STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

MORRISON COUNTY
(Including the Morrison County Rural Development Finance Authority)
LITTLE FALLS, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

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 150 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 700 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
(Including the Morrison County Rural Development Finance Authority)
LITTLE FALLS, MINNESOTA

Year Ended December 31, 2015

Audit Practice Division
Office of the State Auditor
State of Minnesota

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

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Introductory Section

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

ORGANIZATION SCHEDULE
MORRISON COUNTY
2015

Office	Name	Term of Office From	Term of Office To
Commissioners			
1st District	Kevin Maurer[1]	January 2013	January 2017
2nd District	Jeff Jelinski	January 2013	January 2017
3rd District	Randy Winscher	January 2013	January 2017
4th District	Mike Wilson	January 2015	January 2019
5th District	Duane Johnson	January 2015	January 2019
Officers			
Elected			
Attorney	Brian Middendorf	January 2015	January 2019
Auditor/Treasurer	Deb Lowe	January 2015	January 2019
Recorder	Eileen Holtberg	January 2015	January 2019
Sheriff	Shawn Larsen	January 2015	January 2019
Appointed			
Assessor	Glen Erickson	January 2013	December 2016
Corrections	Nicole Kern	Indefinite	
County Administrator	Deb Gruber	Indefinite	
Court Administrator	Rhonda Bot	Indefinite	
Extension	Susanne Hinrichs	Indefinite	
Information Systems	Mike Disher	Indefinite	
Planning and Zoning Director	Amy Kowalzek	Indefinite	
Public Health Director	Katy Kirchner	Indefinite	
Public Works Director	Steven Backowski	May 2012	May 2016
Social Services Director	Brad Vold	Indefinite	
Veterans Service Officer	Kathy Marshik	May 2014	May 2018

[1]Chair

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

ORGANIZATION SCHEDULE
MORRISON COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY
2015

		Term of Office	
Position	Name	From	To
Member	Mark Gerbi	January 2015	January 2018
Member	Greg Zylka	January 2015	January 2016
Member	Jeremy Hanfler	January 2015	January 2017
Member	Andrea Lauer	January 2013	January 2016
Member	Kevin J. Maurer	January 2013	January 2017
Chair	Duane Johnson	January 2015	January 2019
Secretary/Treasurer	Rob Ronning	January 2014	January 2017

Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Morrison County
Little Falls, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morrison County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing and Redevelopment Authority (HRA) of Morrison County, a discretely presented component unit, which represents 23 percent, 14 percent, and 86 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the HRA of Morrison County, is based solely on the report of the other auditors. We also did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2015, in which Morrison County has an equity interest. The SCHA is a joint venture discussed in Note. 4.B.6. to the financial statements. The County's investment in the SCHA, $4,345,600, represents 3.0 percent and 3.7 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have applied procedures on the conversion adjustments to the financial statement of the SCHA, which conform the financial reporting of the investment in joint venture to accounting principles generally accepted in the United States of America.

Our opinion, insofar as it relates to the amount included as an investment in joint venture, prior to these conversion adjustments, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morrison County as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 16, 2016, on our consideration of Morrison County's and the Morrison County Rural Development Finance Authority component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports 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. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morrison County's and the Morrison County Rural Development Finance Authority component unit's internal control over financial reporting and compliance. They do not include the HRA of Morrison County component unit or the South Country Health Alliance joint venture, which were audited by other auditors.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

August 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(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, 2015. The Management's Discussion and Analysis (MD&A) is required supplementary information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999. Certain comparative information between the current year, 2015, and the prior year, 2014, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015 fiscal year include the following:

- County-wide net position increased 3.6 percent over the prior year after a restatement for a change in accounting principle.
- Overall fund level revenues totaled $42,300,142 and were $1,747,472 more than expenditures.
- The General Fund's fund balance increased $662,895 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) and net pension liability; the basic financial statements; and supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

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

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

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

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

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

Figure A-1
Annual Report Format

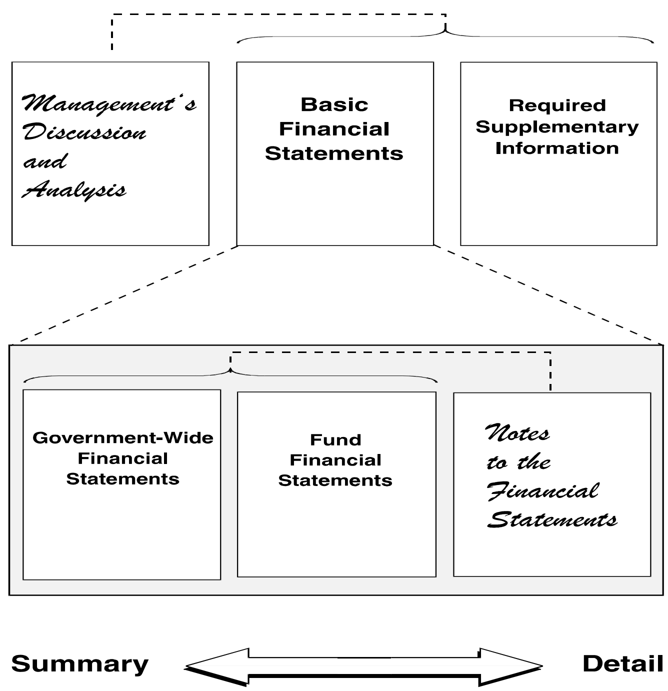

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

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

County-Wide Statements

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

The two county-wide statements report the County's net position and how it has changed. Net position--the sum of the County's assets and deferred outflows of resources, less the sum of its liabilities and deferred inflows of resources--is one way to measure the County's financial health or position.

