STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

YEAR ENDED DECEMBER 31, 2010

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

Year Ended December 31, 2010

Audit Practice Division
Office of the State Auditor
State of Minnesota

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LITTLE FALLS, MINNESOTA

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LITTLE FALLS, MINNESOTA

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Introductory Section

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

ORGANIZATION SCHEDULE
2010

Office	Name	Term of Office From	Term of Office To
Commissioners			
1st District	Thomas R. Wenzel	January 2009	January 2012
2nd District	Jeff Schilling[1]	January 2009	January 2012
3rd District	Richard Collins	January 2009	January 2012
4th District	Donald Meyer	January 2007	January 2011
5th District	Duane Johnson	January 2007	January 2011
Officers			
Elected			
Attorney	Brian Middendorf	January 2007	January 2011
Auditor/Treasurer	Russ Nygren	January 2007	January 2011
Recorder	Elda Mae Johnston	January 2007	January 2011
Sheriff	Michel Wetzel	January 2007	January 2011
Appointed			
Assessor	Glen Erickson	December 2010	December 2013
Corrections	Larry Falk	Indefinite	
County Administrator	Deb Gruber	Indefinite	
Court Administrator	Rhonda Bot	Indefinite	
Extension	Jim Carlson	Indefinite	
Information Systems	Mike Disher	Indefinite	
Planning and Zoning Director	Mark Anderson	Indefinite	
Public Health Director	Bonnie Paulsen	Indefinite	
Public Works Director	Steven Backowski	May 2009	May 2012
Social Services Director	Steve Reger	Indefinite	
Veterans Service Officer	Paul Froncak	July 2009	July 2014

[1]Chair

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Morrison County

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morrison County, Minnesota, as of and for the year ended December 31, 2010, 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 did not audit the financial statements of the Housing and Redevelopment Authority (HRA) of Morrison County, a discretely presented component unit, which represents 55 percent, 42 percent, and 79 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the HRA of Morrison County, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 and the report of other auditors provide a reasonable basis for our opinions.

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In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morrison County as of December 31, 2010, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morrison County's basic financial statements taken as a whole. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2011, 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. It does not include the HRA of Morrison County, which was audited by other auditors.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 19, 2011

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(Unaudited)

This section of Morrison County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2010. The Management's Discussion and Analysis (MD&A) is required supplementary information specified in the Governmental Accounting Standard Board's Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999. Certain comparative information between the current year, 2010, and the prior year, 2009, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010 fiscal year include the following:

- County-wide net assets decreased 1.5 percent from the prior year.
- Overall fund level revenues totaled $37,957,739 and were $1,107,132 more than expenditures.
- The General Fund's fund balance increased $629,243 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- The governmental funds statements tell how basic services such as general government, human services, and highways and streets were financed in the short term as well as what remains for future spending.

- Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

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

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

Figure A-1
Annual Report Format

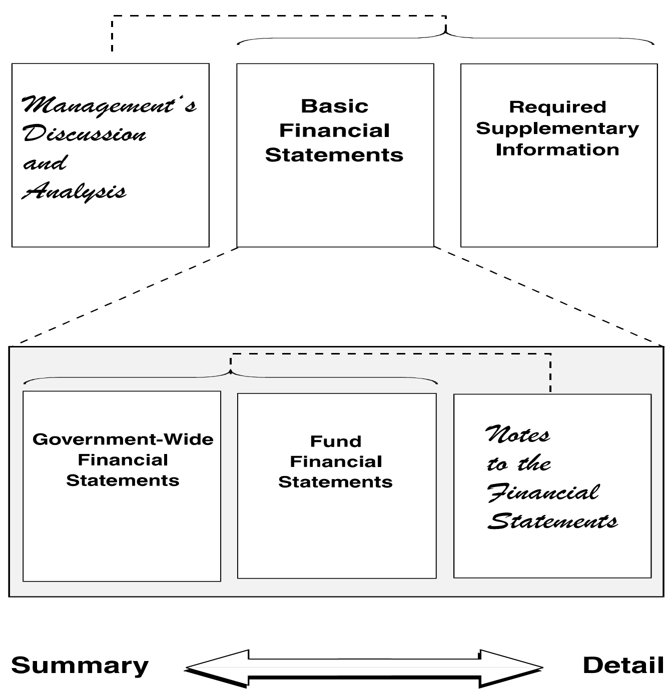

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the County's Government-Wide and Fund Financial Statements

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

County-Wide Statements

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

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

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the County, you need to consider additional nonfinancial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.

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

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.

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

The County has two kinds of funds:

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were $105,796,769 on December 31, 2010. (See Table A-1.)

Table A-1
Net Assets

	Governmental Activities		Percent (%)
	2010	2009	Change
Current and other assets	$ 29,550,311	$ 29,060,331	1.7
Capital and noncurrent assets	96,049,805	93,873,086	2.3
Total Assets	$ 125,600,116	$ 122,933,417	2.2
Current liabilities	$ 1,508,618	$ 1,527,858	(1.3)
Long-term liabilities	18,294,729	13,955,025	31.1
Total Liabilities	$ 19,803,347	$ 15,482,883	27.9
Net Assets			
Invested in capital assets, net of related debt	$ 87,643,983	$ 84,724,879	3.4
Restricted	7,038,341	3,963,839	77.6
Unrestricted	11,114,445	18,761,816	(40.8)
Total Net Assets	$ 105,796,769	$ 107,450,534	(1.5)

Changes in Net Assets

The total county-wide revenues on a full accrual basis were $36,577,606 for the year ended December 31, 2010. Property taxes and intergovernmental revenues accounted for 81.1 percent of total revenue for the year. (See Table A-2.)

Table A-2
Changes in Net Assets

	Governmental Activities		Percent (%)
	2010	2009	Change
Revenues			
Program revenues			
Fees, charges, fines, and other	$ 5,623,261	$ 5,414,047	3.9
Operating grants and contributions	11,685,975	11,157,954	4.7
Capital grants and contributions	920,725	2,726,076	(66.2)
General revenues			
Property taxes	14,208,395	14,161,790	0.3
Unrestricted grants and contributions	2,839,385	3,319,468	(14.5)
Investment earnings	446,574	471,505	(5.3)
Other	853,291	466,317	83.0
Total Revenues	$ 36,577,606	$ 37,717,157	(3.0)
Expenses			
General government	$ 6,126,999	$ 6,002,150	2.1
Public safety	5,395,015	5,116,310	5.4
Highways and streets	7,872,793	5,341,216	47.4
Sanitation	7,402,798	2,562,453	188.9
Human services	7,768,729	8,299,083	(6.4)
Health	2,086,979	2,110,410	(1.1)
Culture and recreation	603,540	629,618	(4.1)
Conservation of natural resources	410,659	385,615	6.5
Economic development	62,786	133,826	(53.1)
Interest and fiscal charges on long-term liabilities	501,073	326,795	53.3
Total Expenses	$ 38,231,371	$ 30,907,476	23.7
Increase (Decrease) in Net Assets	$ (1,653,765)	$ 6,809,681	(124.3)
Beginning Net Assets	107,450,534	100,640,853	6.8
Ending Net Assets	$ 105,796,769	$ 107,450,534	(1.5)

Total revenues were less than expenses, decreasing net assets $1,653,765 from last year.

The County-wide cost of all governmental activities this year was $38,231,371.

- Some of the cost was paid by the users of the County's programs ($5,623,261).

- The federal and state governments subsidized certain programs with grants and contributions ($12,606,700).

- The remaining County costs ($20,001,410), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with $14,208,395 in property taxes, $2,839,385 of state aid, and $1,299,865 with investment earnings and other general revenues.

