)	\$ 94,317
4,736,939	7,084,392	2,854,241	542,970	22,703,316
-	-	-	-	15,961
<b>\$ 4,485,396</b>	<b>\$ 5,459,675</b>	<b>\$ 2,497,493</b>	<b>\$ 517,070</b>	<b>\$ 22,813,594</b>

**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, 2005**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 94,317**

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	\$ 1,161,122	
Deferred revenue - January 1	(2,925,679)	(1,764,557)

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

Expenditures for general capital assets and infrastructure	\$ 9,815,128	
Net book value of assets disposed of	(110,752)	
Current year depreciation	(3,242,356)	6,462,020

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of long-term 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	\$ 1,472,000	
Capital lease	75,000	
Current year amortization of issuance costs	(6,071)	1,540,929

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	\$ 20,852	
Change in compensated absences	(103,012)	
Change in estimated liability for landfill closure/postclosure	(113,734)	
Change in inventories	15,961	(179,933)

**Change in net assets of governmental activities (Exhibit 2) \$ 6,152,776**

MORRISON COUNTY  
LITTLE FALLS, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 1,138,721
Departmental cash	1,732
Accrued interest receivable	<u>3,861</u>
<b>Total Assets</b>	<b><u>\$ 1,144,314</u></b>
<b><u>Liabilities</u></b>	
Due to other governments	<b><u>\$ 1,144,314</u></b>

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**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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

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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, 2005. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board 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**

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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**

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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 agency 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**

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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, 2005, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2005 were \$435,063.

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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

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 on May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Taxes receivable consist of uncollected taxes payable in the years 2000 through 2005. 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**

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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 2000 through 2005, and deferred special assessments payable in 2006 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**

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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

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

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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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**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 22,619,997
Petty cash and change funds	6,805
Departmental cash	23,296
Cash with fiscal agent	65,472
Discretely presented component unit	
Cash and pooled investments	40,205
Statement of fiduciary net assets	
Cash and pooled investments	<u>1,138,721</u>
 Total Cash and Investments	 <u>\$ 23,894,496</u>

a. Deposits

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

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

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2005, 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;
- (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



**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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, 2005, 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.

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

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. At December 31, 2005, 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 investment balances at December 31, 2005, 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	47.9%	<1yr	\$ 1,344,771
MAGIC Fund	49.4%	N/A	1,386,770
U.S. Treasury Securities			
Escrow Account	N/A	<1yr	65,472
Money market with broker	N/A	N/A	8,637
Total investments			\$ 2,805,650
Deposits			20,838,043
Petty cash and change funds			6,805
Departmental cash			23,296
Cash on hand			180,497
Total cash and investments - primary government			\$ 23,854,291
Component Unit			
Deposits			40,205
Total Cash and Investments			\$ 23,894,496

N/A - Not Applicable

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land - infrastructure right-of-way	\$ 1,211,107	\$ 512,735	\$ -	\$ 1,723,842
Land	1,496,839	190,000	-	1,686,839
Construction in progress	116,475	3,544,370	-	3,660,845
Total capital assets not depreciated	<u>\$ 2,824,421</u>	<u>\$ 4,247,105</u>	<u>\$ -</u>	<u>\$ 7,071,526</u>
Capital assets depreciated				
Buildings	\$ 17,594,539	\$ 45,500	\$ -	\$ 17,640,039
Machinery, furniture, and equipment	5,603,356	540,758	343,375	5,800,739
Infrastructure	80,812,242	4,981,765	-	85,794,007
Total capital assets depreciated	<u>\$ 104,010,137</u>	<u>\$ 5,568,023</u>	<u>\$ 343,375</u>	<u>\$ 109,234,785</u>
Less: accumulated depreciation for				
Buildings	\$ (5,090,127)	\$ (378,043)	\$ -	\$ (5,468,170)
Machinery, furniture, and equipment	(3,728,527)	(447,363)	232,623	(3,943,267)
Infrastructure	(27,415,342)	(2,416,950)	-	(29,832,292)
Total accumulated depreciation	<u>\$ (36,233,996)</u>	<u>\$ (3,242,356)</u>	<u>\$ 232,623</u>	<u>\$ (39,243,729)</u>
Total capital assets depreciated, net	<u>\$ 67,776,141</u>	<u>\$ 2,325,667</u>	<u>\$ (110,752)</u>	<u>\$ 69,991,056</u>
Governmental Activities Capital Assets, Net	<u>\$ 70,600,562</u>	<u>\$ 6,572,772</u>	<u>\$ (110,752)</u>	<u>\$ 77,062,582</u>

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

Governmental activities	
General government	\$ 275,088
Public safety	115,360
Highway and streets, including infrastructure assets	2,770,140
Sanitation	48,999
Human services	14,757
Health	17,772
Culture and recreation	240
Total Depreciation Expense - Governmental Activities	<u>\$ 3,242,356</u>

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets (Continued)

3. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, was as follows:

a. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Social Services	\$ 8,732
Solid Waste	Debt Service	<u>27,000</u>
Total Due To/From Other Funds		<u>\$ 35,732</u>

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

The \$27,000 owed to the Solid Waste Special Revenue Fund by the Debt Service Fund resulted from the transfer of a debt payment that was not made at year-end.

b. Advance From/To Other Funds

Receivable Fund	Payable Fund	Amount
Solid Waste	Road and Bridge	<u>\$ 900,000</u>

During 1998, the Solid Waste Special Revenue Fund loaned the Road and Bridge Special Revenue Fund \$1,500,000 to finance construction of County roads. Beginning in 1999, the Road and Bridge Special Revenue Fund was to start making annual payments of \$100,000 over a 15-year period to pay back the loan. The Road and Bridge Special Revenue Fund did not make its scheduled loan payment in 2004.