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

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

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

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

Fund Financial Statements

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

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

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

The County has two kinds of funds:

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was $118,114,117 on December 31, 2015. (See Table A-1.)

Table A-1
Net Position

	Governmental Activities	
	2015	2014
Assets		
Current and other assets	$ 33,585,373	$ 31,570,650
Capital and noncurrent assets	110,059,121	108,519,231
Total Assets	$ 143,644,494	$ 140,089,881
Deferred pension outflows	$ 1,748,241	$ -
Liabilities		
Current liabilities	$ 2,060,817	$ 1,815,144
Long-term liabilities	23,825,330	14,132,463
Total Liabilities	$ 25,886,147	$ 15,947,607
Deferred pension inflows	$ 1,392,471	$ -
Net Position		
Net investment in capital assets	$ 107,024,719	$ 104,661,695
Restricted	2,038,029	1,901,275
Unrestricted	9,051,369	17,579,304
Total Net Position, as reported	$ 118,114,117	$ 124,142,274
Change in accounting principles*		(10,145,213)
Total Net Position, as restated		$ 113,997,061

*This is the first year the County implemented the new pension accounting and financial reporting standards, GASB Statements 68, 71, and 82. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

Change in Net Position

The total County-wide revenues on a full accrual basis were $41,762,417 for the year ended December 31, 2015. Property taxes and intergovernmental revenues accounted for 82.7 percent of total revenue for the year. (See Table A-2.)

Table A-2
Change in Net Position

	Governmental Activities	
	2015	2014
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 6,740,273	$ 6,410,915
Operating grants and contributions	14,138,273	13,867,330
Capital grants and contributions	1,013,894	180,308
General revenues		
Property taxes	16,964,199	16,769,275
Unrestricted grants and contributions	2,456,357	2,151,479
Investment earnings	51,017	123,744
Other	398,404	377,129
Total Revenues	$ 41,762,417	$ 39,880,180
Expenses		
General government	$ 6,862,576	$ 6,617,583
Public safety	5,733,847	5,533,648
Highways and streets	9,705,647	8,651,351
Sanitation	2,267,044	3,483,474
Human services	9,048,244	7,973,458
Health	2,289,556	2,203,491
Culture and recreation	858,465	772,689
Conservation of natural resources	390,529	426,444
Economic development	246,248	46,000
Interest	243,205	264,190
Total Expenses	$ 37,645,361	$ 35,972,328
Increase in Net Position	$ 4,117,056	$ 3,907,852
Net Position - January 1, as restated (Note 1.E.)	113,997,061	120,234,422
Net Position - Ending	$ 118,114,117	$ 124,142,274

Total revenues were more than expenses, increasing net position $4,117,056 over the prior year.

The County-wide cost of all governmental activities this year was $37,645,361.

- Some of the cost was paid by the users of the County's programs ($6,740,273).

- The federal and state governments subsidized certain programs with grants and contributions ($15,152,167).

- The remaining County costs ($15,752,921), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with $16,964,199 in property taxes, $2,456,357 of state aid, and $449,421 with investment earnings and other general revenues.