Figure A-3
Sources of Revenues for Fiscal 2010

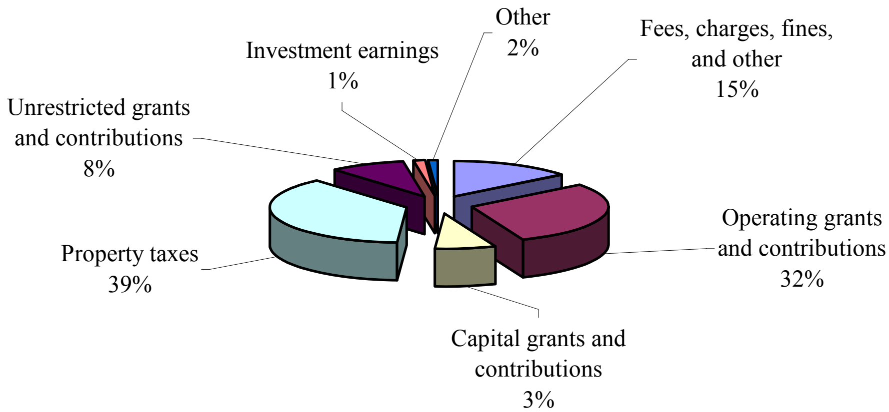

Figure A-4
Sources of Expenses for Fiscal 2010

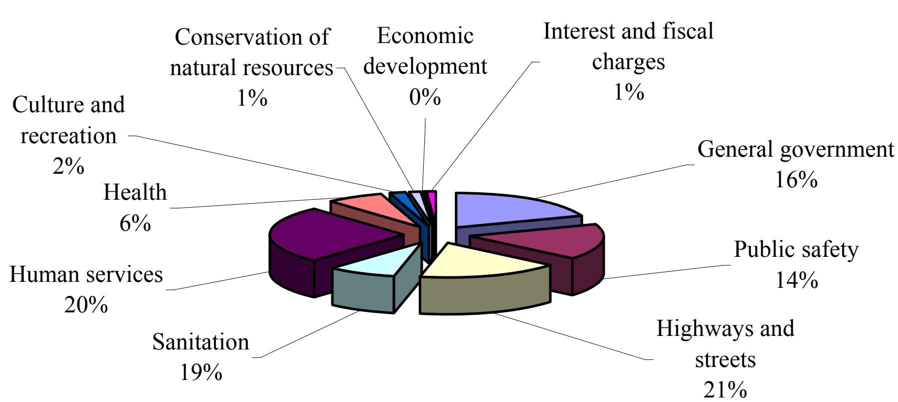

Table A-3
Cost of Services

	Total Cost of Services 2010	Total Cost of Services 2009	Percent (%) Change	Net Cost of (Revenue from) Services 2010	Net Cost of (Revenue from) Services 2009	Percent (%) Change
General government	$ 6,126,999	$ 6,002,150	2.1	$ 4,884,274	$ 4,852,696	0.7
Public safety	5,395,015	5,116,310	5.4	4,414,137	4,105,072	7.5
Highways and streets	7,872,793	5,341,216	47.4	1,310,083	(3,182,853)	141.2
Sanitation	7,402,798	2,562,453	188.9	5,286,402	672,166	686.5
Human services	7,768,729	8,299,083	(6.4)	2,457,369	3,347,029	(26.6)
Health	2,086,979	2,110,410	(1.1)	271,157	427,728	(36.6)
Culture and recreation	603,540	629,618	(4.1)	603,540	629,618	(4.1)
Conservation of natural resources	410,659	385,615	6.5	215,738	300,065	(28.1)
Economic development	62,786	133,826	(53.1)	57,637	131,083	(56.0)
Interest	501,073	326,795	53.3	501,073	326,795	53.3
Total	$ 38,231,371	$ 30,907,476	23.7	$ 20,001,410	$ 11,609,399	72.3

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 $25,474,091.

Revenues for the County's governmental funds were $37,957,739, while total expenditures were $36,850,607. During 2010, the County issued no new debt of its own but did issue debt for the Rich Prairie Water and Sewer District.

GENERAL FUND

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

Table A-4
General Fund Revenues

	Year Ended December 31 2010	Year Ended December 31 2009	Change Increase (Decrease)	Change Percent (%)
Taxes	$ 7,943,831	$ 7,379,022	$ 564,809	7.7
Intergovernmental	3,397,073	3,245,449	151,624	4.7
Charges for services	2,228,937	2,211,694	17,243	0.8
Investment income	310,597	370,643	(60,046)	(16.2)
Miscellaneous and other	861,781	840,534	21,247	2.5
Total General Fund Revenues	$ 14,742,219	$ 14,047,342	$ 694,877	4.9

Total General Fund revenue increased by $694,877, or 4.9 percent, from the previous year. The mix of property tax and state aid can change significantly from year to year without any net change in revenue. During 2010, the County was unallotted $737,389 from the state in county program aid. Charges for services stayed the same for 2010. Interest on investments was down due to lower interest rates.

The following schedule presents a summary of General Fund expenditures.

Table A-5
General Fund Expenditures

	Year Ended December 31		Amount of Increase	Percent (%) Increase
	2010	2009	(Decrease)	(Decrease)
General government	$ 5,670,084	$ 5,639,376	$ 30,708	0.5
Public safety	5,403,858	5,086,842	317,016	6.2
Health	2,057,121	2,069,605	(12,484)	(0.6)
Culture and recreation	48,471	64,002	(15,531)	(24.3)
Conservation of natural resources	401,256	377,967	23,289	6.2
Economic development	49,607	48,369	1,238	2.6
Intergovernmental	479,648	491,450	(11,802)	(2.4)
Total Expenditures	$ 14,110,045	$ 13,777,611	$ 332,434	2.4

General Fund Budgetary Highlights

- Actual revenues were $481,969 more than expected, which is mostly due to state aid cuts that were less than anticipated in 2010.

- The actual expenditures were $231,521 less than budget. This is due to budget reductions made in anticipation of further state aid reductions in 2010 and beyond.

DEBT SERVICE

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

CAPITAL ASSETS

By the end of 2010, the County had invested over $150,000,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-6.) More detailed information about capital assets can be found in Note 3.A.2. to the financial statements. Total depreciation expense for the year was $3,690,627.

Table A-6
Capital Assets

	2010	2009	Percent (%) Change
Land	$ 3,991,419	$ 3,937,596	1.4
Buildings	22,418,114	22,384,624	0.1
Machinery, furniture, and equipment	7,047,032	7,164,418	(1.6)
Infrastructure	117,405,321	112,215,434	4.6
Less: accumulated depreciation	(55,019,568)	(51,947,353)	(5.9)
Total	$ 95,842,318	$ 93,754,719	2.2

LONG-TERM LIABILITIES

At year-end, the County had $18,294,729 in long-term liabilities outstanding. The County's total debt increased $3,925,000 due to adding the Rich Prairie Water and Sewer debt issue.

Table A-7
Long-Term Liabilities

	2010	2009	Percent (%) Change
General obligation bonds	$ 13,000,000	$ 9,075,000	43.3
Bond premiums	107,853	73,207	47.3
Compensated absences	1,898,000	1,886,896	0.6
Net OPEB liability	229,514	146,916	56.2
Estimated liability for landfill closure/postclosure care	3,059,362	2,773,006	10.3
Total	$ 18,294,729	$ 13,955,025	31.1

FACTORS BEARING ON THE COUNTY'S FUTURE

The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the Legislature may decrease revenues again. It is anticipated that the County will be unallocated another $500,000 to $700,000 in 2011. This does not take into consideration other programs that are seeing cuts in aid. The economic downturn has had a negative effect on County revenues such as interest income and planning and zoning charges for services. The inability to rent out jail beds to other counties who are building jails and not needing space is also having an impact on future revenues. It should also be noted that unfunded mandates continue to have an impact on County costs. As the State of Minnesota pushes more costs down to the County, the property tax continues to be used to fund these programs that have not been funded with property tax dollars before.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve Messerschmidt, Finance Director, at (320) 632-0131, or Russ Nygren, County Auditor/Treasurer, at (320) 632-0130.

COMPONENT UNITS

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government	Component Units	
	Governmental Activities	Housing and Redevelopment Authority	Rural Development Finance Authority
Assets			
Cash and pooled investments	$ 22,091,065	$ 25,347	$ 176,132
Restricted cash	-	24,582	-
Petty cash and change funds	11,025	-	-
Departmental cash	4,304	-	-
Cash with fiscal agent	3,136,405	-	-
Taxes receivable			
Delinquent	657,256	-	-
Special assessments receivable			
Delinquent	9,356	-	-
Accounts receivable	280,664	2,118	797
Accrued interest receivable	173,095	-	-
Due from other governments	1,447,378	-	-
Loans receivable	-	-	96,700
Inventories	467,137	-	-
Investment in joint venture	1,272,626	-	-
Prepaid items	-	468	-
Deferred charges	207,487	-	-
Capital assets			
Non-depreciable	3,991,419	23,500	-
Depreciable - net of accumulated depreciation	91,850,899	253,962	-
Total Assets	**$ 125,600,116**	**$ 329,977**	**$ 273,629**
Liabilities			
Accounts payable	$ 499,868	$ 2,524	$ 36,000
Salaries payable	541,059	3,229	-
Contracts payable	149,244	-	-
Due to other governments	122,812	-	-
Accrued interest payable	130,480	551	-
Unearned revenue	65,155	6,212	-
Long-term liabilities			
Due within one year	3,856,144	12,135	-
Due in more than one year	14,438,585	131,169	-
Total Liabilities	**$ 19,803,347**	**$ 155,820**	**$ 36,000**
Net Assets			
Invested in capital assets - net of related debt	$ 87,643,983	$ 135,016	$ -
Restricted for			
General government	32,844	24,582	-
Sanitation	3,161,329	-	-
Economic development	-	-	29,000
Debt service	3,844,168	-	-
Unrestricted	11,114,445	14,559	208,629
Total Net Assets	**$ 105,796,769**	**$ 174,157**	**$ 237,629**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary government		
Governmental activities		
General government	$ 6,126,999	$ 1,030,519
Public safety	5,395,015	530,092
Highways and streets	7,872,793	229,817
Sanitation	7,402,798	2,020,843
Human services	7,768,729	712,317
Health	2,086,979	1,077,072
Culture and recreation	603,540	-
Conservation of natural resources	410,659	17,814
Economic development	62,786	4,787
Interest	501,073	-
Total Primary Government	**$ 38,231,371**	**$ 5,623,261**
Component units		
Housing and Redevelopment Authority	**$ 661,493**	**$ 89,186**
Rural Development Finance Authority	**$ 89,156**	**$ 98,119**

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

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

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

EXHIBIT 2

Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Component Units: Housing and Redevelopment Authority	Component Units: Rural Development Finance Authority
$ 212,206	$ -	$ (4,884,274)		
450,786	-	(4,414,137)		
5,412,168	920,725	(1,310,083)		
95,553	-	(5,286,402)		
4,599,043	-	(2,457,369)		
738,750	-	(271,157)		
-	-	(603,540)		
177,107	-	(215,738)		
362	-	(57,637)		
-	-	(501,073)		
$ 11,685,975	**$ 920,725**	**$ (20,001,410)**		
$ 581,714	**$ -**		**$ 9,407**	
$ -	**$ -**			**$ 8,963**
		$ 14,208,395	$ -	$ 65,467
		227,776	-	-
		2,839,385	-	11,385
		446,574	133	667
		622,599	-	-
		2,916	-	-
		$ 18,347,645	**$ 133**	**$ 77,519**
		$ (1,653,765)	**$ 9,540**	**$ 86,482**
		107,450,534	**164,617**	**151,147**
		$ 105,796,769	**$ 174,157**	**$ 237,629**