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Liabilities

1. Payables

Payables at December 31, 2005, were as follows:

	Governmental Activities
Accounts	\$ 532,125
Salaries	735,746
Contracts	483,334
Due to other governments	305,038
Accrued interest	154,440
Total Payables	\$ 2,210,683

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, state and federal grants received but not yet earned, and long-term loans and leases receivable. Deferred revenue at December 31, 2005, is summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major governmental funds				
General	\$ -	\$ 165,961	\$ 27,370	\$ 193,331
Road and Bridge	-	66,368	817,231	883,599
Social Services	-	75,314	-	75,314
Solid Waste	718	504	-	1,222
Debt Service	-	32,300	-	32,300
Other governmental funds				
County Building	-	1,425	-	1,425
County Parks	-	602	-	602
County Ditch	699	-	-	699
Total	\$ 1,417	\$ 342,474	\$ 844,601	\$ 1,188,492
Deferred revenue				
Unavailable	\$ 1,417	\$ 342,474	\$ 817,231	\$ 1,161,122
Unearned	-	-	27,370	27,370
Total	\$ 1,417	\$ 342,474	\$ 844,601	\$ 1,188,492

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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2. Detailed Notes on All Funds

B. Liabilities (Continued)

3. Vacation and Sick Leave

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

The County pays unused accumulated paid time off to employees upon termination based on two different severance plans. Unvested paid time off valued at \$1,592,159 at December 31, 2005, is available to employees in the event of an absence but is not paid to them at termination.

4. Retired Employee Health Insurance Benefits

Pursuant to Minn. Stat. § 471.61, subd. 2a, the County pays \$175 per month towards the health insurance for retired union and nonunion employees. Retired Sheriff deputies that 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 post-employment 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, 2005, was \$25,195 for the 13 eligible employees.

5. Long-Term Debt - Bonds and Notes

Bond and note payments are typically made from the debt service funds. Information on individual bonds and notes payables were as follows:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2005</u>
General Obligation Bonds					
1998 G.O. Capital Improvement Plan Refunding Bonds	2012	\$30,000 - \$220,000	4.10 - 4.90	\$ 975,000	\$ 695,000
2001 G.O. Capital Improvement Refunding Bonds	2010	\$210,000 - \$260,000	2.25 - 3.75	1,850,000	1,210,000

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

B. Liabilities

5. Long-Term Debt - Bonds and Notes (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
2001 G.O. Tax Increment Refunding Bonds	2007	\$305,000 - \$775,000	4.00 - 4.50	2,090,000	1,130,000
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	2,005,000
2003 G.O. Capital Improvement Plan Bonds	2018	\$30,000 - \$65,000	2.50 - 4.25	705,000	675,000
Total General Obligation Bonds				<u>\$ 11,595,000</u>	<u>\$ 8,965,000</u>
Installment Purchase Obligations					
1997 Installment Purchase with Johnson Controls, Inc.	2007	\$50,000 - \$75,000	4.20 - 5.35	<u>\$ 645,000</u>	<u>\$ 150,000</u>

6. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds		Installment Purchase Obligations	
	Principal	Interest	Principal	Interest
2006	\$ 1,075,000	\$ 343,770	\$ 75,000	\$ 5,963
2007	1,525,000	295,233	75,000	2,006
2008	770,000	252,399	-	-
2009	805,000	224,653	-	-
2010	840,000	194,469	-	-
2011 - 2015	2,305,000	650,769	-	-
2016 - 2020	1,645,000	118,661	-	-
Total	<u>\$ 8,965,000</u>	<u>\$ 2,079,954</u>	<u>\$ 150,000</u>	<u>\$ 7,969</u>

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

B. Liabilities (Continued)

7. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 10,437,000	\$ -	\$ 1,472,000	\$ 8,965,000	\$ 1,075,000
Installment purchase	225,000	-	75,000	150,000	75,000
Compensated absences	1,264,015	103,012	-	1,367,027	416,504
Estimated liability for closure/postclosure	<u>2,667,868</u>	<u>113,734</u>	<u>-</u>	<u>2,781,602</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 14,593,883</u>	<u>\$ 216,746</u>	<u>\$ 1,547,000</u>	<u>\$ 13,263,629</u>	<u>\$ 1,566,504</u>

8. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place the final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,781,602 landfill closure and postclosure care liability at December 31, 2005, represents the cumulative amount reported to date based on the use of 92 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$250,994 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. 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



**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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2. Detailed Notes on All Funds

B. Liabilities

8. Landfill Closure and Postclosure Care Costs (Continued)

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, 2005, the County has reserved net assets of \$3,125,463 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.