Figure A-3
Sources of Revenues for Fiscal 2015

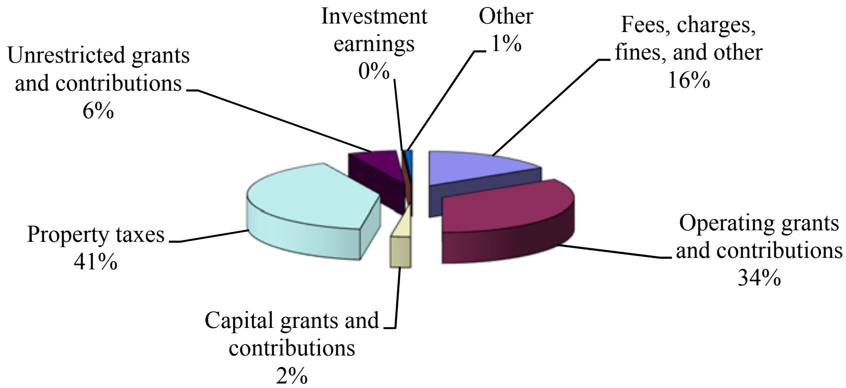

Figure A-4
Sources of Expenses for Fiscal 2015

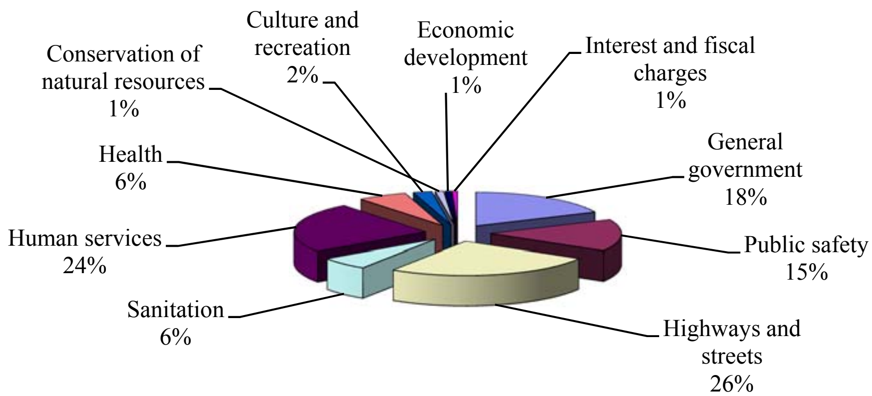

Table A-3
Cost of Services

	Total Cost of Services 2015	Total Cost of Services 2014	Percent (%) Change	Net Cost of (Revenue from) Services 2015	Net Cost of (Revenue from) Services 2014	Percent (%) Change
General government	$ 6,862,576	$ 6,617,583	3.7	$ 5,247,449	$ 5,097,942	2.9
Public safety	5,733,847	5,533,648	3.6	4,911,203	4,966,965	(1.1)
Highways and streets	9,705,647	8,651,351	12.2	1,322,266	904,653	46.2
Sanitation	2,267,044	3,483,474	(34.9)	(106,914)	1,078,140	(109.9)
Human services	9,048,244	7,973,458	13.5	2,808,686	2,057,194	36.5
Health	2,289,556	2,203,491	3.9	304,750	240,540	26.7
Culture and recreation	858,465	772,689	11.1	705,551	628,803	12.2
Conservation of natural resources	390,529	426,444	(8.4)	270,477	229,348	17.9
Economic development	246,248	46,000	435.3	46,248	46,000	0.5
Interest	243,205	264,190	(7.9)	243,205	264,190	(7.9)
Total	$ 37,645,361	$ 35,972,328	4.7	$ 15,752,921	$ 15,513,775	1.5

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of $26,312,946.

Revenues for the County's governmental funds were $42,300,142, while total expenditures were $40,552,670.

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 2015	Year Ended December 31 2014	Change Increase (Decrease)	Change Percent (%)
Taxes	$ 9,443,965	$ 9,353,546	$ 90,419	1.0
Intergovernmental	3,739,533	3,322,210	417,323	12.6
Charges for services	2,019,966	1,781,158	238,808	13.4
Investment income	33,256	91,502	(58,246)	(63.7)
Miscellaneous and other	751,590	744,211	7,379	1.0
Total General Fund Revenues	$ 15,988,310	$ 15,292,627	$ 695,683	4.5

Total General Fund revenues increased by $695,683, or 4.5 percent, from the previous year. The mix of property tax and state aid can change significantly from year to year without any net change in revenue. Charges for services increased by $238,808 in 2015, mainly due to the economy improving and increase in other counties using Morrison County's jail to house their prisoners. Interest on investments was also down due to interest rates remaining low.

The following schedule presents a summary of General Fund expenditures.

Table A-5
General Fund Expenditures

	Year Ended December 31		Amount of Increase (Decrease)	Percent (%) Increase (Decrease)
	2015	2014		
General government	$ 6,233,017	$ 6,182,329	$ 50,688	0.8
Public safety	5,525,885	5,590,872	(64,987)	(1.2)
Health	2,228,794	2,206,768	22,026	1.0
Culture and recreation	231,714	209,169	22,545	10.8
Conservation of natural resources	381,427	416,297	(34,870)	(8.4)
Economic development	246,248	46,000	200,248	435.3
Intergovernmental	478,330	459,843	18,487	4.0
Total Expenditures	$ 15,325,415	$ 15,111,278	$ 214,137	1.4

General Fund Budgetary Highlights

- Actual revenues were $928,317 more than expected, which is mostly due to an increase in pass-through revenue and other grants. Charges for services also came in more than budgeted due to the economy improving and renting out more jail beds.

- The actual expenditures were $122,509 less than budget. This is mainly due to staffing changes and retirements, with numerous staff retiring and staff leaving for other positions.

DEBT SERVICE

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

CAPITAL ASSETS

By the end of 2015, the County had invested over $184.4 million in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-6.) More detailed information about capital assets can be found in Note 2.A.2. to the financial statements. Total depreciation expense for the year was $4,540,711.

Table A-6
Capital Assets

	2015	2014	Percent (%) Change
Land	$ 4,145,920	$ 4,138,204	0.2
Buildings	24,149,608	24,149,608	0.0
Machinery, furniture, and equipment	9,421,065	8,952,538	5.2
Infrastructure	146,717,291	141,320,816	3.8
Less: accumulated depreciation	(74,374,763)	(70,041,935)	6.2
Total	$ 110,059,121	$ 108,519,231	1.4

LONG-TERM LIABILITIES

At year-end, the County had $13,058,789 in long-term liabilities outstanding. The County's bonded debt decreased $985,000 in 2015.

Table A-7
Long-Term Liabilities

	2015	2014	Percent (%) Change
General obligation bonds	$ 6,975,000	$ 7,960,000	(12.4)
Bond premiums	57,677	67,712	(14.8)
Compensated absences	1,725,933	1,756,249	(1.7)
Net OPEB obligation	774,290	670,865	15.4
Estimated liability for landfill closure/postclosure care	3,525,889	3,677,637	(4.1)
Total	$ 13,058,789	$ 14,132,463	(7.6)

FACTORS BEARING ON THE COUNTY'S FUTURE

The County is dependent on the State of Minnesota for a significant portion of its revenue and, as such, the health of the state is of utmost importance. It seems the worst of the economic downturn is behind us, but the County continues to fall behind pre-2008 revenues in Planning and Zoning and the County Recorder's Office. Interest rates continue to be low, hurting interest revenue, but this has been a benefit in regards to refinancing County debt. In 2015, we again started renting out jail beds to other counties with an increase in revenue, but this continues to be hit or miss for the County. It should also be noted that unfunded mandates continue to have an impact on County costs. With some of the 2016 legislative changes, along with the Affordable Care Act law, our Social Services Department is in need of space for new employees as programs are expanded. Along with Social Services, there are other space needs throughout the County that also need to be addressed as the buildings get older. The County is currently doing a space needs analysis to help determine future needs. As the State of Minnesota pushes more costs down to the County, the property tax continues to be used to fund these programs that have not been funded with property tax dollars before. Maintaining current aid will hopefully slow down these unfunded mandates.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

