

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2004

MORRISON COUNTY
LITTLE FALLS, MINNESOTA
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LITTLE FALLS, MINNESOTA
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INTRODUCTORY SECTION

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
ORGANIZATION
DECEMBER 31, 2004**

<u>COMMISSIONERS</u>	<u>NAME</u>	<u>TERM EXPIRES</u>
1st District	Tom Wenzel *	January 2005
2nd District	Jeff Schilling	January 2005
3rd District	Gene Young	January 2005
4th District	Donald Meyer	January 2007
5th District	William Block	January 2007

<u>ELECTED OFFICES</u>	<u>NAME</u>	
Auditor	Russ Nygren	January 2007
Attorney	Conrad Freeberg	January 2007
Recorder	Elda Mae Johnston	January 2007
Sheriff	Michel Wetzel	January 2007
Treasurer	Carole Specker	January 2007

<u>APPOINTED OFFICES</u>	<u>NAME</u>	
Assessor	Glen A. Erickson	December 2005
Court Administrator	Linda Sinotte	Indefinite
Public Health Director	Kirsten Hoese	Indefinite
Deputy Registrar	Russ Nygren	Indefinite
Extension Director	James Carlson	Indefinite
Highway Engineer	Steven Backowski	May 2005
Planning and Zoning Director	Roger Kuklok	Indefinite
Probation Officer	Larry Falk	Indefinite
Social Services Director	Steve Reger	Indefinite
Veterans Service Officer	Paul Froncak	July 2005
County Administrator	Timothy Houle	Indefinite

*Chairperson



STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON
STATE AUDITOR

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, 2004, 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, 2004, 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 supplemental 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 October 7, 2005, 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: October 7, 2005

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2004**

This section of Morrison County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2004. The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year, 2004 and the prior year, 2003 is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2003-2004 fiscal years include the following:

- County-wide net assets increased 2.3 percent over the prior year.
- Overall fund-level revenues totaled \$31,624,621 and were \$489,574 more than expenditures.
- The General Fund's fund balance increased \$548,151 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 management's discussion and analysis (this section) and certain budgetary comparison schedules, the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the County:

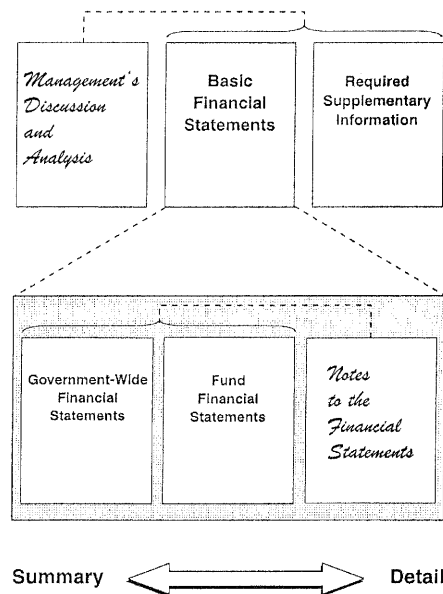
- The first two statements are *county-wide financial statements* which provide both *short-term* and *long-term* information about the County's *overall* financial status.
- The remaining statements are *fund financial statements* which focus on *individual parts* of the County, reporting the County's operations in *more detail* than the county-wide statements.
- The *governmental funds statements* tell how basic services such as general government, human services, and highways and streets were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2004**

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

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

**Figure A-1
Annual Report Format**



**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2004**

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 management's discussion and analysis highlights the structure and contents of each of the statements.

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

County-Wide Statements

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

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

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2004**

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 (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., 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.

MORRISON COUNTY
LITTLE FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2004

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were \$81,487,823 on December 31, 2004. (See Table A-1.)

Table A-1
The County's Net Assets

	Governmental Activities		Percentage Change
	2004	2003	
Current and Other Assets	\$ 27,382,257	\$ 27,066,428	1.2 %
Capital and Non-Current Assets	70,600,562	69,672,548	1.3
Total Assets	<u>97,982,819</u>	<u>96,738,976</u>	1.3
Current Liabilities	3,750,308	3,839,092	(2.3)
Long Term Liabilities	12,744,688	13,278,465	(4.0)
Total Liabilities	<u>16,494,996</u>	<u>17,117,557</u>	(3.6)
Net Assets			
Invested in Capital Assets			
Net of Related Debt	59,938,562	58,047,548	3.3
Restricted	7,014,649	6,506,895	7.8
Unrestricted	14,534,612	15,066,976	(3.5)
Total Net Assets	<u>\$ 81,487,823</u>	<u>\$ 79,621,419</u>	2.3

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2004**

Changes in Net Assets

The County-wide total revenues on a full accrual basis were \$31,154,036 for the year ended December 31, 2004. Property taxes and intergovernmental revenues accounted for 77% of total revenue for the year. (See Table A-2.)

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

	Governmental Activities for the fiscal year ended December 31,		Total %
	2004	2003	Change
Revenues			
<u>Program Revenues</u>			
Fees, Charges, Fines and Other	\$ 5,595,220	\$ 5,029,401	11.3 %
Operating Grants and Contributions	8,812,472	7,734,685	13.9
Capital Grants and Contributions	2,548,270	6,115,559	(58.3)
<u>General Revenues</u>			
Property Taxes	9,709,165	9,274,531	4.7
Unrestricted Grants and Contributions	3,128,850	3,199,246	(2.2)
Investment Earnings	421,956	423,731	(0.4)
Other	938,103	966,801	(3.0)
Total Revenues	<u>31,154,036</u>	<u>32,743,954</u>	(4.9)
Expenses			
General Government	4,660,268	5,015,477	(7.1)
Public Safety	3,735,012	3,410,204	9.5
Highways and Streets	8,130,625	5,181,246	56.9
Sanitation	2,070,216	1,768,197	17.1
Human Services	7,996,320	8,052,224	(0.7)
Health	1,404,936	1,310,042	7.2
Culture and Recreation	85,793	77,651	10.5
Conservation of Natural Resources	345,927	344,282	0.5
Economic Development	422,051	435,639	(3.1)
Interest and Fiscal Charges on Long-term			
Liabilities	436,484	473,684	(7.9)
Total Expenses	<u>29,287,632</u>	<u>26,068,646</u>	12.3
Increase in Net Assets	1,866,404	6,675,308	(72.0)
Beginning Net Assets	79,621,419	72,946,111	9.2
Ending Net Assets	<u>\$ 81,487,823</u>	<u>\$ 79,621,419</u>	2.3

Total revenues surpassed expenses, increasing net assets \$1,866,404 over last year.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2004**

The County-wide cost of all *governmental* activities this year was \$29,287,632.

- Some of the cost was paid by the users of the County's programs (\$5,595,220).
- The federal and state governments subsidized certain programs with grants and contributions (\$11,360,742).
- The remaining County costs (\$12,331,670), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$9,709,165 in property taxes, \$3,128,850 of state aid, and with investment earnings and other general revenues.