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FUND FINANCIAL STATEMENTS

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 7,636,501	$ 4,442,788
Petty cash and change funds	5,800	175
Departmental cash	4,253	-
Cash with fiscal agent	-	-
Delinquent taxes receivable	347,872	123,372
Special assessments receivable		
Delinquent	-	-
Accounts receivable	154,139	4,964
Accrued interest receivable	126,249	-
Due from other funds	2,458	-
Due from other governments	189,218	823,900
Inventories	-	467,137
Total Assets	**$ 8,466,490**	**$ 5,862,336**
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 166,788	$ 49,793
Salaries payable	322,221	77,258
Contracts payable	-	149,244
Due to other funds	-	-
Due to other governments	68,325	4,334
Deferred revenue - unavailable	347,872	882,216
Deferred revenue - unearned	65,155	-
Total Liabilities	**$ 970,361**	**$ 1,162,845**
Fund Balances		
Reserved for		
Encumbrances	$ 244,000	$ -
Inventories	-	467,137
Law library	32,844	-
Debt service	-	-
Landfill closure	-	-
Election equipment	41,718	-
Cash with fiscal agent	-	-
Unreserved		
Designated for future expenditures	2,477,263	-
Designated for contingencies	861,426	-
Undesignated	3,838,878	4,232,354
Unreserved, reported in special revenue funds	-	-
Total Fund Balances	**$ 7,496,129**	**$ 4,699,491**
Total Liabilities and Fund Balances	**$ 8,466,490**	**$ 5,862,336**

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

EXHIBIT 3

Social Services	Solid Waste	Debt Service	Nonmajor Funds	Total
$ 3,120,416	$ 5,618,580	$ 835,018	$ 437,762	$ 22,091,065
5,050	-	-	-	11,025
-	14	37	-	4,304
-	-	3,136,405	-	3,136,405
130,654	6,811	40,787	7,760	657,256
-	9,340	-	16	9,356
24,689	96,872	-	-	280,664
-	43,658	3,188	-	173,095
-	-	-	-	2,458
414,586	19,674	-	-	1,447,378
-	-	-	-	467,137
$ 3,695,395	**$ 5,794,949**	**$ 4,015,435**	**$ 445,538**	**$ 28,280,143**
$ 215,371	$ 67,904	$ -	$ 12	$ 499,868
139,575	2,005	-	-	541,059
-	-	-	-	149,244
2,458	-	-	-	2,458
43,489	6,664	-	-	122,812
130,654	16,151	40,787	7,776	1,425,456
-	-	-	-	65,155
$ 531,547	**$ 92,724**	**$ 40,787**	**$ 7,788**	**$ 2,806,052**
$ -	$ -	$ -	$ -	$ 244,000
-	-	-	-	467,137
-	-	-	-	32,844
-	-	838,243	-	838,243
-	3,161,329	-	-	3,161,329
-	-	-	-	41,718
-	-	3,136,405	-	3,136,405
650,000	1,300,000	-	-	4,427,263
-	-	-	-	861,426
2,513,848	1,240,896	-	-	11,825,976
-	-	-	437,750	437,750
$ 3,163,848	**$ 5,702,225**	**$ 3,974,648**	**$ 437,750**	**$ 25,474,091**
$ 3,695,395	**$ 5,794,949**	**$ 4,015,435**	**$ 445,538**	**$ 28,280,143**

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT 4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2010

Fund balances - total governmental funds (Exhibit 3)			**$**	**25,474,091**
Amounts reported for governmental activities in the statement of net assets are different because:				
Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.				1,272,626
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.				95,842,318
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.				1,425,456
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, net of premium and discount	$	(13,107,853)		
Compensated absences		(1,898,000)		
Net OPEB liability		(229,514)		
Estimated liability for landfill closure/postclosure care		(3,059,362)		
Deferred debt issuance charges		207,487		
Accrued interest payable		(130,480)		(18,217,722)
Net Assets of Governmental Activities (Exhibit 1)			**$**	**105,796,769**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Road and Bridge
Revenues		
Taxes	$ 7,943,831	$ 2,602,721
Special assessments	-	-
Licenses and permits	281,220	-
Intergovernmental	3,397,073	8,050,897
Charges for services	2,228,937	196,514
Fines and forfeits	27,880	-
Investment income	310,597	-
Miscellaneous	552,681	33,763
Total Revenues	**$ 14,742,219**	**$ 10,883,895**
Expenditures		
Current		
General government	$ 5,670,084	$ -
Public safety	5,403,858	-
Highways and streets	-	10,052,746
Sanitation	-	-
Human services	-	-
Health	2,057,121	-
Culture and recreation	48,471	-
Conservation of natural resources	401,256	8,477
Economic development	49,607	-
Intergovernmental		
Highways and streets	-	406,106
Culture and recreation	479,648	-
Debt service		
Principal	-	-
Interest	-	-
Bond issuance costs	-	-
Total Expenditures	**$ 14,110,045**	**$ 10,467,329**
Excess of Revenues Over (Under) Expenditures	**$ 632,174**	**$ 416,566**
Other Financing Sources (Uses)		
Transfers in	$ -	$ 502
Transfers out	(2,931)	-
Refunding bonds issued	-	-
Payments to refunded bond escrow	-	-
Premium on bonds and notes issued	-	-
Total Other Financing Sources (Uses)	**$ (2,931)**	**$ 502**
Net Change in Fund Balances	**$ 629,243**	**$ 417,068**
Fund Balances - January 1	**6,866,886**	**4,222,466**
Increase (decrease) in reserved for inventories	**-**	**59,957**
Fund Balances - December 31	**$ 7,496,129**	**$ 4,699,491**

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

Social Services	Solid Waste	Debt Service	Nonmajor Funds	Total
$ 2,750,148	$ 158,786	$ 618,444	$ 178,283	$ 14,252,213
-	58	-	-	58
-	17,354	-	-	298,574
5,145,471	118,059	119,679	34,571	16,865,750
316,466	1,919,682	-	-	4,661,599
-	-	-	-	27,880
-	109,503	26,310	164	446,574
395,851	83,807	328,759	10,230	1,405,091
$ 8,607,936	**$ 2,407,249**	**$ 1,093,192**	**$ 223,248**	**$ 37,957,739**
$ -	$ -	$ -	$ 136,838	$ 5,806,922
-	-	-	-	5,403,858
-	-	-	-	10,052,746
-	2,171,349	-	-	2,171,349
8,316,057	-	-	-	8,316,057
-	-	-	-	2,057,121
-	-	-	24,424	72,895
-	-	-	-	409,733
-	-	-	13,179	62,786
-	-	-	-	406,106
-	-	-	-	479,648
-	-	1,005,000	-	1,005,000
-	-	495,936	-	495,936
-	-	110,450	-	110,450
$ 8,316,057	**$ 2,171,349**	**$ 1,611,386**	**$ 174,441**	**$ 36,850,607**
$ 291,879	**$ 235,900**	**$ (518,194)**	**$ 48,807**	**$ 1,107,132**
$ 2,136	$ -	$ 56,879	$ 293	$ 59,810
-	-	-	(56,879)	(59,810)
-	-	4,930,000	-	4,930,000
-	-	(4,861,462)	-	(4,861,462)
-	-	44,681	-	44,681
$ 2,136	**$ -**	**$ 170,098**	**$ (56,586)**	**$ 113,219**
$ 294,015	**$ 235,900**	**$ (348,096)**	**$ (7,779)**	**$ 1,220,351**
2,869,833	**5,466,325**	**4,322,744**	**445,529**	**24,193,783**
-	**-**	**-**	**-**	**59,957**
$ 3,163,848	**$ 5,702,225**	**$ 3,974,648**	**$ 437,750**	**$ 25,474,091**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances - total governmental funds (Exhibit 5)		**$ 1,220,351**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Deferred revenue - December 31	$ 1,425,456	
Deferred revenue - January 1	(2,661,681)	(1,236,225)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of.		
Expenditures for general capital assets and infrastructure	$ 5,866,764	
Net book value of assets disposed of	(88,538)	
Current year depreciation	(3,690,627)	2,087,599
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.		
Current year bond proceeds	$ (4,930,000)	
Principal repayments		
General obligation bonds	1,005,000	
Bond issuance costs	110,450	
Bond premium	(44,681)	
Current year amortization of issuance costs and premiums	(11,295)	(3,870,526)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	$ 6,158	
Change in compensated absences	(11,104)	
Change in estimated liability for landfill closure/postclosure care	(286,356)	
Change in net OPEB liability	(82,598)	
Change in inventories	59,957	(313,943)
Transactions to record investment in joint venture		
Change in investment in joint venture		458,979
Change in Net Assets of Governmental Activities (Exhibit 2)		**$ (1,653,765)**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

		Agency Funds
Assets		
Cash and pooled investments	$	1,370,834
Departmental cash		27
Accrued interest receivable		10,976
Total Assets	**$**	**1,381,837**
Liabilities		
Due to other governments	**$**	**1,381,837**

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

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Morrison County was established February 23, 1855, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Morrison County (the primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, who is appointed by the County Board, serves as its clerk.

Blended Component Unit

Blended component units are entities that are legally separate from the County, but are so intertwined that they are, in substance, the same as the County. They are reported as part of the primary government.

The Morrison County Regional Rail Authority is governed by a five-member Board consisting of the Morrison County Commissioners and has the power to levy taxes, issue bonds, and enter into contracts. The Authority was established for the preservation and improvement of local rail service. Although it is legally separate from the County, the activity of the Authority is included in the Morrison County reporting entity as the Regional Rail Authority Special Revenue Fund because Morrison County Commissioners comprise the Authority's governing body. Separate financial statements are not available for the Morrison County Regional Rail Authority.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units

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

The Housing and Redevelopment Authority (HRA) of Morrison County is a component unit of Morrison County and is reported in a separate column in the County's government-wide financial statements to emphasize that the HRA is legally separate from Morrison County. The HRA operates as a local government unit for the purpose of providing housing and redevelopment services to Morrison County. The governing board consists of a five-member Board appointed by the Morrison County Commissioners. The financial statements included are as of and for the year ended December 31, 2010.