CONTACTING THE COUNTY'S DISCRETELY PRESENTED COMPONENT UNITS

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government	Component Units	
	Governmental Activities	Housing and Redevelopment Authority	Rural Development Finance Authority
Assets			
Cash and pooled investments	$ 26,115,226	$ -	$ 472,214
Restricted cash	-	14,333	-
Petty cash and change funds	6,025	-	-
Departmental cash	2,520	-	-
Taxes receivable			
Delinquent	554,250	-	-
Special assessments receivable			
Delinquent	3,622	-	-
Accounts receivable	372,290	7,078	-
Accrued interest receivable	52,095	-	-
Due from other governments	1,255,938	-	-
Loans receivable	-	-	449,449
Inventories	877,807	-	-
Investment in joint venture	4,345,600	-	-
Prepaid items	-	7,502	-
Capital assets			
Non-depreciable	4,145,920	23,500	-
Depreciable - net of accumulated depreciation	105,913,201	217,906	-
Total Assets	**$ 143,644,494**	**$ 270,319**	**$ 921,663**
Deferred Outflows of Resources			
Deferred pension outflows	**$ 1,748,241**	**$ -**	**$ -**
Liabilities			
Bank overdraft	$ -	$ 1,143	$ -
Accounts payable	655,087	1,959	-
Salaries payable	876,096	4,816	-
Contracts payable	258,376	-	-
Due to other governments	153,214	-	-
Accrued interest payable	32,890	436	-
Unearned revenue	85,154	-	-
Noncurrent liabilities			
Due within one year	1,129,356	17,189	-
Due in more than one year	11,155,143	90,462	-
Other postemployment benefits obligation	774,290	-	-
Net pension liability	10,766,541	-	-
Total Liabilities	**$ 25,886,147**	**$ 116,005**	**$ -**

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

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government	Component Units	
	Governmental Activities	Housing and Redevelopment Authority	Rural Development Finance Authority
Deferred Inflows of Resources			
Deferred pension inflows	**$ 1,392,471**	**$ -**	**$ -**
Net Position			
Net investment in capital assets	$ 107,024,719	$ 138,278	$ -
Restricted for			
General government	568,577	-	-
Public safety	298,459	-	-
Sanitation	129,657	-	-
Economic development	-	-	921,663
Debt service	1,041,336	-	-
Section 8 housing	-	38,702	-
Unrestricted	9,051,369	(22,666)	-
Total Net Position	**$ 118,114,117**	**$ 154,314**	**$ 921,663**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

		Expenses		Fees, Charges, Fines, and Other
Functions/Programs				
Primary government				
Governmental activities				
General government	$	6,862,576	$	1,486,452
Public safety		5,733,847		415,736
Highways and streets		9,705,647		323,692
Sanitation		2,267,044		2,269,027
Human services		9,048,244		1,352,901
Health		2,289,556		891,620
Culture and recreation		858,465		845
Conservation of natural resources		390,529		-
Economic development		246,248		-
Interest		243,205		-
Total Primary Government	**$**	**37,645,361**	**$**	**6,740,273**
Component units				
Housing and Redevelopment Authority	**$**	**644,352**	**$**	**81,151**
Rural Development Finance Authority	**$**	**59,121**	**$**	**-**

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

Total general revenues

Change in net position

Net Position - Beginning, as restated (Note 1.E.)

Net Position - Ending

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

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Primary Government	Component Units	
Operating Grants and Contributions	**Capital Grants and Contributions**	**Governmental Activities**	**Housing and Redevelopment Authority**	**Rural Development Finance Authority**
$ 128,675	$ -	$ (5,247,449)		
406,908	-	(4,911,203)		
7,045,795	1,013,894	(1,322,266)		
104,931	-	106,914		
4,886,657	-	(2,808,686)		
1,093,186	-	(304,750)		
152,069	-	(705,551)		
120,052	-	(270,477)		
200,000	-	(46,248)		
-	-	(243,205)		
$ 14,138,273	**$ 1,013,894**	**$ (15,752,921)**		
$ 568,850	**$ -**		**$ 5,649**	
$ -	**$ -**			**$ (59,121)**
		$ 16,964,199	$ -	$ 85,974
		192,061	-	-
		2,456,357	-	2,774
		51,017	-	14,732
		161,948	-	346
		44,395	-	-
		$ 19,869,977	**$ -**	**$ 103,826**
		$ 4,117,056	**$ 5,649**	**$ 44,705**
		113,997,061	**148,665**	**876,958**
		$ 118,114,117	**$ 154,314**	**$ 921,663**

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FUND FINANCIAL STATEMENTS

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 9,736,672	$ 4,994,013
Petty cash and change funds	5,800	175
Departmental cash	2,098	-
Delinquent taxes receivable	307,973	98,590
Special assessments receivable		
Delinquent	-	-
Accounts receivable	137,409	22,176
Accrued interest receivable	37,903	-
Due from other funds	3,604	-
Due from other governments	385,462	412,437
Inventories	-	877,807
Total Assets	**$ 10,616,921**	**$ 6,405,198**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 197,762	$ 70,760
Salaries payable	521,554	111,996
Contracts payable	-	258,376
Due to other funds	-	-
Due to other governments	41,402	6,302
Unearned revenue	85,154	-
Total Liabilities	**$ 845,872**	**$ 447,434**
Deferred Inflows of Resources		
Unavailable revenue	**$ 307,973**	**$ 439,618**
Fund Balances (Note 2.D.)		
Nonspendable	$ -	$ 877,807
Restricted	867,036	-
Committed	385,887	-
Assigned	3,016,229	4,640,339
Unassigned	5,193,924	-
Total Fund Balances	**$ 9,463,076**	**$ 5,518,146**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 10,616,921**	**$ 6,405,198**