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

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

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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3. Pension Plans

A. Plan Description (Continued)

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

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

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

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

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

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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3. Pension Plans (Continued)

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. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.50 percent. Public Employees Police and Fire Fund members were required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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

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

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

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2005	\$ 451,950	\$ 82,448	\$ 86,290
2004	425,052	73,596	85,655
2003	409,299	64,721	67,449

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

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties 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 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 \$760,000 per claim in 2005 and \$390,000 per claim in 2006. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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.

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

1. Central Minnesota Community Corrections Agency (Continued)

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 \$236,745 for community corrections in 2005.

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 the 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**

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4. 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 \$22,582 in funding to the Airport Commission during 2005. Financial information for the Airport Commission can be obtained from the Little Falls City Hall, 100 N.E. 7th Avenue, Little Falls, Minnesota 56345.

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 purposes of maintaining an integrated system of community health services under Minn.

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

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

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**

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4. 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 the Counties of Benton, Cass, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright.

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



**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,325,880	\$ 5,325,880	\$ 5,358,762	\$ 32,882
Licenses and permits	362,337	362,337	330,391	(31,946)
Intergovernmental	2,456,567	2,456,567	2,716,357	259,790
Charges for services	2,091,271	2,091,271	2,521,495	430,224
Fines and forfeits	54,000	54,000	52,750	(1,250)
Investment income	355,000	355,000	435,063	80,063
Miscellaneous	447,749	447,749	488,598	40,849
<b>Total Revenues</b>	<b>\$ 11,092,804</b>	<b>\$ 11,092,804</b>	<b>\$ 11,903,416</b>	<b>\$ 810,612</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 218,098	\$ 218,098	\$ 234,186	\$ (16,088)
Courts	20,000	20,000	22,002	(2,002)
Law library	50,000	50,000	45,615	4,385
Administrator	283,106	283,106	264,412	18,694
Risk management administration	205,095	205,095	211,542	(6,447)
County auditor	595,221	595,221	529,486	65,735
Motor vehicle/license bureau	248,623	248,623	230,617	18,006
County treasurer	195,395	195,395	204,124	(8,729)
County assessor	609,522	609,522	611,429	(1,907)
Data processing	401,207	401,207	463,701	(62,494)
Attorney	566,976	566,976	547,537	19,439
Recorder	297,359	297,359	299,505	(2,146)
Surveyor	2,400	2,400	275	2,125
Planning and zoning	312,386	312,386	323,298	(10,912)
Buildings and plant	613,076	613,076	612,965	111
Veterans service officer	129,410	129,410	124,986	4,424
Appropriations - airport	27,000	27,000	22,582	4,418
Other general government	59,728	59,728	92,906	(33,178)
<b>Total general government</b>	<b>\$ 4,834,602</b>	<b>\$ 4,834,602</b>	<b>\$ 4,841,168</b>	<b>\$ (6,566)</b>
<b>Public safety</b>				
Sheriff	\$ 1,928,635	\$ 1,928,635	\$ 1,938,601	\$ (9,966)
Boat and water safety	20,814	20,814	46,832	(26,018)
Emergency services	50,000	50,000	15,218	34,782
Coroner	50,093	50,093	49,292	801
County jail	1,929,481	1,929,481	1,924,883	4,598
Civil defense	35,366	35,366	61,040	(25,674)
Community corrections	116,782	116,782	236,745	(119,963)
<b>Total public safety</b>	<b>\$ 4,131,171</b>	<b>\$ 4,131,171</b>	<b>\$ 4,272,611</b>	<b>\$ (141,440)</b>
<b>Health</b>				
Nursing service	\$ 1,432,084	\$ 1,432,084	\$ 1,497,508	\$ (65,424)

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

**Schedule 1  
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Culture and recreation</b>				
Historical society	\$ 40,549	\$ 40,549	\$ 40,806	\$ (257)
Other	13,601	13,601	13,601	-
<b>Total culture and recreation</b>	<b>\$ 54,150</b>	<b>\$ 54,150</b>	<b>\$ 54,407</b>	<b>\$ (257)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 137,266	\$ 137,266	\$ 129,601	\$ 7,665
Soil and water conservation	65,000	65,000	99,517	(34,517)
Agricultural society	45,336	45,336	74,090	(28,754)
Water planning	34,112	34,112	36,974	(2,862)
Other	51,575	51,575	202,416	(150,841)
<b>Total conservation of natural resources</b>	<b>\$ 333,289</b>	<b>\$ 333,289</b>	<b>\$ 542,598</b>	<b>\$ (209,309)</b>
<b>Economic development</b>				
Community development	\$ 53,744	\$ 53,744	\$ 53,833	\$ (89)
<b>Intergovernmental</b>				
<b>Culture and recreation</b>				
Library	\$ 390,375	\$ 390,375	\$ 390,375	\$ -
<b>Total Expenditures</b>	<b>\$ 11,229,415</b>	<b>\$ 11,229,415</b>	<b>\$ 11,652,500</b>	<b>\$ (423,085)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (136,611)</b>	<b>\$ (136,611)</b>	<b>\$ 250,916</b>	<b>\$ 387,527</b>
<b>Fund Balance - January 1</b>	<b>5,901,397</b>	<b>5,901,397</b>	<b>5,901,397</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,764,786</b>	<b>\$ 5,764,786</b>	<b>\$ 6,152,313</b>	<b>\$ 387,527</b>