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported in a single column.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      1. Government-Wide Statements (Continued)

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

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

      2. Fund Financial Statements

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

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

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

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

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

      Additionally, the County reports the following funds:

         Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity. Since, by definition, these assets are being held for the benefit of a third party and cannot be used for activities or obligations of the County, these funds are not incorporated into the government-wide statements.

   C. Measurement Focus and Basis of Accounting

   The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

   Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Morrison County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2010, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2010 were $310,597.

Morrison County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

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

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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

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

Taxes receivable consist of uncollected taxes payable in the years 2005 through 2010. 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 2005 through 2010 and deferred special assessments payable in 2011 and after. No provision has been made for an estimated uncollectible amount.

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

3. Inventories

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

1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

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

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

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

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

5. Compensated Absences

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

1. Summary of Significant Accounting Policies

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

8. Fund Equity

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

1. Summary of Significant Accounting Policies

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.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget at the function level for the year ended December 31, 2010:

	Expenditures	Final Budget	Excess
General Fund			
Current			
Public safety	$ 5,403,858	$ 5,365,415	$ 38,443
Conservation of natural resources	401,256	359,929	41,327
Special Revenue Funds			
Road and Bridge			
Current			
Highways and streets	10,052,746	8,919,150	1,133,596
Intergovernmental			
Highways and streets	406,106	-	406,106
County Building			
Current			
General government	131,102	101,356	29,746

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	$ 22,091,065
Petty cash and change funds	11,025
Departmental cash	4,304
Cash with fiscal agent	3,136,405
Discretely presented component units	
Cash and pooled investments	201,479
Restricted cash	24,582
Statement of fiduciary net assets	
Cash and pooled investments	1,370,834
Departmental cash	27
Total Cash and Investments	$ 26,839,721

a. Deposits

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to minimize custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2010, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

3. Detailed Notes of All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. It is the County's policy to minimize investment custodial credit risk by permitting brokers that obtained investments for Morrison County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to Morrison County's custodian. At December 31, 2010, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

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

Interest Rate Risk

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

3. Detailed Notes of All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. At December 31, 2010, the County had no investments requiring a credit rating.

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

The following table presents the County's deposit and investment balances at December 31, 2010, and information relating to potential investment risk:

Investment Type	Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
Primary government			
Negotiable certificates of deposit	5.03%	<1 year	$ 374,276
MAGIC Fund	94.89	N/A	7,056,786
Money market with broker	N/A	N/A	5,917
Total investments			$ 7,436,979
Deposits			15,893,814
Cash with fiscal agent			3,136,405
Petty cash and change funds			11,025
Departmental cash			4,331
Cash on hand			131,106
Total cash and investments - primary government			$ 26,613,660
Component units			
Deposits			226,061
Total Cash and Investments			$ 26,839,721

N/A - Not Applicable

3. Detailed Notes of All Funds

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land - infrastructure right-of-way	$ 1,909,059	$ 53,823	$ -	$ 1,962,882
Land	2,028,537	-	-	2,028,537
Total capital assets not depreciated	$ 3,937,596	$ 53,823	$ -	$ 3,991,419
Capital assets depreciated				
Buildings	$ 22,384,624	$ 33,490	$ -	$ 22,418,114
Machinery, furniture, and equipment	7,164,418	589,564	706,950	7,047,032
Infrastructure	112,215,434	5,189,887	-	117,405,321
Total capital assets depreciated	$ 141,764,476	$ 5,812,941	$ 706,950	$ 146,870,467
Less: accumulated depreciation for				
Buildings	$ 7,324,006	$ 475,955	$ -	$ 7,799,961
Machinery, furniture, and equipment	4,969,553	539,108	608,628	4,900,033
Infrastructure	39,653,794	2,675,564	9,784	42,319,574
Total accumulated depreciation	$ 51,947,353	$ 3,690,627	$ 618,412	$ 55,019,568
Total capital assets depreciated, net	$ 89,817,123	$ 2,122,314	$ 88,538	$ 91,850,899
Governmental Activities Capital Assets, Net	$ 93,754,719	$ 2,176,137	$ 88,538	$ 95,842,318

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

Governmental activities	
General government	$ 337,998
Public safety	134,473
Highway and streets, including infrastructure assets	3,050,346
Sanitation	82,387
Human services	14,116
Health	20,366
Culture and recreation	50,941
Total Depreciation Expense - Governmental Activities	$ 3,690,627

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010, was as follows:

1. Due To/From Other Funds

The Social Services Special Revenue Fund owed the General Fund for miscellaneous costs in the amount of $2,458.

2. Interfund Transfers

Interfund Transfers during 2010 were as follows:

Transfers Out	Transfers In	Amount	Purpose
General Fund	Road and Bridge Fund	$ 502	Reimbursement
General Fund	Social Services Fund	2,136	Reimbursement
General Fund	Forfeited Tax Fund	293	Balance fund
Regional Rail Authority	Debt Service Fund	56,879	Debt payments
Total		$ 59,810	

C. Liabilities

1. Payables

Payables at December 31, 2010, were as follows:

	Governmental Activities
Accounts	$ 499,868
Salaries	541,059
Contracts	149,244
Due to other governments	122,812
Accrued interest	130,480
Total Payables	$ 1,443,463

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable, state grants not collected soon enough after year-end to pay liabilities of the current period, and state and federal grants received but not yet earned. Deferred revenue at December 31, 2010, is summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major governmental funds				
General	$ -	$ 347,872	$ 65,155	$ 413,027
Road and Bridge	-	123,372	758,844	882,216
Social Services	-	130,654	-	130,654
Solid Waste	9,340	6,811	-	16,151
Debt Service	-	40,787	-	40,787
Nonmajor governmental funds				
County Building	-	3,581	-	3,581
County Parks	-	1,051	-	1,051
County Ditch	16	-	-	16
Regional Rail Authority	-	3,128	-	3,128
Total	$ 9,356	$ 657,256	$ 823,999	$ 1,490,611
Deferred revenue				
Unavailable	$ 9,356	$ 657,256	$ 758,844	$ 1,425,456
Unearned	-	-	65,155	65,155
Total	$ 9,356	$ 657,256	$ 823,999	$ 1,490,611

3. Vacation and Sick Leave

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

The County pays unused accumulated paid time off to employees upon termination based on two different severance plans. Unvested paid time off valued at $654,146 at December 31, 2010, is available to employees in the event of an absence but is not paid to them at termination.

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Retired Employee Health Insurance Benefits

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

The County recognizes the cost of providing health insurance for postemployment benefits on a pay-as-you-go basis. The County contribution for this benefit, paid by the General Fund for the year ended December 31, 2010, was $17,325 for the eligible employees.

5. Long-Term Debt - Bonds

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2010
General obligation bonds					
2002A G.O. Capital Improvement Plan Bonds	2018	$155,000 - $510,000	4.20 - 4.80	$ 3,250,000	$ 3,250,000
2006A G.O. Capital Improvement Plan Bonds	2018	$170,000 - $230,000	4.00 - 4.25	1,785,000	1,615,000
2006B G.O. Capital Improvement Plan Bonds	2011	$150,000 - $180,000	4.00	665,000	180,000
2009A G.O. Capital Improvement Plan Crossover Refunding Bonds	2018	$395,000 - $500,000	2.25 - 3.50	3,190,000	3,190,000
2010A G.O. Utility Improvement Plan Bonds	2033	$155,000 - $315,000	2.00 - 4.45	4,930,000	4,765,000
Total General Obligation Bonds				$ 13,820,000	$ 13,000,000

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2011	$ 3,760,000	$ 405,834
2012	735,000	313,192
2013	785,000	293,159
2014	800,000	271,611
2015	835,000	247,070
2016 - 2020	3,040,000	837,030
2021 - 2025	1,100,000	542,613
2026 - 2030	1,330,000	307,935
2031 - 2033	615,000	41,084
Total	$ 13,000,000	$ 3,259,528

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 9,075,000	$ 4,930,000	$ 1,005,000	$ 13,000,000	$ 3,760,000
Bond premiums	73,207	44,681	10,035	107,853	-
Compensated absences	1,886,896	11,104	-	1,898,000	96,144
Net OPEB liability	146,916	82,598	-	229,514	-
Estimated liability for closure/postclosure care	2,773,006	286,356	-	3,059,362	-
Total Long-Term Liabilities	$ 13,955,025	$ 5,354,739	$ 1,015,035	$ 18,294,729	$ 3,856,144

3. Detailed Notes on All Funds

C. Liabilities (Continued)

8. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place the final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $3,059,362 landfill closure and postclosure care liability at December 31, 2010, represents the cumulative amount reported to date based on the use of 82.21 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $544,260 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2010. 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, 2010, the County has restricted net assets of $3,161,329 to finance closure and postclosure care. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenues.

3. Detailed Notes on All Funds

C. Liabilities (Continued)

9. Other Postemployment Benefits (OPEB)

Plan Description

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

Participants

Participants of the plan consisted of the following at January 1, 2010:

Active employees	247
Retired employees	13
Total Plan Participants	260

Funding Policy

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

For fiscal year 2010, the County contributed $53,154 to the plan; there were approximately 260 participants in the plan.