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

EXHIBIT 3

Social Services	Solid Waste	Debt Service	Nonmajor Funds	Total
$ 4,337,774	$ 5,537,315	$ 1,074,054	$ 435,398	$ 26,115,226
50	-	-	-	6,025
-	250	172	-	2,520
106,177	6,951	27,825	6,734	554,250
-	3,622	-	-	3,622
76,626	136,079	-	-	372,290
-	14,192	-	-	52,095
-	-	-	-	3,604
439,326	18,713	-	-	1,255,938
-	-	-	-	877,807
$ 4,959,953	**$ 5,717,122**	**$ 1,102,051**	**$ 442,132**	**$ 29,243,377**
$ 298,636	$ 87,058	$ -	$ 871	$ 655,087
240,545	2,001	-	-	876,096
-	-	-	-	258,376
3,604	-	-	-	3,604
98,794	6,716	-	-	153,214
-	-	-	-	85,154
$ 641,579	**$ 95,775**	**$ -**	**$ 871**	**$ 2,031,531**
$ 106,177	**$ 10,573**	**$ 27,825**	**$ 6,734**	**$ 898,900**
$ -	$ -	$ -	$ -	$ 877,807
-	3,665,546	1,074,226	-	5,606,808
-	-	-	434,527	820,414
4,212,197	1,945,228	-	-	13,813,993
-	-	-	-	5,193,924
$ 4,212,197	**$ 5,610,774**	**$ 1,074,226**	**$ 434,527**	**$ 26,312,946**
$ 4,959,953	**$ 5,717,122**	**$ 1,102,051**	**$ 442,132**	**$ 29,243,377**

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT 4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2015

Fund balances - total governmental funds (Exhibit 3)		**$ 26,312,946**
Amounts reported for governmental activities in the statement of net position are different because:		
Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		4,345,600
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		110,059,121
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		1,748,241
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		898,900
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds, net of premium and discount	$ (7,032,677)	
Accrued interest payable	(32,890)	
Compensated absences	(1,725,933)	
Estimated liability for landfill closure/postclosure care	(3,525,889)	
Other postemployment benefits obligation	(774,290)	
Net pension liability	(10,766,541)	(23,858,220)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period, and, therefore, are not reported in the governmental funds.		(1,392,471)
Net Position of Governmental Activities (Exhibit 1)		**$ 118,114,117**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Road and Bridge
Revenues		
Taxes	$ 9,443,965	$ 3,197,515
Licenses and permits	365,558	-
Intergovernmental	3,739,533	8,874,493
Charges for services	2,019,966	302,244
Fines and forfeits	13,569	-
Investment income	33,256	-
Miscellaneous	372,463	37,898
Total Revenues	**$ 15,988,310**	**$ 12,412,150**
Expenditures		
Current		
General government	$ 6,233,017	$ -
Public safety	5,525,885	-
Highways and streets	-	11,261,771
Sanitation	-	-
Human services	-	-
Health	2,228,794	-
Culture and recreation	231,714	-
Conservation of natural resources	381,427	10,278
Economic development	246,248	-
Intergovernmental		
Highways and streets	-	526,576
Culture and recreation	478,330	-
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
Total Expenditures	**$ 15,325,415**	**$ 11,798,625**
Net Change in Fund Balances	**$ 662,895**	**$ 613,525**
Fund Balances - January 1	**8,800,181**	**4,951,305**
Increase (decrease) in inventories	**-**	**(46,684)**
Fund Balances - December 31	**$ 9,463,076**	**$ 5,518,146**

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

Social Services	Solid Waste	Debt Service	Nonmajor Funds	Total
$ 3,085,712	$ 222,264	$ 798,227	$ 233,270	$ 16,980,953
-	12,400	-	-	377,958
5,316,436	134,715	111,064	30,936	18,207,177
683,254	2,247,243	-	-	5,252,707
-	-	-	-	13,569
-	7,252	474	-	40,982
669,647	12,611	331,577	2,600	1,426,796
$ 9,755,049	**$ 2,636,485**	**$ 1,241,342**	**$ 266,806**	**$ 42,300,142**
$ -	$ -	$ -	$ 253,889	$ 6,486,906
-	-	-	-	5,525,885
-	-	-	-	11,261,771
-	2,295,389	-	-	2,295,389
9,554,699	-	-	-	9,554,699
-	-	-	-	2,228,794
-	-	-	89,465	321,179
-	-	-	-	391,705
-	-	-	-	246,248
-	-	-	-	526,576
-	-	-	-	478,330
-	-	985,000	-	985,000
-	-	248,398	-	248,398
-	-	1,790	-	1,790
$ 9,554,699	**$ 2,295,389**	**$ 1,235,188**	**$ 343,354**	**$ 40,552,670**
$ 200,350	**$ 341,096**	**$ 6,154**	**$ (76,548)**	**$ 1,747,472**
4,011,847	**5,269,678**	**1,068,072**	**511,075**	**24,612,158**
-	-	-	-	**(46,684)**
$ 4,212,197	**$ 5,610,774**	**$ 1,074,226**	**$ 434,527**	**$ 26,312,946**