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

*Schedule 2*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,064,345	\$ 2,064,345	\$ 2,064,419	\$ 74
Intergovernmental	7,697,326	7,697,326	9,355,225	1,657,899
Charges for services	318,300	318,300	674,017	355,717
Miscellaneous	-	-	10,262	10,262
<b>Total Revenues</b>	<b>\$ 10,079,971</b>	<b>\$ 10,079,971</b>	<b>\$ 12,103,923</b>	<b>\$ 2,023,952</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 297,350	\$ 297,350	\$ 320,504	\$ (23,154)
Maintenance	4,104,082	4,104,082	3,984,049	120,033
Construction	4,373,450	4,373,450	4,485,200	(111,750)
Equipment, maintenance, and shops	972,989	972,989	724,179	248,810
Other	318,300	318,300	143,041	175,259
<b>Total highways and streets</b>	<b>\$ 10,066,171</b>	<b>\$ 10,066,171</b>	<b>\$ 9,656,973</b>	<b>\$ 409,198</b>
<b>Conservation of natural resources</b>				
Agricultural inspector	13,800	13,800	5,858	7,942
<b>Intergovernmental</b>				
Highways and streets	-	-	338,783	(338,783)
<b>Total Expenditures</b>	<b>\$ 10,079,971</b>	<b>\$ 10,079,971</b>	<b>\$ 10,001,614</b>	<b>\$ 78,357</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,102,309</b>	<b>\$ 2,102,309</b>
<b>Fund Balance - January 1</b>	<b>1,583,377</b>	<b>1,583,377</b>	<b>1,583,377</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>15,961</b>	<b>15,961</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,583,377</b>	<b>\$ 1,583,377</b>	<b>\$ 3,701,647</b>	<b>\$ 2,118,270</b>

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

*Schedule 3*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,169,280	\$ 2,169,280	\$ 2,180,807	\$ 11,527
Intergovernmental	5,275,739	5,275,739	5,347,035	71,296
Charges for services	154,393	154,393	167,372	12,979
Investment income	8,500	8,500	4,802	(3,698)
Miscellaneous	470,989	470,989	720,818	249,829
<b>Total Revenues</b>	<b>\$ 8,078,901</b>	<b>\$ 8,078,901</b>	<b>\$ 8,420,834</b>	<b>\$ 341,933</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 2,646,616	\$ 2,646,616	\$ 2,814,433	\$ (167,817)
Social services	5,533,057	5,533,057	5,857,944	(324,887)
<b>Total Expenditures</b>	<b>\$ 8,179,673</b>	<b>\$ 8,179,673</b>	<b>\$ 8,672,377</b>	<b>\$ (492,704)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (100,772)</b>	<b>\$ (100,772)</b>	<b>\$ (251,543)</b>	<b>\$ (150,771)</b>
<b>Fund Balance - January 1</b>	<b>4,736,939</b>	<b>4,736,939</b>	<b>4,736,939</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,636,167</b>	<b>\$ 4,636,167</b>	<b>\$ 4,485,396</b>	<b>\$ (150,771)</b>

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 3,768	\$ 3,768	\$ 4,026	\$ 258
Special assessments	-	-	347	347
Licenses and permits	7,477	7,477	12,525	5,048
Intergovernmental	77,732	77,732	82,378	4,646
Charges for services	1,510,000	1,510,000	1,500,663	(9,337)
Investment income	40,000	40,000	121,841	81,841
Miscellaneous	8,273	8,273	18,899	10,626
<b>Total Revenues</b>	<b>\$ 1,647,250</b>	<b>\$ 1,647,250</b>	<b>\$ 1,740,679</b>	<b>\$ 93,429</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	2,922,527	2,922,527	3,365,396	(442,869)
<b>Net Change in Fund Balance</b>	<b>\$ (1,275,277)</b>	<b>\$ (1,275,277)</b>	<b>\$ (1,624,717)</b>	<b>\$ (349,440)</b>
<b>Fund Balance - January 1</b>	<b>7,084,392</b>	<b>7,084,392</b>	<b>7,084,392</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,809,115</b>	<b>\$ 5,809,115</b>	<b>\$ 5,459,675</b>	<b>\$ (349,440)</b>

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**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2005