Figure A-3 Sources of County's Revenues for Fiscal 2004

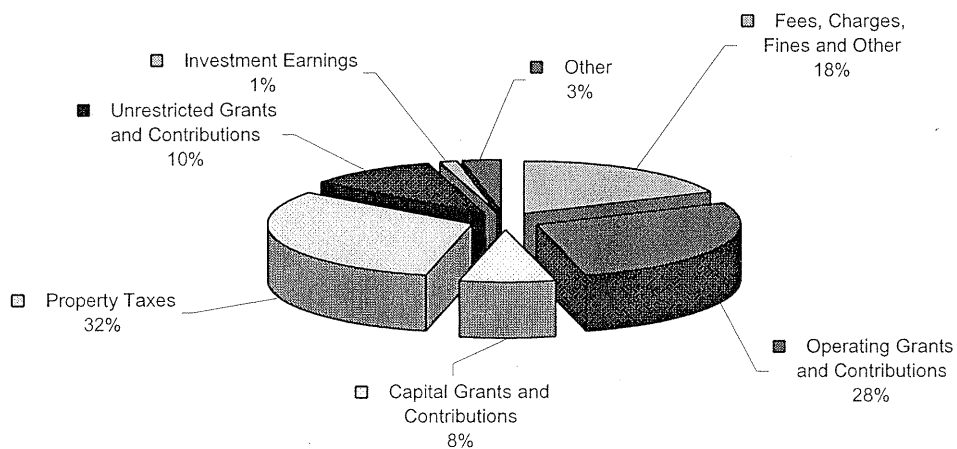
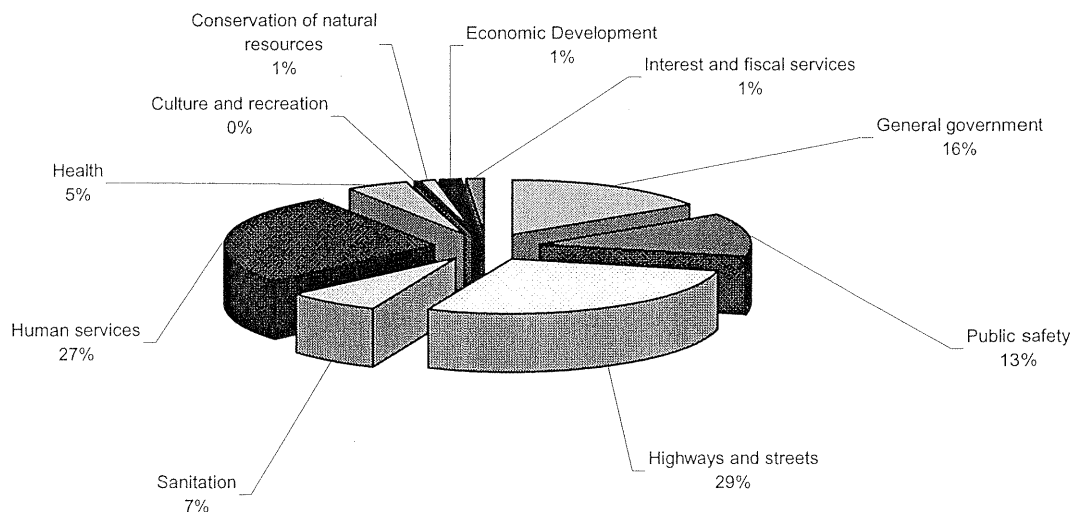


Figure A-4 County's Expenses for Fiscal 2004



**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2004**

Table A-3
Cost of Services

	Total Cost of Services		Percentage Change	Net Cost of (Revenue from) Services		Percentage Change
	2004	2003		2004	2003	
General Government	\$ 4,660,268	\$ 5,015,477	(7.1)%	\$ 3,787,752	\$ 3,699,184	2.4 %
Public Safety	3,735,012	3,410,204	9.5	2,392,166	2,442,483	(2.1)
Highways and Streets	8,130,625	5,181,246	56.9	1,985,031	(3,132,563)	163.4
Sanitation	2,070,216	1,768,197	17.1	462,984	289,320	60.0
Human Services	7,996,320	8,052,224	(0.7)	2,343,850	2,432,818	(3.7)
Health	1,404,936	1,310,042	7.2	281,083	233,683	20.3
Culture and Recreation	85,793	77,651	10.5	(22,112)	(20,508)	7.8
Conservation of Natural Resources	345,927	344,282	0.5	242,381	335,261	(27.7)
Economic Development	422,051	435,639	(3.1)	422,051	435,639	(3.1)
Interest	436,484	473,684	(7.9)	436,484	473,684	(7.9)
Total	<u>\$ 29,287,632</u>	<u>\$ 26,068,646</u>	12.3	<u>\$ 12,331,670</u>	<u>\$ 7,189,001</u>	71.5

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 \$22,703,316.

Revenues for the County's governmental funds were \$31,624,621, while total expenditures were \$31,135,047. During 2004, the County also issued general obligation bonds (\$420,000) which were used for capital equipment purchases. These items were included in other financing sources and uses.

GENERAL FUND

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2004**

The following schedule presents a summary of General Fund Revenues.

Table A-5
General Fund Revenues

Fund	Year Ended		Change	
	December 31, 2004	December 31, 2003	Increase (Decrease)	Percent
Taxes	\$ 4,903,858	\$ 4,515,841	\$ 388,017	8.6 %
Intergovernmental	2,540,556	2,519,931	20,625	0.8
Charges for Services	2,355,498	1,954,460	401,038	20.5
Investment Earnings	290,409	294,662	(4,253)	(1.4)
Miscellaneous and Other	798,308	739,201	59,107	8.0
Total General Fund Revenue	<u>\$ 10,888,629</u>	<u>\$ 10,024,095</u>	<u>\$ 864,534</u>	8.6

Total General Fund revenue increased by \$864,534, or 8.6%, from the previous year. The mix of property tax and state aid can change significantly from year to year without any net change in revenue. Charges for services increased due to the addition of 48 beds in the jail during the year.

The following schedule presents a summary of General Fund Expenditures.

Table A-6
General Fund Expenditures

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	December 31, 2004	December 31, 2003		
General Government	\$ 4,436,729	\$ 4,157,343	\$ 279,386	6.7 %
Public Safety	3,800,686	3,373,488	427,198	12.7
Health	1,380,022	1,292,686	87,336	6.8
Culture and Recreation	52,958	56,802	(3,844)	(6.8)
Conservation of Natural Resources	338,132	337,062	1,070	0.3
Economic Development	53,043	58,500	(5,457)	(9.3)
Intergovernmental	369,008	377,139	(8,131)	(2.2)
Other	3,900	-	3,900	100.0
Total Expenditures	<u>\$ 10,434,478</u>	<u>\$ 9,653,020</u>	<u>\$ 781,458</u>	8.1

General Fund Budgetary Highlights

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

- Actual revenues were \$431,517 more than expected; this is primarily due to the jail remodel adding an additional 48 beds to the jail.
- The actual expenditures were \$122,767 less than budget.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2004**

CONSTRUCTION PROJECTS AND DEBT SERVICE

The Capital Project Fund is currently being used to track the capital notes and capital improvement bonds approved by the board over the past years. The majority of the construction expenditures are for various capital improvements throughout the county.

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

CAPITAL ASSETS

By the end of 2004, the County had invested over \$106,800,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-7). (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 \$3,774,372.

**Table A-7
The County's Capital Assets**

	<u>2004</u>	<u>2003</u>	<u>Percentage Change</u>
Land	\$ 2,707,946	\$ 2,514,310	7.7 %
Construction in Progress	116,475	607,187	(80.8)
Infrastructure	80,812,242	77,114,846	4.8
Buildings	17,594,539	16,801,412	4.7
Machinery, Furniture, and Equipment	5,603,356	5,613,218	(0.2)
Less: Accumulated Depreciation	<u>(36,233,996)</u>	<u>(32,978,425)</u>	9.9
Total	<u><u>\$ 70,600,562</u></u>	<u><u>\$ 69,672,548</u></u>	1.3

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2004**

LONG-TERM LIABILITIES

At year-end, the County had \$12,744,688 in long-term liabilities that were due in more than one year.