MEEKER COUNTY
LITCHFIELD, 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

Net change in fund balance - total governmental funds (Exhibit 5)		**$ 1,831,169**
Amounts reported for governmental activities in the statement of activities are different:		
In the governmental 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 revenues between the governmental fund statements and the statement of activities is the increase or decrease in revenues deferred as unavailable.		
Unavailable revenue - December 31	$ 2,378,384	
Unavailable revenue - January 1	(1,726,615)	651,769
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets sold.		
Expenditures for general capital assets and infrastructure	$ 5,175,860	
Current year depreciation expense	(3,034,095)	2,141,765
Proceeds from debt issuances provide current financial resources to funds, but issuing debt increases long-term liabilities in the statement of net position.		
Debt issued -loans		(68,200)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal payments		
General obligation bonds	$ 525,000	
Capital notes	315,000	
Loan payable	34,863	874,863
Some expenses reported in the statement of activities do not require the use of current financial resources, so are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ 5,496	
Amortization of discounts/premiums	4,538	
Change in compensated absences	126,136	
Change in inventories	36,786	
Change in other postemployment benefits	(26,129)	
Change in deferred pension outflows, as restated	993,972	
Change in deferred pension inflows	(1,146,665)	
Change in net pension liability, as restated	(44,621)	(50,487)
Net Change in Net Position of Governmental Activities (Exhibit 2)		**$ 5,380,879**

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

FIDUCIARY FUNDS

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

	Agency Funds
Assets	
Cash and pooled investments	$ 875,082
Departmental cash	17
Accrued interest receivable	2,065
Total Assets	**$ 877,164**
Liabilities	
Due to other governments	**$ 877,164**

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, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Units

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

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

1. Summary of Significant Accounting Policies

   A. Financial Reporting Entity

   Discretely Presented Component Units (Continued)

   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, 2015.

   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.

   Joint Ventures and Jointly-Governed Organizations

   The County participates in several joint ventures which are described in Note 4.B. The County also participates in jointly-governed organizations which are described in Note 4.C.

   B. Basic Financial Statements

   1. Government-Wide Statements

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

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

1. <u>Summary of Significant Accounting Policies</u>

B. <u>Basic Financial Statements</u>

1. <u>Government-Wide Statements</u> (Continued)

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

2. <u>Fund Financial Statements</u>

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 <u>General Fund</u> is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

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

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

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Morrison County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, 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 2015 were $33,256.

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 investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

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

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

Taxes receivable consist of uncollected taxes payable in the years 2009 through 2015. 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.

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

Special assessments receivable consist of delinquent special assessments payable in the years 2009 through 2015 and deferred special assessments payable in 2016 and after. No provision has been made for an estimated uncollectible amount.

3. Inventories

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

4. Capital Assets

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

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

6. Deferred Outflows/Inflows of Resources and Unearned Revenue

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the County has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

1. Summary of Significant Accounting Policies

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

6. Deferred Outflows/Inflows of Resources and Unearned Revenue

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and deferred special assessments receivable, and grants receivable, for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

7. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated primarily by the General Fund and the Road and Bridge and Social Services Special Revenue Funds.

1. Summary of Significant Accounting Policies

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

8. Long-Term Obligations

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

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

9. Classification of Net Position

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

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

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

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

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

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

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

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

      11. Use of Estimates

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

   E. Change in Accounting Principles

      During the year ended December 31, 2015, the County adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

      GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68,* addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

      GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73,* modifies the measure of payroll that is presented in the required supplementary information schedules.

      GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources.

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

	Governmental Activities
Net Position, January 1, 2015, as previously reported	$ 124,142,274
Change in accounting principles	(10,145,213)
Net Position, January 1, 2015, as restated	$ 113,997,061

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	$ 26,115,226
Petty cash and change funds	6,025
Departmental cash	2,520
Discretely presented component units	
Cash and pooled investments	472,214
Restricted cash	14,333
Statement of fiduciary net position	
Cash and pooled investments	875,082
Departmental cash	17
Total Cash and Investments	$ 27,485,417

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.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

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. At December 31, 2015, none of the County's deposits were 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;

2. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments (Continued)

(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

(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, 2015, the County's investment in negotiable certificates of deposit was subject to custodial credit risk in the amount of $30,000.

2. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments (Continued)

Concentration of Credit Risk

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

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. At December 31, 2015, 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.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2015, 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	10.02%	<1yr - 3yrs	$ 1,149,497
MAGIC Fund	89.78	N/A	10,298,991
Money market account with broker	0.20	N/A	23,425
Total investments			$ 11,471,913
Deposits			15,371,455
Petty cash and change funds			6,025
Departmental cash			2,520
Cash on hand			146,957
Total cash and investments - primary government			$ 26,998,870
Component units			
Deposits			486,547
Total Cash and Investments			$ 27,485,417

N/A - Not Applicable

2. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land - infrastructure right-of-way	$ 1,992,639	$ 7,716	$ -	$ 2,000,355
Land	2,145,565	-	-	2,145,565
Total capital assets not depreciated	$ 4,138,204	$ 7,716	$ -	$ 4,145,920
Capital assets depreciated				
Buildings	$ 24,149,608	$ -	$ -	$ 24,149,608
Machinery, furniture, and equipment	8,952,538	690,681	222,154	9,421,065
Infrastructure	141,320,816	5,396,475	-	146,717,291
Total capital assets depreciated	$ 174,422,962	$ 6,087,156	$ 222,154	$ 180,287,964

2. Detailed Notes on All Funds

A. Assets

2. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	$ 9,764,024	$ 535,474	$ -	$ 10,299,498
Machinery, furniture, and equipment	6,178,834	618,931	207,883	6,589,882
Infrastructure	54,099,077	3,386,306	-	57,485,383
Total accumulated depreciation	$ 70,041,935	$ 4,540,711	$ 207,883	$ 74,374,763
Total capital assets depreciated, net	$ 104,381,027	$ 1,546,445	$ 14,271	$ 105,913,201
Governmental Activities Capital Assets, Net	$ 108,519,231	$ 1,554,161	$ 14,271	$ 110,059,121

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

Governmental activities	
General government	$ 335,888
Public safety	222,315
Highway and streets, including infrastructure assets	3,749,752
Sanitation	123,994
Human services	15,420
Health	34,386
Culture and recreation	58,956
Total Depreciation Expense - Governmental Activities	$ 4,540,711

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2015, was as follows:

Due To/From Other Funds

The Social Services Special Revenue Fund owed the General Fund for miscellaneous costs in the amount of $3,604.