1. Budgetary Information

The County Board adopts an annual budget for the following major funds: General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, and the Solid Waste Special Revenue Fund. 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, 2005:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
General government	\$ 4,841,168	\$ 4,834,602	\$ 6,566
Public safety	4,272,611	4,131,171	141,440
Health	1,497,508	1,432,084	65,424
Culture and recreation	54,407	54,150	257
Conservation of natural resources	542,598	333,289	209,309
Economic development	53,833	53,744	89

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

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2. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund Intergovernmental - highways and streets	338,783	-	338,783
Social Services Special Revenue Fund Human services	8,672,377	8,179,673	492,704
Solid Waste Special Revenue Fund Sanitation	3,365,396	2,922,527	442,869

**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.

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

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

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

NONMAJOR FUNDS

AGENCY FUNDS (Continued)

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 COUNTY  
LITTLE FALLS, MINNESOTA**

*Statement 1*

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

	<u>Special Revenue Funds</u>				<b>Total Nonmajor Governmental Funds</b>
	<b>County Building</b>	<b>County Parks</b>	<b>County Ditch</b>	<b>Revolving Loan</b>	
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 302,912	\$ 104,201	\$ 58	\$ 100,038	\$ 507,209
Delinquent taxes receivable	1,425	602	-	-	2,027
Special assessments receivable					
Delinquent	-	-	93	-	93
Deferred	-	-	606	-	606
Loans receivable	-	-	-	10,000	10,000
<b>Total Assets</b>	<b>\$ 304,337</b>	<b>\$ 104,803</b>	<b>\$ 757</b>	<b>\$ 110,038</b>	<b>\$ 519,935</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 135	\$ 4	\$ -	\$ -	\$ 139
Deferred revenue - unavailable	1,425	602	699	-	2,726
<b>Total Liabilities</b>	<b>\$ 1,560</b>	<b>\$ 606</b>	<b>\$ 699</b>	<b>\$ -</b>	<b>\$ 2,865</b>
<b>Fund Balances</b>					
Reserved for loans receivable	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Unreserved					
Designated for economic development	-	-	-	100,038	100,038
Undesignated	302,777	104,197	58	-	407,032
<b>Total Fund Balances</b>	<b>\$ 302,777</b>	<b>\$ 104,197</b>	<b>\$ 58</b>	<b>\$ 110,038</b>	<b>\$ 517,070</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 304,337</b>	<b>\$ 104,803</b>	<b>\$ 757</b>	<b>\$ 110,038</b>	<b>\$ 519,935</b>

**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, 2005**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	County Building	County Parks	County Ditch	Revolving Loan	
<b>Revenues</b>					
Taxes	\$ 38,799	\$ 20,497	\$ -	\$ -	\$ 59,296
Special assessments	-	-	708	-	708
Intergovernmental	12,432	6,608	-	-	19,040
Miscellaneous	2,022	-	-	1,000	3,022
<b>Total Revenues</b>	<b>\$ 53,253</b>	<b>\$ 27,105</b>	<b>\$ 708</b>	<b>\$ 1,000</b>	<b>\$ 82,066</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 76,658	\$ -	\$ -	\$ -	\$ 76,658
Culture and recreation	-	30,615	-	-	30,615
Conservation of natural resources	-	-	577	-	577
<b>Debt service</b>					
Interest	-	-	116	-	116
<b>Total Expenditures</b>	<b>\$ 76,658</b>	<b>\$ 30,615</b>	<b>\$ 693</b>	<b>\$ -</b>	<b>\$ 107,966</b>
<b>Net Change in Fund Balances</b>	<b>\$ (23,405)</b>	<b>\$ (3,510)</b>	<b>\$ 15</b>	<b>\$ 1,000</b>	<b>\$ (25,900)</b>
<b>Fund Balances - January 1</b>	<b>326,182</b>	<b>107,707</b>	<b>43</b>	<b>109,038</b>	<b>542,970</b>
<b>Fund Balances - December 31</b>	<b>\$ 302,777</b>	<b>\$ 104,197</b>	<b>\$ 58</b>	<b>\$ 110,038</b>	<b>\$ 517,070</b>

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

*Schedule 5*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 38,568	\$ 38,568	\$ 38,799	\$ 231
Intergovernmental	12,432	12,432	12,432	-
Miscellaneous	-	-	2,022	2,022
<b>Total Revenues</b>	<b>\$ 51,000</b>	<b>\$ 51,000</b>	<b>\$ 53,253</b>	<b>\$ 2,253</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	51,000	51,000	76,658	(25,658)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (23,405)</b>	<b>\$ (23,405)</b>
<b>Fund Balance - January 1</b>	<b>326,182</b>	<b>326,182</b>	<b>326,182</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 326,182</b>	<b>\$ 326,182</b>	<b>\$ 302,777</b>	<b>\$ (23,405)</b>

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

*Schedule 6*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 20,522	\$ 20,522	\$ 20,497	\$ (25)
Intergovernmental	6,608	6,608	6,608	-
<b>Total Revenues</b>	<b>\$ 27,130</b>	<b>\$ 27,130</b>	<b>\$ 27,105</b>	<b>\$ (25)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	27,130	27,130	30,615	(3,485)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,510)</b>	<b>\$ (3,510)</b>
<b>Fund Balance - January 1</b>	<b>107,707</b>	<b>107,707</b>	<b>107,707</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 107,707</b>	<b>\$ 107,707</b>	<b>\$ 104,197</b>	<b>\$ (3,510)</b>