- The County total debt decreased \$480,646 primarily due to the repayment of debt according to repayment schedules.

**Table A-8
The County's Long-term Liabilities**

	<u>2004</u>	<u>2003</u>	<u>Percentage Change</u>
Estimated Liability for Landfill Closure	\$ 2,667,868	\$ 2,295,557	16.2 %
General Obligation Bonds	10,437,000	11,330,000	(7.9)
Capital Leases Payable	225,000	295,000	(23.7)
Compensated Absences Payable	<u>1,264,015</u>	<u>1,153,972</u>	9.5
Total	<u><u>\$ 14,593,883</u></u>	<u><u>\$ 15,074,529</u></u>	(3.2)

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, Deputy Auditor, at (320) 632-0131 or Russ Nygren, County Auditor, at (320) 632-0130.

COMPONENT UNIT

The Morrison County Rural Development Finance Authority (RDFA) is a component unit of Morrison County and is reported in a separate column in the government-wide financial statements to emphasize that the RDFA is legally separate from Morrison County. Complete financial statements of the Morrison County Rural Development Finance Authority can be obtained at 213 First Avenue S.E., Little Falls, Minnesota 56345-3196.

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BASIC FINANCIAL STATEMENTS

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	Primary Government Governmental Activities	Discretely Presented Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 22,698,899	\$ 38,270
Petty cash and change funds	6,805	-
Departmental cash	13,338	-
Cash with escrow agent	64,825	-
Taxes receivable		
Delinquent	321,275	-
Special assessments receivable		
Delinquent	1,688	-
Deferred	1,211	-
Accounts receivable	253,935	-
Accrued interest receivable	184,141	-
Loans receivable	20,000	-
Due from other governments	3,370,664	-
Inventories	391,035	-
Advance to component unit	27,000	-
Deferred charges	27,441	-
Capital assets -		
Land	2,707,946	-
Construction in progress	116,475	-
Infrastructure (net)	53,396,900	-
Buildings (net)	12,504,412	-
Machinery, vehicles, furniture and equipment (net)	1,874,829	-
Total Assets	\$ 97,982,819	\$ 38,270
<u>Liabilities</u>		
Accounts payable	\$ 485,842	\$ -
Salaries payable	640,690	-
Contracts payable	409,972	-
Due to other governments	169,474	945
Accrued interest payable	175,292	-
Unearned revenue	19,843	-
Advance from primary government	-	27,000
General obligation bonds - due within one year	1,472,000	-
Capital leases payable - due within one year	75,000	-
Compensated absences - due within one year	302,195	-
Estimated liability for landfill closure/postclosure due in more than one year	2,667,868	-
General obligation bonds - due in more than one year	8,965,000	-
Capital leases payable - due in more than one year	150,000	-
Compensated absences - due in more than one year	961,820	-
Total Liabilities	\$ 16,494,996	\$ 27,945
<u>Net Assets</u>		
Invested in capital assets		
net of related debt	\$ 59,938,562	\$ -
Restricted for		
General government	28,646	-
Highways and streets	1,116,363	-
Sanitation	3,015,399	-
Debt service	2,854,241	-
Unrestricted	14,534,612	10,325
Total Net Assets	\$ 81,487,823	\$ 10,325

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

					Net (Expense) Revenue and Changes in Net Assets	
					Primary	Discretely
					Government	Presented
					Governmental	Component
					Activities	Unit

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	General	Road and Bridge	Social Services	Solid Waste	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>							
Cash and pooled investments	\$ 6,092,980	\$ 2,663,045	\$ 4,756,872	\$ 5,990,951	\$ 2,663,303	\$ 531,748	\$ 22,698,899
Petty cash and change funds	1,680	75	5,050	-	-	-	6,805
Departmental cash	8,189	-	-	324	4,825	-	13,338
Cash with escrow agent	-	-	-	-	64,825	-	64,825
Taxes receivable							
Delinquent	152,485	55,073	73,725	689	37,376	1,927	321,275
Special assessments receivable							
Delinquent	-	-	-	1,589	-	99	1,688
Deferred	-	-	-	-	-	1,211	1,211
Accounts receivable	88,910	3,383	5,304	91,604	64,734	-	253,935
Accrued interest receivable	124,754	-	-	53,512	5,875	-	184,141
Due from other funds	9,961	-	-	-	-	-	9,961
Due from other governments	192,112	2,654,054	472,097	1,722	50,679	-	3,370,664
Inventories	-	391,035	-	-	-	-	391,035
Loans receivable	-	-	-	-	-	20,000	20,000
Advances to component unit	-	-	-	27,000	-	-	27,000
Advances to other funds	32	-	-	1,000,000	-	-	1,000,032
Total Assets	\$ 6,671,103	\$ 5,766,665	\$ 5,313,048	\$ 7,167,391	\$ 2,891,617	\$ 554,985	\$ 28,364,809
<u>Liabilities and Fund Balances</u>							
Liabilities							
Accounts payable	\$ 151,883	\$ 18,255	\$ 237,466	\$ 74,234	\$ -	\$ 4,004	\$ 485,842
Salaries payable	378,042	93,539	166,713	2,396	-	-	640,690
Contracts payable	-	409,972	-	-	-	-	409,972
Due to other funds	-	-	9,961	-	-	-	9,961
Due to other governments	67,453	4,944	88,244	4,091	-	4,742	169,474
Deferred revenue-unavailable	152,485	2,656,578	73,725	2,278	37,376	3,237	2,925,679
Deferred revenue-unearned	19,843	-	-	-	-	-	19,843
Advance from other funds	-	1,000,000	-	-	-	32	1,000,032
Total Liabilities	\$ 769,706	\$ 4,183,288	\$ 576,109	\$ 82,999	\$ 37,376	\$ 12,015	\$ 5,661,493
Fund Balances							
Reserved for							
Inventories	\$ -	\$ 391,035	\$ -	\$ -	\$ -	\$ -	\$ 391,035
Debt service	-	-	-	-	2,854,241	-	2,854,241
Advances to other funds	32	-	-	1,000,000	-	-	1,000,032
Loans receivable	-	-	-	-	-	20,000	20,000
Advances to component unit	-	-	-	27,000	-	-	27,000
Landfill closure	-	-	-	3,015,399	-	-	3,015,399
Law library	28,646	-	-	-	-	-	28,646
Highway projects	-	1,116,363	-	-	-	-	1,116,363
Unreserved							
Designated for future expenditures	1,742,776	-	860,000	1,541,993	-	-	4,144,769
Designated for landfill closure	-	-	-	1,500,000	-	-	1,500,000
Designated for contingencies	73,894	-	-	-	-	-	73,894
Undesignated	4,056,049	75,979	3,876,939	-	-	-	8,008,967
Unreserved, reported in nonmajor:							
Special revenue funds	-	-	-	-	-	522,970	522,970
Total Fund Balances	\$ 5,901,397	\$ 1,583,377	\$ 4,736,939	\$ 7,084,392	\$ 2,854,241	\$ 542,970	\$ 22,703,316
Total Liabilities and Fund Balances	\$ 6,671,103	\$ 5,766,665	\$ 5,313,048	\$ 7,167,391	\$ 2,891,617	\$ 554,985	\$ 28,364,809

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

Fund balances - total governmental funds	\$	22,703,316
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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.		70,600,562
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		2,925,679
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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	\$	(10,437,000)	
Capital leases		(225,000)	
Compensated absences		(1,264,015)	
Estimated liability for landfill closure/postclosure		(2,667,868)	
Accrued interest payable		(175,292)	
Deferred debt issuance charges		27,441	(14,741,734)