2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2015, were as follows:

	Governmental Activities
Accounts	$ 655,087
Salaries	876,096
Contracts	258,376
Due to other governments	153,214
Accrued interest	32,890
Total Payables	$ 1,975,663

2. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of taxes and special assessments receivable, state grants not collected soon enough after year-end to pay liabilities of the current period, and state and federal grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2015, are summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major governmental funds				
General	$ -	$ 307,973	$ 85,154	$ 393,127
Road and Bridge	-	98,590	341,028	439,618
Social Services	-	106,177	-	106,177
Solid Waste	3,622	6,951	-	10,573
Debt Service	-	27,825	-	27,825
Nonmajor governmental funds				
County Building	-	4,563	-	4,563
County Parks	-	2,171	-	2,171
Total	$ 3,622	$ 554,250	$ 426,182	$ 984,054
Liability				
Unearned revenue	$ -	$ -	$ 85,154	$ 85,154
Deferred Inflows of Resources				
Unavailable revenue	3,622	554,250	341,028	898,900
Total	$ 3,622	$ 554,250	$ 426,182	$ 984,054

2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Vacation and Sick Leave

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

The County pays unused accumulated paid time off to employees upon termination based on two different severance plans. Unvested paid time off valued at $268,342 at December 31, 2015, is available to employees in the event of an absence but is not paid to them at termination.

4. Retired Employee Health Insurance Benefits

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

The County recognizes the cost of providing health insurance for postemployment benefits on a pay-as-you-go basis. The County contribution for this benefit, paid by the General Fund for the year ended December 31, 2015, was $20,000 for 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, 2015
2009A G.O. Capital Improvement Plan Crossover Refunding Bonds	2018	$395,000 - $500,000	2.25 - 3.50	$ 3,190,000	$ 1,455,000
2010A G.O. Utility Improvement Plan Bonds	2033	$155,000 - $315,000	2.00 - 4.45	4,930,000	3,965,000

2. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt - Bonds (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
2011A G.O. Capital Equipment Notes	2021	$135,000 - $225,000	0.50 - 3.00	1,540,000	900,000
2011B G.O. Capital Improvement Plan Refunding Bonds	2018	$210,000 - $220,000	1.00 - 1.70	1,290,000	655,000
Total General Obligation Bonds				$ 10,950,000	$ 6,975,000

6. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2016	$ 1,000,000	$ 225,783
2017	1,020,000	200,233
2018	1,055,000	169,961
2019	340,000	148,191
2020	355,000	137,781
2021 - 2025	1,260,000	545,013
2026 - 2030	1,330,000	307,935
2031 - 2033	615,000	41,084
Total	$ 6,975,000	$ 1,775,981

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 7,960,000	$ -	$ 985,000	$ 6,975,000	$ 1,000,000
Bond premiums	67,712	-	10,035	57,677	-
Compensated absences	1,756,249	-	30,316	1,725,933	129,356
Estimated liability for closure/postclosure	3,677,637	-	151,748	3,525,889	-
Total Long-Term Liabilities	$ 13,461,598	$ -	$ 1,177,099	$ 12,284,499	$ 1,129,356

2. Detailed Notes on All Funds

C. Liabilities

7. Changes in Long-Term Liabilities (Continued)

The compensated absences liability is primarily liquidated by the General Fund and the Road and Bridge and Social Services Special Revenue Funds.

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 $3,525,889 landfill closure and postclosure care liability at December 31, 2015, represents the cumulative amount reported to date based on the use of 50.01 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $1,762,500 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2015. 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, 2015, the County has restricted net position of $3,665,546 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.

2. Detailed Notes on All Funds

C. Liabilities (Continued)

9. Other Postemployment Benefits (OPEB)

Plan Description

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

Participants

Participants of the plan consisted of the following at January 1, 2014, the most recent actuarial valuation date:

Active employees	241
Retired employees	12
Total Plan Participants	253

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 2015, the County contributed $97,734 to the plan; there were 253 participants in the plan.

Annual OPEB Cost and Net OPEB Obligation

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

2. Detailed Notes on All Funds

C. Liabilities

9. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the County's annual OPEB cost for 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

ARC	$	196,297
Interest on net OPEB obligation		30,189
Adjustment to ARC		(25,327)
Annual OPEB cost	$	201,159
Contributions during the year		(97,734)
Increase in net OPEB obligation	$	103,425
Net OPEB Obligation - Beginning of Year		670,865
Net OPEB Obligation - End of Year	$	774,290

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, 2013	$ 200,881	$ 86,192	42.91%	$ 552,460
December 31, 2014	195,382	76,977	39.39	670,865
December 31, 2015	201,159	97,734	48.59	774,290

The net OPEB obligation is primarily liquidated by the General Fund and the Road and Bridge and Social Services Special Revenue Funds.

2. Detailed Notes on All Funds

C. Liabilities

9. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $2,214,444, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $2,214,444. The covered payroll (annual payroll of active employees covered by the plan) was $12,600,794, and the ratio of the UAAL to the covered payroll was 18 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 designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 8.67 percent,

2. Detailed Notes on All Funds

C. Liabilities

9. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

reduced by the decrements to an ultimate rate of 5.00 percent after 11 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, 2015, the remaining amortization period is 22 years.