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

*Statement 3*

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

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>LOCAL COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 637,470	\$ 505,087	\$ 436,818	\$ 705,739
Departmental cash	716	1,732	716	1,732
Accrued interest receivable	4,832	3,861	4,832	3,861
<b>Total Assets</b>	<b>\$ 643,018</b>	<b>\$ 510,680</b>	<b>\$ 442,366</b>	<b>\$ 711,332</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 643,018</b>	<b>\$ 510,680</b>	<b>\$ 442,366</b>	<b>\$ 711,332</b>
 <b><u>MOTOR VEHICLE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 4,324</b>	<b>\$ 222,886</b>	<b>\$ 218,742</b>	<b>\$ 8,468</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 4,324</b>	<b>\$ 222,886</b>	<b>\$ 218,742</b>	<b>\$ 8,468</b>
 <b><u>SPECIAL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ -</b>	<b>\$ 152,038</b>	<b>\$ 152,038</b>	<b>\$ -</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ -</b>	<b>\$ 152,038</b>	<b>\$ 152,038</b>	<b>\$ -</b>

**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, 2005**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>SCHOOL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 5,807,529	\$ 5,807,529	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 5,807,529	\$ 5,807,529	\$ -
 <b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 87,256	\$ 1,154,197	\$ 1,156,343	\$ 85,110
<b><u>Liabilities</u></b>				
Due to other governments	\$ 87,256	\$ 1,154,197	\$ 1,156,343	\$ 85,110
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 220,635	\$ 28,842,477	\$ 28,723,708	\$ 339,404
<b><u>Liabilities</u></b>				
Due to other governments	\$ 220,635	\$ 28,842,477	\$ 28,723,708	\$ 339,404

**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, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 6,380,272	\$ 6,380,272	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 6,380,272	\$ 6,380,272	\$ -
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 949,685	\$ 43,064,486	\$ 42,875,450	\$ 1,138,721
Departmental cash	716	1,732	716	1,732
Accrued interest receivable	4,832	3,861	4,832	3,861
<b>Total Assets</b>	<b>\$ 955,233</b>	<b>\$ 43,070,079</b>	<b>\$ 42,880,998</b>	<b>\$ 1,144,314</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 955,233	\$ 43,070,079	\$ 42,880,998	\$ 1,144,314

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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, 2005**

**Shared Revenue**

**State**

Highway users tax	\$	6,302,686
County program aid		1,534,354
Market value credit - real property		1,749,490
Market value credit - mobile home		7,319
PERA rate reimbursement		48,267
Disparity reduction aid		29,365
Police aid		73,596
Enhanced 911		84,532
		84,532

**Total Shared Revenue** **\$ 9,829,609**

**Reimbursement for Services**

Minnesota Department of Human Services **\$ 2,090,430**

**Payments**

**Local**

City contributions	\$	44,641
Local contributions		1,077,522
Payments in lieu of taxes		30,365
		30,365

**Total Payments** **\$ 1,152,528**

**Grants**

**State**

Minnesota Department of Corrections	\$	23,264
Transportation		122,027
Health		175,076
Natural Resources		12,018
Human Services		1,604,833
Water and Soil Resources Board		103,848
Office of Environmental Assistance		73,807
Pollution Control Agency		7,339
Peace Officer Standards and Training Board		7,755
		7,755

**Total State** **\$ 2,129,967**

**Federal**

Department of Agriculture	\$	132,394
Interior		3,000
Justice		800
Labor		10,000
Transportation		1,336,439
Health and Human Services		1,067,618
Homeland Security		47,352
		47,352

**Total Federal** **\$ 2,597,603**

**Total State and Federal Grants** **\$ 4,727,570**

**Total Intergovernmental Revenue** **\$ 17,800,137**

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**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

**Schedule 8**

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

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

- A. Our report expresses an unqualified opinion on the basic financial statements of Morrison County.
- B. A reportable condition 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*." It is 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 program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for 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 program is:
  - Highway Planning and Construction
  - CFDA #20.205
- 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 Recorder, Planning and Zoning, Sheriff, Jail, Public Health, Highway, Social Services, and Extension. 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 office 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.*

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

03-1 Administrative Offense Procedures

The Morrison County Board created Administrative Offense Procedures through the adoption of several ordinances. Pursuant to these ordinances, sheriff department deputies issue administrative civil penalty tickets (hereinafter "administrative tickets") for various state traffic offenses including speeding, failure to obey traffic signals, and improper turns. Eleven of the County ordinance violations define the offense by referring to the appropriate section of Minn. Stat. ch. 169.