Net assets of governmental activities	\$	<u>81,487,823</u>
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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	General	Road and Bridge	Social Services	Solid Waste	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 4,903,858	\$ 1,472,306	\$ 2,156,435	\$ 4,541	\$ 1,202,958	\$ -	\$ 55,758	\$ 9,795,856
Special assessments	-	-	-	621	-	-	794	1,415
Licenses and permits	247,059	-	-	18,015	-	-	-	265,074
Intergovernmental	2,540,556	6,382,080	5,499,765	82,771	380,690	-	17,123	14,902,985
Charges for services	2,355,498	629,292	332,845	1,491,990	-	-	-	4,809,625
Fines and forfeits	78,304	-	-	-	-	-	-	78,304
Investment earnings	290,409	-	11,556	84,978	33,705	1,308	-	421,956
Miscellaneous	472,945	67,927	346,581	15,654	431,847	-	14,452	1,349,406
Total Revenues	\$ 10,888,629	\$ 8,551,605	\$ 8,347,182	\$ 1,698,570	\$ 2,049,200	\$ 1,308	\$ 88,127	\$ 31,624,621
Expenditures								
Current								
General government	\$ 4,436,729	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,039	\$ 4,519,768
Public safety	3,800,686	-	-	-	-	-	-	3,800,686
Highways and streets	-	8,670,748	-	-	-	-	-	8,670,748
Sanitation	-	-	-	1,649,924	-	-	-	1,649,924
Human services	-	-	8,038,689	-	-	-	-	8,038,689
Health	1,380,022	-	-	-	-	-	-	1,380,022
Culture and recreation	52,958	-	-	-	-	-	17,485	70,443
Conservation of natural resources	338,132	7,360	-	-	-	-	-	345,492
Economic development	53,043	-	-	-	-	-	-	53,043
Intergovernmental								
Highways and streets	-	352,318	-	-	-	-	-	352,318
Culture and recreation	369,008	-	-	-	-	-	-	369,008
Capital outlay	-	-	-	-	-	55,001	-	55,001
Debt service								
Principal retirement	-	-	-	-	1,383,000	-	-	1,383,000
Interest	-	-	-	-	438,182	-	143	438,325
Bond issuance costs	3,900	4,680	-	-	-	-	-	8,580
Total Expenditures	\$ 10,434,478	\$ 9,035,106	\$ 8,038,689	\$ 1,649,924	\$ 1,821,182	\$ 55,001	\$ 100,667	\$ 31,135,047
Excess of Revenues Over (Under) Expenditures	\$ 454,151	\$ (483,501)	\$ 308,493	\$ 48,646	\$ 228,018	\$ (53,693)	\$ (12,540)	\$ 489,574
Other Financing Sources (Uses)								
Bonds and notes issued	94,000	326,000	-	-	-	-	-	420,000
Net Change in Fund Balance	\$ 548,151	\$ (157,501)	\$ 308,493	\$ 48,646	\$ 228,018	\$ (53,693)	\$ (12,540)	\$ 909,574
Fund Balance - January 1	5,353,246	1,732,544	4,428,446	7,035,746	2,626,223	53,693	555,510	21,785,408
Increase (decrease) in reserved for inventories	-	8,334	-	-	-	-	-	8,334
Fund Balance - December 31	\$ 5,901,397	\$ 1,583,377	\$ 4,736,939	\$ 7,084,392	\$ 2,854,241	\$ -	\$ 542,970	\$ 22,703,316

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENT ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Net change in fund balances - total governmental funds	\$	909,574
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustment	\$ 4,702,386	
Current year depreciation	(3,774,372)	928,014
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(470,585)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are		(420,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal repayments:		
General obligation bonds	\$ 1,313,000	
Capital lease	70,000	1,383,000
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	\$ 11,662	
Amortization of discounts and deferred issuance charges	(1,241)	
Change in compensated absences	(110,043)	
Change in estimated liability for landfill closure/postclosure	(372,311)	
Change in inventories	8,334	(463,599)
Change in net assets of governmental activities	<u>\$</u>	<u>1,866,404</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 949,685
Departmental cash	716
Accrued interest receivable	<u>4,832</u>
Total Assets	<u>\$ 955,233</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 955,233</u>
Total Liabilities	<u>\$ 955,233</u>

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

Morrison County was established February 23, 1855, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. Morrison County contains 719,593 acres and has a population of 29,604. 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.

Discrete 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.

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.

Joint Ventures

The County participates in several joint ventures which are described in Note 5.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., 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.

In the government-wide statement of net assets, the governmental activities are presented on a consolidated basis, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. 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 that are clearly identifiable with a specific function or activity. Program revenues includes: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

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.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds (continued):

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

The 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.

The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

Additionally, the County reports the following funds:

The County Building Special Revenue Fund is used to account for the repair of buildings used for County Administration. Financing is provided by an annual tax levy.

The County Parks Special Revenue Fund is to account for the operation of the County parks, acquisition of land, park development, park maintenance, and administration of park activities. Financing is provided by an annual tax levy.

The County Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

The Revolving Loan Special Revenue Fund is used to account for the County's cooperative project revolving loan program.

The Forfeited Tax Special Revenue Fund is used to account for all funds collected per state statute for sales of property forfeited for unpaid taxes.

MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statements (Continued)

3. Fund Financial Statements (Continued)

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 to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

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

E. 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, 2004, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments 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 2004 were \$290,409.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

- a) 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;
- b) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- c) 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;
- d) bankers' acceptances of United States banks;
- e) 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
- f) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current 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 that 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 1999 through 2004. 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.

Special assessments receivable consist of delinquent special assessments payable in the years 1999 through 2004, and deferred special assessments payable in 2005 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.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government 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 asset's lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Compensated Absences

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

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.

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 column on the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. Fund Balance

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

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

Cash and pooled investments	\$ 22,698,899
Petty cash and change funds	6,805
Departmental cash	13,338
Cash with escrow agent	64,825
Agency funds cash and pooled investments	949,685
Agency funds departmental cash	<u>716</u>
Total Cash and Investments	<u>\$ 23,734,268</u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$20,337,413. The bank balance deposit amount was \$20,332,299. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 1,000,000
Collateralized with securities held by the pledging financial institution's agent in the County's name	<u>19,314,629</u>
Total covered deposits	\$ 20,314,629
Uninsured and Uncollateralized	<u>17,670</u>
Total	<u><u>\$ 20,332,299</u></u>

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

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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