Annual OPEB Cost and Net OPEB Obligation

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

3. Detailed Notes on All Funds

C. Liabilities

9. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the County's annual OPEB cost for 2010, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

ARC	$	134,714
Interest on net OPEB obligation		5,877
Adjustment to ARC		(4,839)
Annual OPEB cost	$	135,752
Contributions during the year		(53,154)
Increase in net OPEB obligation	$	82,598
Net OPEB Obligation - Beginning of Year		146,916
Net OPEB Obligation - Ending of Year	$	229,514

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	$ 124,264	$ 47,744	38.42%	$ 76,520
December 31, 2009	129,360	58,964	45.58	146,916
December 31, 2010	135,752	53,154	39.16	229,514

3. Detailed Notes on All Funds

C. Liabilities

9. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $1,391,253, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $1,391,253. The covered payroll (annual payroll of active employees covered by the plan) was $14,565,000, and the ratio of the UAAL to the covered payroll was 9.6 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2010, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 9.0 percent, reduced by decrements to an ultimate rate of 5.0 percent

3. Detailed Notes on All Funds

C. Liabilities

9. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

after 10 years. The actuarial value of assets was set to equal to the market value of assets. The UAAL is being amortized over 30 years on a closed basis. As of December 31, 2010, the remaining amortization period is 27 years.

4. Pension Plans

A. Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

4. Pension Plans

A. Plan Description (Continued)

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

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

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

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

4. Pension Plans

   A. Plan Description (Continued)

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

   B. Funding Policy

      Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

      The County is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

4. Pension Plans

B. Funding Policy (Continued)

The County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2010	2009	2008
General Employees Retirement Fund	$ 676,940	$ 655,637	$ 633,188
Public Employees Police and Fire	160,362	158,091	143,345
Public Employees Correctional Fund	92,331	103,449	105,411

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

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $450,000 per claim in 2010 and 2011. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

5. Summary of Significant Contingencies and Other Items

   A. Risk Management (Continued)

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

   B. Joint Ventures

   1. Central Minnesota Community Corrections Agency

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

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

   The Central Minnesota Community Corrections Agency is funded through state grants and contributions from Aitkin, Crow Wing, and Morrison Counties. Morrison County had expenditures of $175,814 for community corrections in 2010.

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

   Complete financial information can be obtained from:

   Central Minnesota Community Corrections Agency
   Crow Wing County Courthouse
   326 Laurel Street
   Brainerd, Minnesota 56401

5. Summary of Significant Contingencies and Other Items

   B. Joint Ventures (Continued)

      2. Little Falls-Morrison County Airport Commission

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

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

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

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

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

2. 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 $20,787 in funding to the Commission during 2010. Financial information for the Commission can be obtained from:

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

3. Todd-Wadena-Morrison Community Health Services Board

The County Boards of Cass, Morrison, Todd, and Wadena Counties formed a Board of Health in 1977 via a joint powers agreement for the purpose of maintaining an integrated system of community health services under Minn. Stat. ch. 145A. On January 1, 2006, Cass County withdrew from the Board of Health, and Morrison County became the fiscal agent. 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.

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

4. Morrison County Interagency Coordinating Council

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

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

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

5. Central Minnesota Emergency Medical Services Region

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

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

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

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

5. Central Minnesota Emergency Medical Services Region (Continued)

Complete financial information can be obtained from:

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

6. South Country Health Alliance

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

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2010, was $1,272,626. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as human services expenses.

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

6. South Country Health Alliance (Continued)

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

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

C. Subsequent Event

On April 26, 2011, the County Board approved the issuance of $1,540,000 General Obligation Equipment Notes, Series 2011A.

6. Housing and Redevelopment Authority of Morrison County

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity

The Housing and Redevelopment Authority (HRA) of Morrison County is a component unit of Morrison County and is reported in a separate column in the County's financial statements to emphasize that the HRA is a legally separate entity from Morrison County. The HRA of Morrison County operates as a local government unit for the purpose of providing housing and redevelopment services to the local area. The governing body consists of a five-member board appointed by the County. The financial statements included are as of and for the year ended December 31, 2010.

2. Budget Information

The Authority adopts an estimated revenue and expense budget for each fund. Amendments to the original budget require board approval. Appropriations lapse at year-end. The Authority does not use encumbrance accounting.

6. Housing and Redevelopment Authority of Morrison County

   A. Summary of Significant Accounting Policies (Continued)

      3. Assets, Liabilities, and Fund Equity Accounts

         Cash and Cash Equivalents

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

         Prepaid Items

         Prepaid expenses present the unexpired premium on insurance policies.

         Transactions Between Funds

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

         Capital Assets

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

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

         Liabilities

         All liabilities are recorded as incurred.

6. Housing and Redevelopment Authority of Morrison County

   A. Summary of Significant Accounting Policies

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

Net Assets

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

Vacation and Sick Leave

Under the Authority's personnel policies, employees are granted vacation and sick leave in varying amounts based on status and length of service. Vacation amounts range from 1 day to 2 days per month. Unpaid vacation pay is generally paid at the time of separation from employment. Sick leave is earned at a rate of up to 1-1/2 days per month with a maximum accumulation of 100 days. Maximum accumulation for vacation is 24 days.

Use of Estimates

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

6. Housing and Redevelopment Authority of Morrison County (Continued)

   B. Detailed Notes on All Funds

      1. Deposits and Investments

         Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the HRA's deposits and investments may not be returned or the HRA will not be able to recover collateral securities in the possession of an outside party. The HRA does not include a disclosure concerning deposit policies for custodial credit risk in its financial statements. As of December 31, 2010, the bank and book balance of the HRA's deposits totaled $49,929.

      2. Capital Assets

         A summary of the capital assets at December 31, 2010, follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 23,500	$ -	$ -	$ 23,500
Capital assets depreciated				
Buildings	$ 276,598	$ 18,500	$ -	$ 295,098
Equipment and other	8,311	2,866	1,205	9,972
Total capital assets depreciated	$ 284,909	$ 21,366	$ 1,205	$ 305,070
Less: accumulated depreciation	40,627	11,686	1,205	51,108
Total capital assets depreciated, net	$ 244,282	$ 9,680	$ -	$ 253,962
Business-Type Activities Capital Assets, Net	$ 267,782	$ 9,680	$ -	$ 277,462

Depreciation expense was charged to the following funds:

Business-type activities	
Housing choice vouchers	$ 706
State/local	10,980
Total Depreciation Expense - Business-Type Activities	$ 11,686

6. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes on All Funds (Continued)

3. Liabilities

Liabilities at December 31, 2010, consisted of the following:

Accounts payable	$	2,524
Salaries payable		3,229
Accrued interest payable		551
Unearned revenue		6,212
Current portion of long-term debt		12,135
Long-term debt, net of current		131,169
Total Liabilities	$	155,820

Long-term debt includes a mortgage note payable to US Bank secured by the building owned by the HRA. The loan amount was $195,000, with the first payment of $1,506 due on December 1, 2005; the interest rate is 4.64 percent. The final payment is due November 1, 2020.

The Authority established a line of credit with Minnesota Federal Credit Union in the amount of $35,000, with interest at 8.50 percent floating. Interest at December 31, 2010, was 4.25 percent.

	Building Loan	Line of Credit	Total
Balance January 1, 2010	$ 157,612	$ 23,259	$ 180,871
Payments made	(15,166)	(23,259)	(38,425)
Balance December 31, 2010	$ 142,446	$ -	$ 142,446
Due Within One Year	$ 10,659	$ 1,047	$ 11,706

6. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes on All Funds

3. Liabilities (Continued)

Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	Building Loan	Line of Credit	Total
2011	$ 10,659	$ 1,047	$ 11,706
2012	11,192	1,152	12,344
2013	11,725	1,267	12,992
2014	12,258	1,394	13,652
2015	12,791	3,409	16,200
Thereafter	83,821	(8,269)	75,552
Balance December 31, 2010	$ 142,446	$ -	$ 142,446

Changes in compensated absences for the period ended December 31, 2010, are as follows:

Balance - January 1, 2010	$ -
Net changes in compensated absences	858
Balance - December 31, 2010	$ 858
Due Within One Year	$ 429

C. Pension Plan

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

Total wages	$ 25,708	
Covered wages	$ 39,348	
Employer contribution	$ 3,935	10.0%
Employee contribution	2,164	5.5
Total	$ 6,099	15.5%

6. Housing and Redevelopment Authority of Morrison County (Continued)

D. Summary of Significant Contingencies and Other Items

Risk Management

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

REQUIRED SUPPLEMENTARY INFORMATION

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 8,087,879	$ 8,087,879	$ 7,943,831	$ (144,048)
Licenses and permits	326,106	326,106	281,220	(44,886)
Intergovernmental	2,998,916	2,998,916	3,397,073	398,157
Charges for services	2,001,199	2,001,199	2,228,937	227,738
Fines and forfeits	8,000	8,000	27,880	19,880
Investment income	385,000	385,000	310,597	(74,403)
Miscellaneous	453,150	453,150	552,681	99,531
Total Revenues	**$ 14,260,250**	**$ 14,260,250**	**$ 14,742,219**	**$ 481,969**
Expenditures				
Current				
General government				
Commissioners	$ 289,370	$ 289,370	$ 249,538	$ 39,832
Courts	98,200	98,200	88,139	10,061
Law library	35,000	35,000	34,710	290
Administrator	368,153	368,153	345,406	22,747
Risk management administration	252,000	252,000	235,709	16,291
County auditor	660,083	660,083	723,942	(63,859)
Motor vehicle/license bureau	301,647	301,647	288,202	13,445
County treasurer	168,747	168,747	146,211	22,536
County assessor	789,269	789,269	749,734	39,535
Data processing	523,907	523,907	495,360	28,547
Attorney	718,782	718,782	682,038	36,744
Recorder	338,054	338,054	359,612	(21,558)
Surveyor	2,400	2,400	1,800	600
Planning and zoning	241,301	241,301	239,373	1,928
Buildings and plant	818,445	818,445	729,993	88,452
Veterans service officer	195,379	195,379	193,242	2,137
Appropriations - airport	22,000	22,000	20,787	1,213
Other general government	55,000	55,000	86,288	(31,288)
Total general government	**$ 5,877,737**	**$ 5,877,737**	**$ 5,670,084**	**$ 207,653**
Public safety				
Sheriff	$ 2,697,749	$ 2,697,749	$ 2,536,813	$ 160,936
Boat and water safety	21,622	21,622	26,450	(4,828)
Emergency services	100,000	100,000	271,478	(171,478)
Coroner	72,000	72,000	66,361	5,639
County jail	2,224,004	2,224,004	1,902,954	321,050
Civil defense	74,226	74,226	66,736	7,490
Community corrections	175,814	175,814	175,814	-
Other public safety	-	-	357,252	(357,252)
Total public safety	**$ 5,365,415**	**$ 5,365,415**	**$ 5,403,858**	**$ (38,443)**