Minn. Stat. ch. 169 clearly states, and a Minnesota Attorney General's opinion concluded, that local public entities do not have authority to issue administrative tickets for state traffic offenses. When state law has already defined a traffic violation and penalty, the sheriff department's only decision and authority is whether to issue a ticket or not. There is no discretion allowed for the County to redefine the amount to be collected for such a penalty.

At Morrison County, however, deputies decide whether to give motorists a warning, issue a state ticket, or issue a County administrative ticket for violations that are traffic offenses for both state law and County ordinance purposes. If a County administrative ticket is issued, the amount to be paid does not include the surcharges for court costs that would have been included with a state ticket, and Morrison County keeps all the revenue without forwarding any portion to the State. In addition, state traffic violations committed in Morrison County are kept off the state's driving records leaving them unknown to insurance companies, law enforcement officers in other agencies, and the Minnesota Department of Public Safety. For the year ended December 31, 2005, Morrison County has deposited over \$48,000 into its General Fund from these County administrative civil penalties.

In December 2003, the Minnesota Attorney General addressed the issue of cities using similar "administrative fines" for state traffic offenses. The Minnesota Attorney General quoted Minn. Stat. § 169.022:

The provisions of this chapter shall be applicable and uniform throughout this State and in all political subdivisions and municipalities therein, and no local authority shall enact or enforce any rule or regulation in conflict with the provisions of this chapter unless expressly authorized herein. Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense.

Since the Morrison County administrative civil penalties are not provided for in Minn. Stat. ch. 169, they violate Minn. Stat. § 169.022. The Minnesota Attorney General went on to comment that law enforcement officers should make law enforcement decisions based on culpability and evidence, not on "the offender's willingness to make a payment directly to the city." The Minnesota Attorney General concluded that, by enacting Minn.

Stat. ch. 169, the State has pre-empted the field with respect to these traffic offenses. The Minnesota Attorney General stated, “It is not consistent with State public policy for a public official to direct or urge that city police officers not enforce the law of the State to the best of their judgment and ability.” Consequently, cities are not authorized to change the nature of penalties for criminal offenses specified by chapter 169.

Further, Minn. Stat. § 169.99 prescribes a uniform ticket to be used for “violations of this chapter and ordinances in conformity thereto.” The administrative ticket designed and used in Morrison County does not comply with this statute. Therefore, the use of the County’s administrative ticket for Minn. Stat. ch. 169 offenses violates the express requirements of Minn. Stat. § 169.99.

Counties are subordinate agencies of the State. It is a function of counties to implement State policy. They do not exist exclusively for the benefit of their citizens. Kasch v. Clearwater County, 289 N.W.2d 148, 151 (Minn. 1980). The adoption by Morrison County of the Administrative Offense Procedures as discussed represents not only failure on the part of the County and its Commissioners to fulfill their function and duty of enforcing and upholding state law, but also an intentional violation of state law.

We strongly recommend Morrison County comply with Minn. Stat. ch. 169. The County should immediately discontinue its practice of providing administrative tickets for traffic violations that are different than those provided by state law. Tickets used by the County for state traffic violations must be in the form prescribed by law. Administrative Offense Procedures and ordinances adopted by the County must be consistent with statutory provisions. The County should notify and work with the Minnesota Department of Finance to determine if the County owes any amounts to the state for fines collected.

Client’s Response:

*Morrison County respectfully disagrees with the State Auditor’s determination that the County’s Administrative Offense Procedures Ordinance violates Minnesota law. County officials, including the County Board, have carefully reviewed the written opinions of the State Auditor and Attorney General, the proposed comment to the 2005 audit, and applicable State law.*

The County believes:

- (1) *The Administrative Offense Procedure Ordinance adopted by Morrison County in September 2003 establishes an economical, speedy, and fair method of imposing penalties on individuals guilty of violating the Morrison County Traffic and Criminal Code. The County's traffic and criminal code covers minor, nuisance-type offenses. Before the advent of administrative tickets, deputies often gave verbal or written warnings to individuals committing these offenses. The Administrative Offense Procedures Ordinance holds individuals who violate the traffic or criminal code accountable by requiring them to pay a modest fine.*
- (2) *Violator's due process rights are adequately protected under the Morrison County ordinances. An individual given an administrative citation is entitled to an administrative hearing where the violator, law enforcement officer, and other witnesses will all have an opportunity to testify and be subject to cross-examination before a hearing officer. In addition, the violator can ask that the offense be removed from the administrative procedure; and a State court citation will be issued.*
- (3) *The administrative process relieves some of the pressure on the State court system. The use of administrative procedures for nuisance offenses reserves scarce court resources for more important criminal and civil matters. The State Legislature has identified a strong public policy of reducing the burden on State courts. This policy is evident through the requirement that every county establish diversion programs for juveniles and adults and the Court's insistence on alternative dispute resolution. Prosecution of nuisance offenses through an administrative procedure would be identified as a "best practice" if the State were not concerned about a potential loss of revenue. Fair, inexpensive, and speedy resolutions of minor offenses should be encouraged.*
- (4) *The Morrison County administrative ordinances are complimentary to, not incompatible with, State law. To be incompatible, an ordinance must be irreconcilable when read together with State law. That is, it must permit what the State prohibits or prohibit what the State allows. The ordinances adopted by Morrison County clearly are not incompatible; in fact, the majority of offenses are defined by reference to state law.*