	Custodial Credit Risk			Fair Value
	1	2	3	
Investments				
U.S. government securities with broker	\$ 564,045	\$ -	\$ -	\$ 564,045
Negotiable certificates of deposit	1,709,850	-	-	1,709,850
Money market accounts with broker	34,621	-	-	34,621
Total Categorized Investments	<u>\$ 2,308,516</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 2,308,516
Investments not subject to categorization:				
Magic funds				875,046
Total Investments				<u>3,183,562</u>
Cash on hand				213,293
Checking account				744,184
Savings account				5,264,707
Certificates of deposit				<u>14,328,522</u>
Total Cash and Investments				<u>\$ 23,734,268</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land-infrastructure right of way	\$ 1,017,471	\$ 193,636	\$ -	\$ 1,211,107
Land	1,496,839	-	-	1,496,839
Construction-In-Progress	607,187	116,475	607,187	116,475
Total capital assets not being depreciated	<u>3,121,497</u>	<u>310,111</u>	<u>607,187</u>	<u>2,824,421</u>
Capital assets being depreciated				
Buildings	16,801,412	793,127	-	17,594,539
Machinery, furniture, and equipment	5,613,218	508,939	518,801	5,603,356
Infrastructure	<u>77,114,846</u>	<u>3,697,396</u>	<u>-</u>	<u>80,812,242</u>
Total capital assets being depreciated	<u>99,529,476</u>	<u>4,999,462</u>	<u>518,801</u>	<u>104,010,137</u>
Less: accumulated depreciation for				
Buildings	4,718,470	371,657	-	5,090,127
Machinery, furniture, and equipment	3,795,526	451,802	518,801	3,728,527
Infrastructure	<u>24,464,429</u>	<u>2,950,913</u>	<u>-</u>	<u>27,415,342</u>
Total accumulated depreciation	<u>32,978,425</u>	<u>3,774,372</u>	<u>518,801</u>	<u>36,233,996</u>
Total capital assets, depreciated, net	<u>66,551,051</u>	<u>1,225,090</u>	<u>-</u>	<u>67,776,141</u>
Governmental Activities Capital Assets, Net	<u>\$ 69,672,548</u>	<u>\$ 1,535,201</u>	<u>\$ 607,187</u>	<u>\$ 70,600,562</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets (Continued)

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

Governmental Activities	
General government	\$ 302,640
Public safety	84,551
Highways and streets, including depreciation of infrastructure assets	3,308,585
Human services	12,155
Health	17,202
Culture and Recreation	240
Sanitation	48,999
	<hr/>
Depreciation Expense - Governmental Activities	<u><u>\$ 3,774,372</u></u>

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Social Services	\$ 9,961

The Social Services Special Revenue Fund owed the General Fund reimbursements for various costs incurred at December 31, 2004.

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ditch	\$ 32
Solid Waste	Road and Bridge	1,000,000
		<hr/>
		<u><u>\$ 1,000,032</u></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 Fund was to start making annual payments of \$100,000 over a 15 year period to pay back the loan. However, the Road and Bridge Fund did not make its scheduled loan payment in 2004. The County began construction on a new highway administration building during the year, and the current year's loan payment was used to partially fund that project.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Deferred Revenues

Deferred revenues consist of taxes and special assessments receivable that are not collected soon enough after year-end to pay liabilities of the current year, and state and federal grants received but not yet earned. Deferred revenue at December 31, 2004, is summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major Governmental Funds				
General	\$ -	\$ 152,485	\$ 19,843	\$ 172,328
Road and Bridge	-	55,073	2,601,505	2,656,578
Social Services	-	73,725	-	73,725
Solid Waste	1,589	689	-	2,278
Debt Service	-	37,376	-	37,376
Total Major Governmental Funds	1,589	319,348	2,621,348	2,942,285
Other Governmental Funds	1,310	1,927	-	3,237
Total All Funds	<u>\$ 2,899</u>	<u>\$ 321,275</u>	<u>\$ 2,621,348</u>	<u>\$ 2,945,522</u>
Deferred Revenue				
Unavailable	\$ 2,899	\$ 321,275	\$ 2,601,505	\$ 2,925,679
Unearned	-	-	19,843	19,843
Total	<u>\$ 2,899</u>	<u>\$ 321,275</u>	<u>\$ 2,621,348</u>	<u>\$ 2,945,522</u>

2. Vacation and Sick Leave

Under the County's personnel policies and union contracts, County employees are granted vacation and sick leave in varying amounts based on their length of service.

Unused accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, valued at \$1,647,681 at December 31, 2004, is available to employees in the event of illness-related absences, and is not paid to them at termination.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Retired Employee Health Insurance Benefits

Pursuant to Minn. Stat. § 471.61, subd. 2a, the County pays \$125 per month towards the health insurance for retired Sheriff deputies and \$145 per month towards the health insurance for retired union employees from 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's contributions for the year ended December 31, 2004 were \$13,500. Those contributions were paid by the General Fund for the 9 employees eligible for this benefit.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Long-Term Debt

Governmental Activities

Types of Indebtedness	Maturity Date	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2004
General Obligation Bonds					
1996 G.O. Taxable Bonds	2009	\$12,500	7.00	\$ 530,000	\$ 27,000
1998 G.O. Capital Improvement Plan Refunding Bonds	2012	\$30,000 - 220,000	4.10-4.90	975,000	770,000
2001 G.O. Capital Improvement Refunding Bonds	2010	\$210,000 - 260,000	2.25-3.75	1,850,000	1,430,000
2001 G.O. Tax Increment Refunding Bonds	2007	\$305,000 - 775,000	4.00-4.50	2,090,000	1,465,000
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	2,370,000
2003 G.O. Capital Improvement Plan Bonds	2018	\$30,000 - 65,000	2.50-4.25	705,000	705,000
2004 G.O. Equipment Certificates	2005	\$420,000	1.25	420,000	420,000
Total General Obligation Bonds				<u>\$ 12,545,000</u>	<u>\$ 10,437,000</u>
Installment Purchase Obligations					
1997 Installment Purchase Obligation with Johnson Controls, Inc., to provide energy equipment	2007	\$2,006 - 81,440	4.20-5.35	<u>\$ 645,000</u>	<u>\$ 225,000</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Debt Service Requirements

Payments on long-term debt are made from the Debt Service Fund. Debt service requirements at December 31, 2004, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Installment Purchase Obligations	
	Principal	Interest	Principal	Interest
2005	\$ 1,472,000	\$ 387,201	\$ 75,000	\$ 9,844
2006	1,075,000	343,770	75,000	5,963
2007	1,525,000	295,233	75,000	2,006
2008	770,000	252,398	-	-
2009	805,000	225,652	-	-
2010-2014	2,640,000	756,579	-	-
2015-2019	2,150,000	207,315	-	-
Total	<u>\$ 10,437,000</u>	<u>\$ 2,468,148</u>	<u>\$ 225,000</u>	<u>\$ 17,813</u>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 11,330,000	\$ 420,000	\$ 1,313,000	\$ 10,437,000	\$ 1,472,000
Installment Purchases	295,000	-	70,000	225,000	75,000
Compensated Absences	1,153,972	110,043	-	1,264,015	302,195
Estimated Liability for Closure/Postclosure	<u>2,295,557</u>	<u>372,311</u>	<u>-</u>	<u>2,667,868</u>	<u>-</u>
Governmental Long-Term Liabilities	<u>\$ 15,074,529</u>	<u>\$ 902,354</u>	<u>\$ 1,383,000</u>	<u>\$ 14,593,883</u>	<u>\$ 1,849,195</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

7. 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 \$2,667,868 landfill closure and postclosure care liability at December 31, 2004, represents the cumulative amount reported to date based on the use of 82 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$571,802 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and is currently making monthly payments for financial assurance to the Solid Waste Special Revenue Fund under financial hardship status. Hardship was granted based on the current Solid Waste Management Plan, which is based on a five-year planning period. In the spring of 1994, Morrison County received approval of its Solid Waste Management Plan, which granted Morrison County ten years of Certificate of Need for solid waste management. At December 31, 2004, the County has reserved net assets of \$3,015,399 to finance closure and postclosure care. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenues.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND 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.

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 remaining 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.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

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

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

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

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND 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 are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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

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

The County's contributions for the years ending December 31, 2004, 2003, and 2002, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2004	\$ 402,408	\$ 91,799	\$ 90,097
2003	409,299	64,721	67,449
2002	385,514	62,828	65,337

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 4 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. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. 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 \$720,000 per claim in 2004 and \$760,000 per claim in 2005. 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. The 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.