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Health				
Nursing service	**$ 2,149,390**	**$ 2,149,390**	**$ 2,057,121**	**$ 92,269**
Culture and recreation				
Historical society	$ 40,078	$ 40,078	$ 35,616	$ 4,462
Other	14,250	14,250	12,855	1,395
Total culture and recreation	**$ 54,328**	**$ 54,328**	**$ 48,471**	**$ 5,857**
Conservation of natural resources				
County extension	$ 158,938	$ 158,938	$ 149,767	$ 9,171
Soil and water conservation	72,000	72,000	102,682	(30,682)
Agricultural society	40,803	40,803	54,133	(13,330)
Water planning	26,695	26,695	26,759	(64)
Other	61,493	61,493	67,915	(6,422)
Total conservation of natural resources	**$ 359,929**	**$ 359,929**	**$ 401,256**	**$ (41,327)**
Economic development				
Community development	**$ 55,119**	**$ 55,119**	**$ 49,607**	**$ 5,512**
Intergovernmental				
Culture and recreation				
Library	**$ 479,648**	**$ 479,648**	**$ 479,648**	**$ -**
Total Expenditures	**$ 14,341,566**	**$ 14,341,566**	**$ 14,110,045**	**$ 231,521**
Excess of Revenues Over (Under) Expenditures	**$ (81,316)**	**$ (81,316)**	**$ 632,174**	**$ 713,490**
Other Financing Sources (Uses)				
Transfers out	-	-	(2,931)	(2,931)
Net Change in Fund Balance	**$ (81,316)**	**$ (81,316)**	**$ 629,243**	**$ 710,559**
Fund Balance - January 1	**6,866,886**	**6,866,886**	**6,866,886**	**-**
Fund Balance - December 31	**$ 6,785,570**	**$ 6,785,570**	**$ 7,496,129**	**$ 710,559**

The notes to the required supplementary information are an intergral part of this statement.

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 2,648,585	$ 2,648,585	$ 2,602,721	$ (45,864)
Intergovernmental	6,282,726	6,282,726	8,050,897	1,768,171
Charges for services	-	-	196,514	196,514
Miscellaneous	-	-	33,763	33,763
Total Revenues	**$ 8,931,311**	**$ 8,931,311**	**$ 10,883,895**	**$ 1,952,584**
Expenditures				
Current				
Highways and streets				
Administration	$ 350,541	$ 350,541	$ 365,673	$ (15,132)
Maintenance	2,056,961	2,056,961	2,005,697	51,264
Construction	5,256,996	5,256,996	6,590,196	(1,333,200)
Equipment, maintenance, and shops	1,254,652	1,254,652	1,078,652	176,000
Other	-	-	12,528	(12,528)
Total highways and streets	**$ 8,919,150**	**$ 8,919,150**	**$ 10,052,746**	**$ (1,133,596)**
Conservation of natural resources				
Agricultural inspector	12,161	12,161	8,477	3,684
Intergovernmental				
Highways and streets	-	-	406,106	(406,106)
Total Expenditures	**$ 8,931,311**	**$ 8,931,311**	**$ 10,467,329**	**$ (1,536,018)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 416,566**	**$ 416,566**
Other Financing Sources (Uses)				
Transfers in	-	-	502	502
Net Change in Fund Balance	**$ -**	**$ -**	**$ 417,068**	**$ 417,068**
Fund Balance - January 1	**4,222,466**	**4,222,466**	**4,222,466**	**-**
Increase (decrease) in reserved for inventories	**-**	**-**	**59,957**	**59,957**
Fund Balance - December 31	**$ 4,222,466**	**$ 4,222,466**	**$ 4,699,491**	**$ 477,025**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,798,872	$ 2,798,872	$ 2,750,148	$ (48,724)
Intergovernmental	4,792,228	4,792,228	5,145,471	353,243
Charges for services	268,250	268,250	316,466	48,216
Miscellaneous	490,550	490,550	395,851	(94,699)
Total Revenues	**$ 8,349,900**	**$ 8,349,900**	**$ 8,607,936**	**$ 258,036**
Expenditures				
Current				
Human services				
Income maintenance	$ 3,001,500	$ 3,001,500	$ 2,801,603	$ 199,897
Social services	5,348,400	5,348,400	5,514,454	(166,054)
Total Expenditures	**$ 8,349,900**	**$ 8,349,900**	**$ 8,316,057**	**$ 33,843**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 291,879**	**$ 291,879**
Other Financing Sources (Uses)				
Transfers in	-	-	2,136	2,136
Net Change in Fund Balance	**$ -**	**$ -**	**$ 294,015**	**$ 294,015**
Fund Balance - January 1	**2,869,833**	**2,869,833**	**2,869,833**	**-**
Fund Balance - December 31	**$ 2,869,833**	**$ 2,869,833**	**$ 3,163,848**	**$ 294,015**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 161,733	$ 161,733	$ 158,786	$ (2,947)
Special assessments	-	-	58	58
Licenses and permits	15,400	15,400	17,354	1,954
Intergovernmental	117,589	117,589	118,059	470
Charges for services	1,938,452	1,938,452	1,919,682	(18,770)
Investment income	-	-	109,503	109,503
Miscellaneous	-	-	83,807	83,807
Total Revenues	**$ 2,233,174**	**$ 2,233,174**	**$ 2,407,249**	**$ 174,075**
Expenditures				
Current				
Sanitation				
Solid waste	2,233,174	2,233,174	2,171,349	61,825
Net Change in Fund Balance	**$ -**	**$ -**	**$ 235,900**	**$ 235,900**
Fund Balance - January 1	**5,466,325**	**5,466,325**	**5,466,325**	**-**
Fund Balance - December 31	**$ 5,466,325**	**$ 5,466,325**	**$ 5,702,225**	**$ 235,900**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-5

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	$ -	$ 1,353,368	$ 1,353,368	0.00%	$ 15,000,000	9.02%
January 1, 2008	-	1,443,325	1,443,325	0.00	15,570,000	9.27
January 1, 2010	-	1,391,253	1,391,253	0.00	14,565,000	9.55

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

1. Budgetary Information

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

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

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

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

2. Excess of Expenditures Over Budget

The following major governmental funds had expenditures in excess of budget at the function level for the year ended December 31, 2010:

	Expenditures		
	Actual	Final Budget	Excess
General Fund			
Current			
Public safety	$ 5,403,858	$ 5,365,415	$ 38,443
Conservation of natural resources	401,256	359,929	41,327
Road and Bridge Special Revenue Fund			
Current			
Highways and streets	10,052,746	8,919,150	1,133,596
Intergovernmental			
Highways and streets	406,106	-	406,106

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes.

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

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

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

<u>Regional Rail Authority</u> - to account for the operation, maintenance, and development of the County's trail system.

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

<u>Forfeited Tax</u> - to account for all funds collected per state statute for sales of property forfeited for unpaid taxes.

AGENCY FUNDS

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

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

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

NONMAJOR FUNDS

AGENCY FUNDS
(Continued)

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

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

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

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

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

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Special Revenue Funds					
	County Building	**County Parks**	**County Ditch**	**Regional Rail Authority**	**Revolving Loan**	**Total**
Assets						
Cash and pooled investments	$ 154,198	$ 116,498	$ -	$ 52,541	$ 114,525	$ 437,762
Delinquent taxes receivable	3,581	1,051	-	3,128	-	7,760
Special assessments receivable						
Delinquent	-	-	16	-	-	16
Total Assets	**$ 157,779**	**$ 117,549**	**$ 16**	**$ 55,669**	**$ 114,525**	**$ 445,538**
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ -	$ 12	$ -	$ -	$ -	$ 12
Deferred revenue - unavailable	3,581	1,051	16	3,128	-	7,776
Total Liabilities	**$ 3,581**	**$ 1,063**	**$ 16**	**$ 3,128**	**$ -**	**$ 7,788**
Fund Balances						
Unreserved						
Designated for economic development	$ -	$ -	$ -	$ -	$ 114,525	$ 114,525
Undesignated	154,198	116,486	-	52,541	-	323,225
Total Fund Balances	**$ 154,198**	**$ 116,486**	**$ -**	**$ 52,541**	**$ 114,525**	**$ 437,750**
Total Liabilities and Fund Balances	**$ 157,779**	**$ 117,549**	**$ 16**	**$ 55,669**	**$ 114,525**	**$ 445,538**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue Funds					
	County Building	County Parks	Regional Rail Authority	Revolving Loan	Forfeited Tax	Total
Revenues						
Taxes	$ 83,137	$ 21,646	$ 73,500	$ -	$ -	$ 178,283
Intergovernmental	16,534	4,274	13,763	-	-	34,571
Investment income	-	-	164	-	-	164
Miscellaneous	-	-	4,787	-	5,443	10,230
Total Revenues	**$ 99,671**	**$ 25,920**	**$ 92,214**	**$ -**	**$ 5,443**	**$ 223,248**
Expenditures						
Current						
General government	$ 131,102	$ -	$ -	$ -	$ 5,736	$ 136,838
Culture and recreation	-	24,424	-	-	-	24,424
Economic development	-	-	13,179	-	-	13,179
Total Expenditures	**$ 131,102**	**$ 24,424**	**$ 13,179**	**$ -**	**$ 5,736**	**$ 174,441**
Excess of Revenues Over (Under) Expenditures	**$ (31,431)**	**$ 1,496**	**$ 79,035**	**$ -**	**$ (293)**	**$ 48,807**
Other Financing Sources (Uses)						
Transfers in	$ -	$ -	$ -	$ -	$ 293	$ 293
Transfers out	-	-	(56,879)	-	-	(56,879)
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ (56,879)**	**$ -**	**$ 293**	**$ (56,586)**
Net Change in Fund Balances	**$ (31,431)**	**$ 1,496**	**$ 22,156**	**$ -**	**$ -**	**$ (7,779)**
Fund Balances - January 1	**185,629**	**114,990**	**30,385**	**114,525**	**-**	**445,529**
Fund Balances - December 31	**$ 154,198**	**$ 116,486**	**$ 52,541**	**$ 114,525**	**$ -**	**$ 437,750**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT B-3

BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 84,822	$ 84,822	$ 83,137	$ (1,685)
Intergovernmental	16,534	16,534	16,534	-
Total Revenues	**$ 101,356**	**$ 101,356**	**$ 99,671**	**$ (1,685)**
Expenditures				
Current				
General government	101,356	101,356	131,102	(29,746)
Net Change in Fund Balance	**$ -**	**$ -**	**$ (31,431)**	**$ (31,431)**
Fund Balance - January 1	**185,629**	**185,629**	**185,629**	**-**
Fund Balance - December 31	**$ 185,629**	**$ 185,629**	**$ 154,198**	**$ (31,431)**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT B-4

BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 21,997	$ 21,997	$ 21,646	$ (351)
Intergovernmental	4,274	4,274	4,274	-
Total Revenues	**$ 26,271**	**$ 26,271**	**$ 25,920**	**$ (351)**
Expenditures				
Current				
Culture and recreation				
Parks	26,271	26,271	24,424	1,847
Net Change in Fund Balance	**$ -**	**$ -**	**$ 1,496**	**$ 1,496**
Fund Balance - January 1	**114,990**	**114,990**	**114,990**	**-**
Fund Balance - December 31	**$ 114,990**	**$ 114,990**	**$ 116,486**	**$ 1,496**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance January 1	Additions	Deductions	Balance December 31
LOCAL COLLABORATIVE				
Assets				
Cash and pooled investments	$ 863,432	$ 205,075	$ 264,877	$ 803,630
Departmental cash	19	27	19	27
Accrued interest receivable	14,209	10,976	14,209	10,976
Total Assets	**$ 877,660**	**$ 216,078**	**$ 279,105**	**$ 814,633**
Liabilities				
Due to other governments	**$ 877,660**	**$ 216,078**	**$ 279,105**	**$ 814,633**
MOTOR VEHICLE				
Assets				
Cash and pooled investments	**$ 35,055**	**$ 294,758**	**$ 318,207**	**$ 11,606**
Liabilities				
Due to other governments	**$ 35,055**	**$ 294,758**	**$ 318,207**	**$ 11,606**
SPECIAL DISTRICTS				
Assets				
Cash and pooled investments	**$ -**	**$ 213,139**	**$ 213,139**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 213,139**	**$ 213,139**	**$ -**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance January 1	Additions	Deductions	Balance December 31
SCHOOL DISTRICTS				
Assets				
Cash and pooled investments	$ -	$ 8,669,453	$ 8,669,453	$ -
Liabilities				
Due to other governments	$ -	$ 8,669,453	$ 8,669,453	$ -
STATE REVENUE				
Assets				
Cash and pooled investments	$ 62,635	$ 629,443	$ 619,101	$ 72,977
Liabilities				
Due to other governments	$ 62,635	$ 629,443	$ 619,101	$ 72,977
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	$ 411,232	$ 36,630,910	$ 36,663,125	$ 379,017
Liabilities				
Due to other governments	$ 411,232	$ 36,630,910	$ 36,663,125	$ 379,017

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance January 1	Additions	Deductions	Balance December 31
TOWNS AND CITIES				
Assets				
Cash and pooled investments	**$ -**	**$ 8,028,836**	**$ 8,028,836**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 8,028,836**	**$ 8,028,836**	**$ -**
MORRISON, TODD, AND WADENA BOARD OF HEALTH				
Assets				
Cash and pooled investments	**$ 23,018**	**$ 1,133,126**	**$ 1,052,540**	**$ 103,604**
Liabilities				
Due to other governments	**$ 23,018**	**$ 1,133,126**	**$ 1,052,540**	**$ 103,604**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 1,395,372	$ 55,804,740	$ 55,829,278	$ 1,370,834
Departmental cash	19	27	19	27
Accrued interest receivable	14,209	10,976	14,209	10,976
Total Assets	**$ 1,409,600**	**$ 55,815,743**	**$ 55,843,506**	**$ 1,381,837**
Liabilities				
Due to other governments	**$ 1,409,600**	**$ 55,815,743**	**$ 55,843,506**	**$ 1,381,837**

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RURAL DEVELOPMENT FINANCE AUTHORITY COMPONENT UNIT

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT D-1

GENERAL FUND BALANCE SHEET
AND GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS
RURAL DEVELOPMENT FINANCE AUTHORITY COMPONENT UNIT
DECEMBER 31, 2010

	General Fund	Reconciliation	Governmental Activities
Assets			
Current assets			
Cash and pooled investments	$ 176,132	$ -	$ 176,132
Accounts receivable	797	-	797
Loans receivable	96,700	-	96,700
Total Assets	**$ 273,629**	**$ -**	**$ 273,629**
Liabilities and Fund Balance/Net Assets			
Current liabilities			
Accounts payable	$ 36,000	**$ -**	**$** 36,000
Deferred revenue - unavailable	96,700	(96,700)	-
Total Liabilities	**$ 132,700**	**$ (96,700)**	**$ 36,000**
Fund Balance			
Reserved for revolving loan fund	$ 29,000	$ (29,000)	
Unreserved			
Undesignated	111,929	(111,929)	
Total Fund Balance	**$ 140,929**	**$ (140,929)**	
Net Assets			
Restricted for economic development		$ 29,000	$ 29,000
Unrestricted		208,629	208,629
Total Net Assets		**$ 237,629**	**$ 237,629**
Total Liabilities and Fund Balance/Net Assets	**$ 273,629**	**$ -**	**$ 273,629**

Reconciliation of the General Fund Balance to Net Assets	
Fund Balance - Governmental Fund	**$ 140,929**
Revenues in the statement of activities that do not provide current financial resources are not financial resources and are not reported in the governmental funds.	96,700
Net Assets - Governmental Activities	**$ 237,629**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT D-2

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES RURAL DEVELOPMENT FINANCE AUTHORITY COMPONENT UNIT FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	Reconciliation	Governmental Activities
Revenues			
Taxes	$ 65,467	$ -	$ 65,467
Intergovernmental	11,385	-	11,385
Investment income	667	-	667
Miscellaneous	1,419	96,700	98,119
Total Revenues	**$ 78,938**	**$ 96,700**	**$ 175,638**
Expenditures/Expenses			
Current			
Economic development	89,156	-	89,156
Net Change in Fund Balance/Net Assets	**$ (10,218)**	**$ 96,700**	**$ 86,482**
Fund Balance/Net Assets - January 1	**151,147**	**-**	**151,147**
Fund Balance/Net Assets - December 31	**$ 140,929**	**$ 96,700**	**$ 237,629**

Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	
Net Change in Fund Balance	**$ (10,218)**
In the fund, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statement and the statement of activities is the increase or decrease in revenue deferred as unavailable.	96,700
Change in Net Assets of Governmental Activities	**$ 86,482**

OTHER SCHEDULES

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT E-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010

Shared Revenue		
State		
Highway users tax	$	6,655,479
County program aid		1,330,083
Market value credit - real property		1,427,044
Market value credit - mobile home		4,925
PERA rate reimbursement		48,267
Disparity reduction aid		29,066
Police aid		135,125
Enhanced 911		112,361
Total shared revenue	**$**	**9,742,350**
Reimbursement for Services		
Minnesota Department of Human Services	**$**	**972,574**
Payments		
Local		
City contributions	$	8,579
Local contributions		132,205
Payments in lieu of taxes		227,776
Total payments	**$**	**368,560**
Grants		
State		
Minnesota Department/Board of		
Corrections	$	25,872
Public Safety		1,648
Transportation		140,203
Health		186,080
Natural Resources		4,087
Human Services		1,386,169
Veterans Services		18,734
Water and Soil Resources		177,107
Pollution Control Agency		86,508
Peace Officer Standards and Training Board		7,528
Total state	**$**	**2,033,936**
Federal		
Department of		
Agriculture	$	418,450
Commerce		71,396
Justice		12,395
Transportation		642,200
Health and Human Services		2,538,473
Homeland Security		65,416
Total federal	**$**	**3,748,330**
Total state and federal grants	**$**	**5,782,266**
Total Intergovernmental Revenue	**$**	**16,865,750**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT E-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