- (5) *The field of traffic law is not preempted by Minnesota Statute 169. Minn. Stat. § 169.022 specifically states, “Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense.” Had the legislature intended to preempt the field of traffic regulation, it would certainly not have specifically allowed local ordinances.*
- (6) *Minnesota Statute § 169.022 does require penalties established by local ordinances be identical to those established by State law. Morrison County adopted a resolution setting penalties for traffic offenses between \$25 and \$60. State law sets the penalty for these same offenses as petty misdemeanors that carry a maximum penalty of \$300. The exact amount of the penalty for each offense is dependent by the uniform fine schedule prepared by the chief judges of the district courts. This fine schedule can be adjusted from year to year and is occasionally adjusted by local courts. As long as the County’s fine schedule is within the petty misdemeanor limit, i.e., \$300 or less, the County has conformed the requirements of § 169.022.*
- (7) *Minnesota Statute § 169.99 requires a uniform traffic ticket. This is a procedural, not a substantive law. A full reading of the statute makes it clear that uniformity is required for the benefit of the court system. Because administrative tickets are not handled by the court system, this statute has no bearing on the form of ticket used by the County.*
- (8) *Morrison County is only one of a number of municipalities that use administrative procedures for minor offenses. The system has proven to be an effective law enforcement tool.*

*The County believes that this issue should be resolved by the Legislature. To that end and at the County's urging, local legislators introduced a bill in the 2005 legislative session to specifically allow local authorities to issue administrative citations. That bill, Senate File 1042, and a bill to prohibit administrative tickets, S.F. 1713, were both heard by the Senate Transportation Committee on March 31, 2005. Police chiefs and city administrators from around the state, along with representatives from Morrison County, testified at the hearing. The committee approved the bill authorizing administrative tickets and rejected the bill prohibiting them. To the best of our knowledge, no further action was taken by the Legislature. Morrison County will continue to pursue legislative authority for administrative tickets in the coming legislative sessions.*

#### OTHER ITEM FOR CONSIDERATION

##### Other Postemployment Benefits (OPEB)

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

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

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

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

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

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## **OTHER REQUIRED REPORTS**

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
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, 2005, and have issued our report thereon dated August 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, except as described in the Schedule of Findings and Questioned Costs as item 03-1.

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

/s/Pat Anderson

PATRICIA ANDERSON  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: August 10, 2006



**STATE OF MINNESOTA**  
**OFFICE OF THE STATE AUDITOR**

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
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 its major federal program for the year ended December 31, 2005. Morrison County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 its major federal program for the year ended December 31, 2005.

### 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the 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, 2005, and have issued our report thereon dated August 10, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: August 10, 2006

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

*Schedule 9*

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 130,935
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	1,459
<b>Total U.S. Department of Agriculture</b>		<b>\$ 132,394</b>
<b>U.S. Department of the Interior</b>		
Direct Challenge Cost Share	15.642	<b>\$ 3,000</b>
<b>U.S. Department of Justice</b>		
Direct Bulletproof Vest Partnership Program	16.607	<b>\$ 800</b>
<b>U.S. Department of Labor</b>		
Passed Through Minnesota Department of Labor and Industry Occupational Safety and Health State Program	17.503	<b>\$ 10,000</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,280,063
Federal Transit Metropolitan Planning Grant	20.505	4,794
Formula Grants for Other Than Urbanized Areas	20.509	34,999
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	10,862
Alcohol Traffic Safety and Drunk Driving Prevention Incentive	20.601	5,721
<b>Total U.S. Department of Transportation</b>		<b>\$ 1,336,439</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Central Minnesota Council on Aging Special Programs for the Aging - Title IIIB	93.044	\$ 2,412
Passed Through Cass County Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	39,648
Temporary Assistance for Needy Families (TANF)	93.558	22,984
Maternal and Child Health Services Block Grant	93.994	42,294

**MORRISON COUNTY  
LITTLE FALLS, MINNESOTA**

**Schedule 9  
(Continued)**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	30,112
Temporary Assistance for Needy Families (TANF)	93.558	208,382
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	277,208
Children's Justice Grant	93.643	5,000
Foster Care Title IV-E	93.658	130,462
Social Services Block Grant Title XX	93.667	219,311
Chafee Foster Care Independence Program	93.674	9,016
Block Grants for Community Mental Health Services	93.958	7,220
 Passed Through Minnesota Department of Commerce		
Low-Income Home Energy Assistance	93.568	73,569
 <b>Total U.S. Department of Health and Human Services</b>		<b>\$ 1,067,618</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Program	97.004	\$ 33,975
Homeland Security Grant Program	97.067	13,377
 <b>Total U.S. Department of Homeland Security</b>		<b>\$ 47,352</b>
 <b>Total Federal Awards</b>		<b>\$ 2,597,603</b>

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 on the modified accrual basis of accounting.
3. During 2005, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.