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

Joint Ventures

Central Minnesota Community Corrections Agency

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

The governing board is composed of five county commissioners from each of the participating counties.

The Central Minnesota Community Corrections Agency is funded through state grants and contributions from Aitkin, Crow Wing, and Morrison Counties. Morrison County had expenditures of \$85,514 for community corrections for 2004.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

Joint Ventures (Continued)

Central Minnesota Community Corrections Agency (Continued)

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

Complete financial information can be obtained from the Central Minnesota Community Corrections Agency, Crow Wing County Courthouse, 326 Laurel Street, Brainerd, Minnesota 56401.

Little Falls-Morrison County Airport Commission

The Little Falls-Morrison County Airport Commission was established in 1965 under the authority of Minn. Laws 1945, ch. 303, § 20, 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 remainder of the costs is shared equally by the City and the County.

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.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

Joint Ventures (Continued)

Little Falls-Morrison County Airport Commission (Continued)

- 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 \$22,000 in funding during 2004. A summary of the financial information of the Commission for the year ended December 31, 2004, was:

	Operating Fund	Improvement Fund
Total Assets	\$ 53,799	\$ 84,657
Total Liabilities	\$ 1,951	\$ 12,033
Total Equity	51,848	72,624
Total Liabilities & Equity	\$ 53,799	\$ 84,657
Total Revenues	\$ 143,001	\$ 282,279
Total Expenditures	134,672	298,462
Excess of Revenues Over (Under) Expenditures	\$ 8,329	\$ (16,183)
Operating Transfers In	\$ 10,000	\$ 12,000
Operating Transfers Out	(8,520)	-
Total Other Financing Sources (Uses)	\$ 1,480	\$ 12,000
Increase (Decrease) in Fund Balance	\$ 9,809	\$ (4,183)

Financial information can be obtained from the Little Falls City Hall, 100 N.E. 7th Avenue, Little Falls, Minnesota 56345.

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

Joint Ventures (Continued)

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. Stat. ch. 145. 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.

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. The governing board 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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

Joint Ventures (Continued)

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, c/o Kim Thon, Stearns County Administration Center, 705 Courthouse Square, St. Cloud, Minnesota 56303.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 4,961,454	\$ 4,961,454	\$ 4,903,858	\$ (57,596)
Licenses and permits	350,650	350,650	247,059	(103,591)
Intergovernmental	2,284,591	2,284,591	2,540,556	255,965
Charges for services	2,058,716	2,058,716	2,355,498	296,782
Fines and forfeits	13,951	13,951	78,304	64,353
Investment earnings	300,000	300,000	290,409	(9,591)
Miscellaneous	487,750	487,750	472,945	(14,805)
Total Revenues	\$ 10,457,112	\$ 10,457,112	\$ 10,888,629	\$ 431,517
Expenditures				
Current				
General government				
Commissioners	\$ 213,340	\$ 213,340	\$ 205,899	\$ 7,441
Courts	20,800	20,800	20,862	(62)
Law library	50,000	50,000	53,550	(3,550)
Executive secretary	226,013	226,013	224,677	1,336
County administration	179,000	179,000	187,221	(8,221)
County auditor	525,322	525,322	541,146	(15,824)
License bureau	243,655	243,655	248,897	(5,242)
County treasurer	184,545	184,545	187,225	(2,680)
County assessor	588,713	588,713	575,554	13,159
Data processing	360,333	360,333	346,663	13,670
Attorney	532,982	532,982	506,510	26,472
Recorder	260,709	260,709	263,257	(2,548)
Surveyor	2,267	2,267	-	2,267
Planning and zoning	326,757	326,757	306,282	20,475
Buildings and plant	579,818	579,818	570,618	9,200
Veterans service officer	104,717	104,717	109,187	(4,470)
Appropriations	22,000	22,000	22,732	(732)
Other general government	192,300	192,300	66,449	125,851
Total general government	\$ 4,613,271	\$ 4,613,271	\$ 4,436,729	\$ 176,542
Public safety				
Sheriff	\$ 1,717,542	\$ 1,717,542	\$ 1,698,304	\$ 19,238
Boat and water safety	17,370	17,370	12,806	4,564
E-911 System	51,000	51,000	26,237	24,763
Coroner	41,205	41,205	45,568	(4,363)
County jail	1,842,402	1,842,402	1,869,911	(27,509)
Community corrections	85,514	85,514	85,514	-
Civil defense	34,772	34,772	62,346	(27,574)
Total public safety	\$ 3,789,805	\$ 3,789,805	\$ 3,800,686	\$ (10,881)

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Expenditures				
Current (Continued)				
Health				
Nursing service	\$ 1,345,547	\$ 1,345,547	\$ 1,380,022	\$ (34,475)
Culture and recreation				
Historical society	\$ 38,989	\$ 38,989	\$ 39,357	\$ (368)
Other	13,601	13,601	13,601	-
Total culture and recreation	\$ 52,590	\$ 52,590	\$ 52,958	\$ (368)
Conservation of natural resources				
Cooperative extension	\$ 134,066	\$ 134,066	\$ 118,277	\$ 15,789
Soil and water conservation	55,732	55,732	90,249	(34,517)
Agricultural society/county fair	45,336	45,336	35,205	10,131
Water planning	41,093	41,093	30,989	10,104
Other	57,760	57,760	63,412	(5,652)
Total conservation of natural resources	\$ 333,987	\$ 333,987	\$ 338,132	\$ (4,145)
Economic development				
Community development	\$ 53,043	\$ 53,043	\$ 53,043	\$ -
Intergovernmental				
Library	\$ 369,002	\$ 369,002	\$ 369,008	\$ (6)
Debt service				
Bond issuance costs	\$ -	\$ -	\$ 3,900	\$ (3,900)
Total Expenditures	\$ 10,557,245	\$ 10,557,245	\$ 10,434,478	\$ 122,767
Excess of Revenues Over (Under) Expenditures	\$ (100,133)	\$ (100,133)	\$ 454,151	\$ 554,284
Other Financing Sources (Uses)				
Bonds and notes issued	-	-	94,000	94,000
Net Change in Fund Balance	\$ (100,133)	\$ (100,133)	\$ 548,151	\$ 648,284
Fund Balance - January 1	5,353,246	5,353,246	5,353,246	-
Fund Balance - December 31	\$ 5,253,113	\$ 5,253,113	\$ 5,901,397	\$ 648,284

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 1,457,293	\$ 1,457,293	\$ 1,472,306	\$ 15,013
Intergovernmental	7,504,703	7,504,703	6,382,080	(1,122,623)
Charges for services	331,910	331,910	629,292	297,382
Miscellaneous	58,000	58,000	67,927	9,927
Total Revenues	\$ 9,351,906	\$ 9,351,906	\$ 8,551,605	\$ (800,301)
Expenditures				
Current				
Highways and Streets				
Administration	\$ 276,700	\$ 276,700	\$ 315,755	\$ (39,055)
Maintenance	1,585,182	1,585,182	1,496,436	88,746
Construction	6,497,325	6,497,325	5,828,884	668,441
Equipment maintenance and shop	972,989	972,989	930,291	42,698
Other	331,910	331,910	99,382	232,528
Total highways and streets	\$ 9,664,106	\$ 9,664,106	\$ 8,670,748	\$ 993,358
Conservation of Natural Resources				
Agricultural inspection	13,800	13,800	7,360	6,440
Intergovernmental				
Highways and streets	-	-	352,318	(352,318)
Debt Service				
Bond issuance costs	-	-	4,680	(4,680)
Total Expenditures	\$ 9,677,906	\$ 9,677,906	\$ 9,035,106	\$ 642,800
Excess of Revenues Over (Under)				
Expenditures	\$ (326,000)	\$ (326,000)	\$ (483,501)	\$ (157,501)
Other Financing Sources (Uses)				
Bonds and notes issued	326,000	326,000	326,000	-
Net Change in Fund Balance	\$ -	\$ -	\$ (157,501)	\$ (157,501)
Fund Balance - January 1	1,732,544	1,732,544	1,732,544	-
Increase (decrease) in reserved for inventory	-	-	8,334	8,334
Fund Balance - December 31	\$ 1,732,544	\$ 1,732,544	\$ 1,583,377	\$ (149,167)