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	$	175,569
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster			
State Administrative Matching Grants for SNAP	10.561		237,089
State Administrative Matching Grants for SNAP - ARRA	10.561		5,792
Total U.S. Department of Agriculture		**$**	**418,450**
U.S. Department of Commerce			
Passed Through City of St. Cloud			
Public Safety Interoperable Communications Grant Program	11.555	**$**	**71,396**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Law Enforcement Assistance Narcotics and Dangerous Drugs Training	16.004	$	430
Direct			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program - Grants to Units of Local Government - ARRA	16.804		11,965
Total U.S. Department of Justice		**$**	**12,395**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	$	613,408
Highway Planning and Construction - ARRA	20.205		29,767
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600		16,455
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		10,118
Occupant Protection Incentive Grants	20.602		2,791
Safety Belt Performance Grants	20.609		3,125
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		3,771
Total U.S. Department of Transportation		**$**	**679,435**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT E-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	$ 14,759
Temporary Assistance for Needy Families	93.558	319,691
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	660,904
Child Support Enforcement - ARRA	93.563	49,425
Refugee and Entrant Assistance - State-Administered Programs	93.566	269
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	11,953
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	181,119
Foster Care Title IV-E - ARRA	93.658	1,168
Social Services Block Grant	93.667	215,743
Chafee Foster Care Independence Program	93.674	7,999
Children's Health Insurance Program	93.767	344
Medical Assistance Program	93.778	717,866
Block Grants for the Prevention and Treatment of Substance Abuse	93.959	172,488
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	66,459
Universal Newborn Hearing Screening	93.251	300
Immunization Cluster		
Immunization Grants	93.268	1,600
Immunization - ARRA	93.712	1,826
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	19,799
Temporary Assistance for Needy Families	93.558	42,397
Child Abuse and Neglect Discretionary Activities	93.670	1,327
Maternal and Child Health Services Block Grant to the States	93.994	41,386
Passed Through Becker County		
Promoting Safe and Stable Families	93.556	9,651
Total U.S. Department of Health and Human Services		**$ 2,538,473**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT E-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	$ 12,700
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	25,717
Passed Through City of St. Cloud		
Interoperable Emergency Communications	97.055	362
Passed Through West Central EMS		
Homeland Security Grant Program	97.067	26,637
Total U.S. Department of Homeland Security		**$ 65,416**
Total Federal Awards		**$ 3,785,565**

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2010

1. Reporting Entity

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

Morrison County's financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Morrison County component unit. The HRA expended $519,677 in federal awards during the year ended December 31, 2010; these expenditures are not included in Morrison County's Schedule of Expenditures of Federal Awards because the HRA has its own single audit.

2. Basis of Presentation

The accompanying schedule of Expenditures of Federal Awards includes the federal grant activity of Morrison County under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Morrison County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Morrison County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	3,748,330
Highway planning and construction grant received more than 60 days after year-end		70,594
Highway planning and construction grant deferred in 2009 and recognized in 2010		(33,359)
Expenditures Per Schedule of Expenditures of Federal Awards	$	3,785,565

5. Subrecipients

   During 2010, the County did not pass any federal money to subrecipients.

6. American Recovery and Reinvestment Act

   The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.

Management and Compliance Section

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF AUDITOR'S RESULTS

A. Our report expresses unqualified opinions on the basic financial statements of Morrison County.

B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Morrison County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.

C. No instances of noncompliance material to the financial statements of Morrison County were disclosed during the audit.

D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."

E. The Auditor's Report on Compliance for the major federal award programs for Morrison County expresses an unqualified opinion.

F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

G. The major programs are:

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Highway Planning and Construction - ARRA	CFDA #20.205
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563
Medical Assistance Program	CFDA #93.778

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

I. Morrison County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-2 Departmental Internal Accounting Control

Due to the limited number of office personnel within the various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Offices that do not have sufficient segregation of duties include Planning and Zoning, Sheriff, Jail, Public Health, and Social Services. In these offices, there may be only one employee to receive and account for departmental collections. This is not unusual in small departmental situations; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

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

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

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

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

- Department heads should monitor operations within their offices to determine that reports are submitted properly and are in agreement with cash balances and grant expenditures.

- When an office has only a department head and one other employee, the department head should perform some of the accounting functions.

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

Client's Response:

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

09-1 Jail - Inmate Checking Account Reconciliation

The Morrison County Jail maintains a separate checking account for funds held for inmates. In our 2009 Management and Compliance Report, we noted that monthly bank reconciliations were being performed on this account by Jail personnel. However, during our review of those bank reconciliations, we noted that bank balances were being reconciled to the book balance but not to the inmate ledger balances.

During our 2010 follow-up review of the County Jail operations, we noted that, since July 2010, only the September 2010 bank reconciliation has been completed. A notation on the September 2010 bank reconciliation indicated that it also balanced with the inmate ledger balance; however, we were provided with no documentation to support that claim. Since September 2010, no bank or inmate ledger reconciliations have been completed.

All fees collected by the jail should be turned over to the Auditor/Treasurer's Office in a timely manner. In our 2009 Management and Compliance Report, we noted that Jail personnel made periodic $10,000 deposits for fees collected from inmates rather than making intact deposits for the actual fees collected. Although we have noted some improvements in this area since July 2010, the Jail continues to make deposits only quarterly and for amounts not supported by reconciliations to inmate ledgers. As a result, Jail personnel are not properly tracking the revenue collected for inmate fees.

We recommend monthly bank reconciliations of the County Jail's inmate checking account be completed on a timely basis. The balance in the Jail checking account should also be reconciled to the inmates' ledgers at the same time it is reconciled to the bank statements. Documentation to support reconciliation of the inmate ledger balances should be maintained, and supervisory personnel should review and sign the reconciliations. We also recommend that actual fees collected from inmates be deposited with the Auditor/Treasurer's Office intact and in a more timely manner.

Client's Response:

The Sheriff and Jail Administrator have implemented new procedures for the Inmate Funds. Staff provide the Jail Administrator with copies of the monthly reconciliation which includes copies of the bank statement, Jail Form V #11632 (Accounts Receipt Form), inmate account balances, and checkbook register. The Jail Administrator is verifying that these procedures are being completed in a timely manner.

09-2 Capital Assets

For financial reporting and asset management purposes, Morrison County is required to keep records of its capital assets. Morrison County's capital asset records are recorded on a separate software system maintained by the County. Capital asset additions and deletions are entered into this system, and depreciation is calculated based on the estimated useful lives entered. Capital asset policies have been established by the County and identify a $5,000 capital asset threshold.

In our 2009 Management and Compliance Report, we noted four separate issues with the capital asset system. During 2010, the County strengthened its procedures over capital asset reporting, and our review indicated that three of the four issues reported in 2009 have been resolved as follows:

- All capital assets had estimated useful lives assigned to them.
- We found no instances where capital assets under the capitalization threshold were included in the capital asset system.
- We found no inconsistencies in the capital asset reports provided to us for audit.

Although there have been significant improvements in the capital asset system over the prior year, we noted the following issues during the current audit:

- Item similar to that reported last year--one capital asset was recorded at a value net of discount from trade-in.

- Items noted this year--two capital assets disposed of during the year did not have depreciation calculated up to the assets' disposal date; five capital assets that were disposed of during the year were listed on the capital asset system as having a book value at year-end.

Internal controls over capital assets should include procedures to determine that all assets to be included in the capital asset records are done so at the correct value.

We recommend County management review the policies and procedures over capital assets and make any necessary changes to ensure all asset values are recorded in the capital asset system correctly. We also recommend that additional training on the County's capital asset system be provided to the appropriate staff.

<u>Client's Response</u>:

The net value listed was what was reported to Administration on the fixed asset documentation. Trade-in value was not listed and should have been. Communication has gone out to pertinent departments to ensure values are correct and Administration will take the initiative to verify purchase agreements for trade-in values.

The depreciation calculations were not correct due to incorrect depreciation end dates entered. A reminder note is included in the documentation to ensure a correct date is entered.

Of the five assets listed, two are due to be auctioned in the fall of 2011; they are still here but not in use and consist of old Sheriff Department radio equipment which had not reached the end of their anticipated life span. Two assets were vehicles that were traded off and did not reach the end of their life span. The remaining asset was a totaled out squad car that didn't reach it's full life span either.

PREVIOUSLY REPORTED ITEM RESOLVED

Prior Period Adjustment (09-3)

During our 2009 audit, we identified a prior period adjustment that affected the fund balance of the nonmajor special revenue fund and the net assets of the governmental activities in the government-wide financial statements. This adjustment was needed to recognize the Morrison County Regional Rail Authority as a blended component unit of Morrison County.

Resolution

We noted no prior period adjustments during the current audit.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Morrison County for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).

- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.

- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.

- *Unassigned* - spendable amounts not contained in the other classifications.

Morrison County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- review the requirements of GASB Statement 54;

- review current fund balances and compare to the new classifications;

- reclassify January 1, 2011, fund balance using the new classifications;

- review/update/prepare a comprehensive fund balance policy;

- prepare appropriate Board resolutions to commit fund balance; and

- if the Board of County Commissioners intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

<u>Governmental Fund Type Definitions</u>

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources, and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are generally that the restricted or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.

The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;
- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
    - if yes, the fund may continue to be classified as a special revenue fund;
    - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at: http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf.

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

Board of County Commissioners
Morrison County

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morrison County as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 19, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Housing and Redevelopment Authority of Morrison County, as described in our report on Morrison County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-2, 09-1, and 09-2, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing since the cities administer tax increment financing in Morrison County.

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

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

Morrison County's written responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 19, 2011

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Morrison County

Compliance

We have audited Morrison County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. Morrison County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Morrison County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Morrison County component unit, which expended $519,677 in federal awards during the year ended December 31, 2010, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the HRA of Morrison County because the HRA was audited by other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morrison County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Morrison County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 19, 2011