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 2,146,384	\$ 2,146,384	\$ 2,156,435	\$ 10,051
Intergovernmental	5,347,016	5,347,016	5,499,765	152,749
Charges for services	311,887	311,887	332,845	20,958
Investment earnings	4,900	4,900	11,556	6,656
Miscellaneous	288,000	288,000	346,581	58,581
Total Revenues	\$ 8,098,187	\$ 8,098,187	\$ 8,347,182	\$ 248,995
Expenditures				
Current				
Human Services				
Income maintenance	\$ 2,953,172	\$ 2,953,172	\$ 2,712,959	\$ 240,213
Social services	5,195,015	5,195,015	5,325,730	(130,715)
Total human services	\$ 8,148,187	\$ 8,148,187	\$ 8,038,689	\$ 109,498
Excess of Revenues Over (Under)				
Expenditures	\$ (50,000)	\$ (50,000)	\$ 308,493	\$ 358,493
Fund Balance - January 1	4,428,446	4,428,446	4,428,446	-
Fund Balance - December 31	\$ 4,378,446	\$ 4,378,446	\$ 4,736,939	\$ 358,493

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 5,000	\$ 5,000	\$ 4,541	\$ (459)
Special assessments	-	-	621	621
Licenses and permits	15,000	15,000	18,015	3,015
Intergovernmental	78,025	78,025	82,771	4,746
Charges for services	1,511,525	1,511,525	1,491,990	(19,535)
Investment earnings	40,000	40,000	84,978	44,978
Miscellaneous	3,500	3,500	15,654	12,154
Total Revenues	\$ 1,653,050	\$ 1,653,050	\$ 1,698,570	\$ 45,520
Expenditures				
Current				
Sanitation				
Solid waste	1,653,050	1,653,050	1,649,924	3,126
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 48,646	\$ 48,646
Fund Balance - January 1	7,035,746	7,035,746	7,035,746	-
Fund Balance - December 31	\$ 7,035,746	\$ 7,035,746	\$ 7,084,392	\$ 48,646

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2004**

A. Budgetary Information

The County Board adopts an annual budget for the following major funds: The 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 and Capital Projects 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.

B. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget at the function level for the year ended December 31, 2004:

<u>Fund</u>	<u>Function</u>	<u>Actual</u>	<u>Budget</u>	<u>Excess</u>
General Fund	Current			
	Public Safety	\$ 3,800,686	\$ 3,789,805	\$ 10,881
	Health	1,380,022	1,345,547	34,475
	Culture and Recreation	52,958	52,590	368
	Conservation of Natural Resources	338,132	333,987	4,145
	Intergovernmental			
	Library	369,008	369,002	6
	Debt Service			
	Bond Issuance Costs	3,900	-	3,900
Road and Bridge Special Revenue Fund	Intergovernmental			
	Highways and Streets	352,318	-	352,318
	Debt Services			
	Bond Issuance Costs	4,680	-	4,680
County Building Special Revenue Fund	General Government			
	Buildings and Plant	70,984	50,000	20,984

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	Special Revenue Funds					
	County Building	County Parks	County Ditch	Revolving Loan	Forfeited Tax	Total
<u>Assets</u>						
Cash and pooled investments	\$ 326,182	\$ 107,711	\$ 75	\$ 89,038	\$ 8,742	\$ 531,748
Taxes receivable - delinquent	1,444	483	-	-	-	1,927
Special assessments receivable						
Delinquent	-	-	99	-	-	99
Deferred	-	-	1,211	-	-	1,211
Loans receivable	-	-	-	20,000	-	20,000
Total Assets	\$ 327,626	\$ 108,194	\$ 1,385	\$ 109,038	\$ 8,742	\$ 554,985
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ -	\$ 4	\$ -	\$ -	\$ 4,000	\$ 4,004
Due to other governments	-	-	-	-	4,742	4,742
Deferred revenue-unavailable	1,444	483	1,310	-	-	3,237
Advance from other funds	-	-	32	-	-	32
Total Liabilities	\$ 1,444	\$ 487	\$ 1,342	\$ -	\$ 8,742	\$ 12,015
Fund Balances						
Reserved for loans receivable	\$ -	\$ -	\$ -	\$ 20,000	\$ -	\$ 20,000
Unreserved						
Designated for economic development	-	-	-	89,038	-	89,038
Undesignated	326,182	107,707	43	-	-	433,932
Total Fund Balances	\$ 326,182	\$ 107,707	\$ 43	\$ 109,038	\$ -	\$ 542,970
Total Liabilities and Fund Balances	\$ 327,626	\$ 108,194	\$ 1,385	\$ 109,038	\$ 8,742	\$ 554,985

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	Special Revenue Funds					
	County Building	County Parks	County Ditch	Revolving Loan	Forfeited Tax	Total
Revenues						
Taxes	\$ 38,503	\$ 17,255	\$ -	\$ -	\$ -	\$ 55,758
Special assessments	-	-	794	-	-	794
Intergovernmental	12,039	5,084	-	-	-	17,123
Miscellaneous	-	47	-	2,350	12,055	14,452
Total Revenues	\$ 50,542	\$ 22,386	\$ 794	\$ 2,350	\$ 12,055	\$ 88,127
Expenditures						
Current						
General government	\$ 70,984	\$ -	\$ -	\$ -	\$ 12,055	\$ 83,039
Culture and recreation	-	17,485	-	-	-	17,485
Debt service						
Interest	-	-	143	-	-	143
Total Expenditures	\$ 70,984	\$ 17,485	\$ 143	\$ -	\$ 12,055	\$ 100,667
Excess of Revenues Over (Under)						
Expenditures	\$ (20,442)	\$ 4,901	\$ 651	\$ 2,350	\$ -	\$ (12,540)
Fund Balance - January 1	346,624	102,806	(608)	106,688	-	555,510
Fund Balance - December 31	\$ 326,182	\$ 107,707	\$ 43	\$ 109,038	\$ -	\$ 542,970

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 37,961	\$ 37,961	\$ 38,503	\$ 542
Intergovernmental	12,039	12,039	12,039	-
Total Revenues	\$ 50,000	\$ 50,000	\$ 50,542	\$ 542
Expenditures				
Current				
General Government				
Buildings and plant	50,000	50,000	70,984	(20,984)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (20,442)	\$ (20,442)
Fund Balance - January 1	346,624	346,624	346,624	-
Fund Balance - December 31	\$ 346,624	\$ 346,624	\$ 326,182	\$ (20,442)

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Taxes	\$ 21,616	\$ 21,616	\$ 17,255	\$ (4,361)
Intergovernmental	5,084	5,084	5,084	-
Miscellaneous	-	-	47	47
Total Revenues	\$ 26,700	\$ 26,700	\$ 22,386	\$ (4,314)
Expenditures				
Current				
Culture and recreation				
Parks	26,700	26,700	17,485	9,215
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 4,901	\$ 4,901
Fund Balance - January 1	102,806	102,806	102,806	-
Fund Balance - December 31	\$ 102,806	\$ 102,806	\$ 107,707	\$ 4,901

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>LOCAL COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 511,870	\$ 329,449	\$ 203,849	\$ 637,470
Departmental cash	198	716	198	716
Accrued interest receivable	1,483	4,832	1,483	4,832
	<u>\$ 513,551</u>	<u>\$ 334,997</u>	<u>\$ 205,530</u>	<u>\$ 643,018</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 513,551</u>	<u>\$ 334,997</u>	<u>\$ 205,530</u>	<u>\$ 643,018</u>
<u>MOTOR VEHICLE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 6,352</u>	<u>\$ 128,728</u>	<u>\$ 130,756</u>	<u>\$ 4,324</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 6,352</u>	<u>\$ 128,728</u>	<u>\$ 130,756</u>	<u>\$ 4,324</u>
<u>SPECIAL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ -</u>	<u>\$ 144,317</u>	<u>\$ 144,317</u>	<u>\$ -</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ -</u>	<u>\$ 144,317</u>	<u>\$ 144,317</u>	<u>\$ -</u>
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ -</u>	<u>\$ 4,042,175</u>	<u>\$ 4,042,175</u>	<u>\$ -</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ -</u>	<u>\$ 4,042,175</u>	<u>\$ 4,042,175</u>	<u>\$ -</u>

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 76,417	\$ 1,040,228	\$ 1,029,389	\$ 87,256
<u>Liabilities</u>				
Due to other governments	\$ 76,417	\$ 1,040,228	\$ 1,029,389	\$ 87,256
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 216,460	\$ 25,637,652	\$ 25,633,477	\$ 220,635
<u>Liabilities</u>				
Due to other governments	\$ 216,460	\$ 25,637,652	\$ 25,633,477	\$ 220,635
<u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 8,003,911	\$ 8,003,911	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 8,003,911	\$ 8,003,911	\$ -
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 811,099	\$ 39,326,460	\$ 39,187,874	\$ 949,685
Departmental cash	198	716	198	716
Accrued interest receivable	1,483	4,832	1,483	4,832
Total Assets	\$ 812,780	\$ 39,332,008	\$ 39,189,555	\$ 955,233
<u>Liabilities</u>				
Due to other governments	\$ 812,780	\$ 39,332,008	\$ 39,189,555	\$ 955,233

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

	General Fund	Road and Bridge	Social Services	Solid Waste	County Building	County Parks	Total	Debt Service	Total All Funds
Shared Revenue									
State									
County Program Aid	\$ 642,441	\$ 198,875	\$ 292,485	\$ 516	\$ 5,178	\$ 2,187	\$ 499,241	\$ 163,725	\$ 1,305,407
PERA rate reimbursement	48,267	-	-	-	-	-	-	-	48,267
Disparity reduction aid	14,452	4,474	6,579	11	116	49	11,229	3,683	29,364
Police state aid	64,721	-	-	-	-	-	-	-	64,721
Highway users tax	-	4,922,116	-	-	-	-	4,922,116	-	4,922,116
Market value credit	833,320	257,964	379,387	669	6,716	2,836	647,572	212,370	1,693,262
Market value credit - mobile home	3,578	1,108	1,629	2	29	12	2,780	912	7,270
Enhanced 911	54,713	-	-	-	-	-	-	-	54,713
Total Shared Revenue	\$ 1,661,492	\$ 5,384,537	\$ 680,080	\$ 1,198	\$ 12,039	\$ 5,084	\$ 6,082,938	\$ 380,690	\$ 8,125,120
Reimbursement for Services									
State									
Minnesota Department of Human Services	\$ 153,359	\$ -	\$ 1,921,081	\$ -	\$ -	\$ -	\$ 1,921,081	\$ -	\$ 2,074,440
Payments									
Local									
Local contributions	\$ 45,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,280
Payments in lieu of taxes	30,914	-	-	-	-	-	-	-	30,914
Total Payments	\$ 76,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,194
Grants									
State									
Minnesota Department/Board of Corrections	\$ 38,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,640
Transportation	-	906,800	109,772	-	-	-	1,016,572	-	1,016,572
Health	185,395	-	-	-	-	-	-	-	185,395
Natural Resources	12,708	90,743	-	-	-	-	90,743	-	103,451
Human Services	-	-	1,727,740	-	-	-	1,727,740	-	1,727,740
Veterans Affairs	4,200	-	-	-	-	-	-	-	4,200
Soil and Water Resources	103,511	-	-	-	-	-	-	-	103,511
Office of Environmental Assistance	-	-	-	74,220	-	-	74,220	-	74,220
Pollution Control Agency	-	-	-	7,353	-	-	7,353	-	7,353
Peace Officer's Board	6,804	-	-	-	-	-	-	-	6,804
Total State	\$ 351,258	\$ 997,543	\$ 1,837,512	\$ 81,573	\$ -	\$ -	\$ 2,916,628	\$ -	\$ 3,267,886
Federal									
Department of Agriculture	\$ 112,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,766
Transportation	6,427	-	33,301	-	-	-	33,301	-	39,728
Health and Human Services	111,680	-	1,027,791	-	-	-	1,027,791	-	1,139,471
Homeland Security	67,380	-	-	-	-	-	-	-	67,380
Total Federal	\$ 298,253	\$ -	\$ 1,061,092	\$ -	\$ -	\$ -	\$ 1,061,092	\$ -	\$ 1,359,345
Total State and Federal Grants	\$ 649,511	\$ 997,543	\$ 2,898,604	\$ 81,573	\$ -	\$ -	\$ 3,977,720	\$ -	\$ 4,627,231
Total Intergovernmental Revenue	\$ 2,540,556	\$ 6,382,080	\$ 5,499,765	\$ 82,771	\$ 12,039	\$ 5,084	\$ 11,981,739	\$ 380,690	\$ 14,902,985

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 112,766
U.S. Department of Transportation		
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	\$ 4,394
Passed Through Minnesota Department of Transportation Public Transportation for Non-Urbanized Areas	20.509	33,301
Passed Through Minnesota Department of Public Safety Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	2,033
Total U.S. Department of Transportation		\$ 39,728
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Commerce Low Income Home Energy Assistance	93.568	\$ 324,784
Passed Through Minnesota Department of Human Services/Region V Agency on Aging Title IIID - Special Program for the Aging	93.043	1,416
Title IIIB - Special Program for the Aging	93.044	6,823
Passed Through Minnesota Department of Human Services Alternative Response Grant	93.556	12,287
Temporary Assistance for Needy Families	93.558	200,313
Child Care Mandatory and Matching Funds	93.596	185,090
Foster Care Title IV-E	93.658	67,916
Social Services Block Grant Title XX	93.667	240,603
Chafee Foster Care Independence Program	93.674	7,636
Community Mental Health Block Grant	93.958	5,325
Passed Through Minnesota Department of Health Center for Disease Control and Prevention	93.283	44,998
Maternal and Child Health Services Block Grant	93.994	42,280
Total U.S. Department of Health and Human Services		\$ 1,139,471

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety Domestic Preparedness Grant	97.004	\$ 49,989
Emergency Management Performance Grants	97.042	13,891
State and Local All Hazards Emergency Operations Planning Grant	97.051	3,500
Total U.S. Department of Homeland Security		\$ 67,380
Total Federal Awards		\$ 1,359,345

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 basis of accounting used by the individual funds of the County. Governmental funds use the modified accrual basis of accounting.
3. During 2004, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.

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