D. Fund Balance

1. Nonspendable Fund Balance

The detail of nonspendable fund balance at December 31, 2015, is as follows:

Road and Bridge Special Revenue Fund inventory	$ 877,807

2. Restricted Fund Balance

The detail of restricted fund balance at December 31, 2015, is as follows:

	General	Solid Waste	Debt Service
Recorder's technology	$ 488,169	$ -	$ -
Landfill closure and postclosure care	-	3,665,546	-
Law library	26,399	-	-
Attorney forfeitures	54,009	-	-
Sheriff forfeitures	36,716	-	-
911 programs	261,743	-	-
Debt service	-	-	1,074,226
Total Restricted	$ 867,036	$ 3,665,546	$ 1,074,226

2. Detailed Notes on All Funds

D. Fund Balance (Continued)

3. Committed Fund Balance

The detail of committed fund balance at December 31, 2015, is as follows:

	General	County Building	County Parks
Park projects	$ -	$ -	$ 208,028
County building projects	-	226,499	-
Insurance	385,887	-	-
Total Committed	$ 385,887	$ 226,499	$ 208,028

4. Assigned Fund Balance

The detail of assigned fund balance at December 31, 2015, is as follows:

	General	Road and Bridge	Social Services	Solid Waste
800 MHZ	$ 9,456	$ -	$ -	$ -
Aquatic invasive species	169,354	-	-	-
General government	585,257	-	-	-
Revolving loan	114,525	-	-	-
Septic program	16,400	-	-	-
Jail inmate programs	84,582	-	-	-
Jail upgrades	803,729	-	-	-
STS programs	14,800	-	-	-
Sheriff programs	40,479	-	-	-
Technology upgrades	228,348	-	-	-
Veterans programs	47,387	-	-	-
Jail PX	110,401	-	-	-
Human services	-	-	4,212,197	-
Attorney's contingency	7,219	-	-	-
Solid waste	-	-	-	1,945,228
Boat and water	36,434	-	-	-
Capital equipment	510,864	-	-	-
DARE	23,802	-	-	-
Election programs	213,192	-	-	-
Highways and streets	-	4,640,339	-	-
Total Assigned	$ 3,016,229	$ 4,640,339	$ 4,212,197	$ 1,945,228

3. Pension Plans

A. Defined Benefit Pension Plans

1. 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. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Fund. For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

3. Pension Plans

   A. Defined Benefit Pension Plans (Continued)

      2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph 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 their public service.

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent 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.

3. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

For General Employees Retirement Fund members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Fund and Public Employees Correctional Fund members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 55. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20
Public Employees Correctional Fund	8.75

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

3. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	$	789,631
Public Employees Police and Fire Fund		204,151
Public Employees Correctional Fund		86,792

The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of $9,126,416 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.1761 percent. It was 0.1939 percent measured as of June 30, 2014. The County recognized pension expense of $1,004,790 for its proportionate share of the General Employees Retirement Fund's pension expense.

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

The County reported its proportionate share of the General Employees Retirement Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 460,126
Difference between projected and actual investment earnings	863,955	-
Changes in proportion	-	627,116
Contributions paid to PERA subsequent to the measurement date	395,148	-
Total	$ 1,259,103	$ 1,087,242

A total of $395,148 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	$ (146,425)
2017	(146,425)
2018	(146,425)
2019	215,988

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of $1,556,641 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.137 percent. It was 0.139 percent measured as of June 30, 2014. The County recognized pension expense of $264,679 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized $12,330 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute $9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Public Employees Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 252,436
Difference between projected and actual investment earnings	271,219	-
Changes in proportion	-	18,001
Contributions paid to PERA subsequent to the measurement date	103,779	-
Total	$ 374,998	$ 270,437

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

A total of $103,779 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	$ 13,717
2017	13,717
2018	13,717
2019	13,717
2020	(54,086)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of $83,484 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.54 percent. It was 0.59 percent measured as of June 30, 2014. The County recognized pension expense of $88,993 for its proportionate share of the Public Employees Correctional Fund's pension expense.

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

The County reported its proportionate share of the Public Employees Correctional Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 31,963
Difference between projected and actual investment earnings	69,590	-
Changes in proportion	-	2,829
Contributions paid to PERA subsequent to the measurement date	44,550	-
Total	$ 114,140	$ 34,792

A total of $44,550 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	$ 5,800
2017	5,800
2018	5,800
2019	17,398

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was $1,358,462.

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for all years for the Public Employees Correctional Fund.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

3. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. Pension Plans

A. Defined Benefit Pension Plans (Continued)

7. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the			
General Employees Retirement Fund net pension liability	$ 14,349,970	$ 9,126,416	$ 4,812,563
Public Employees Police and Fire Fund net pension liability	3,033,909	1,556,641	336,160
Public Employees Correctional Fund net pension liability	581,396	83,484	(315,047)

8. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer

3. Pension Plans

B. Defined Contribution Plan (Continued)

contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2015, were:

	Employee	Employer
Contribution amount	$ 7,554	$ 7,554
Percentage of covered payroll	5%	5%

4. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $490,000 per claim in 2015 and $500,000 per claim in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

4. 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

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

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

         The Central Minnesota Community Corrections Agency is funded through state grants and contributions from its member counties. Morrison County provided $203,496 to the Agency in 2015.

         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
         c/o Tom Rosenthal, Director
         322 Laurel Street, Suite 32
         Brainerd, Minnesota 56401

4. 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.

4. 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 $30,748 in funding to the Commission during 2015. Financial information for the Commission can be obtained from:

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

3. Morrison-Todd-Wadena Community Health Services Board

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

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

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

5. Central Minnesota Emergency Medical Services Region

The Central Minnesota Emergency Medical Services Region was established in 2001, under Minn. Stat. § 471.59, to improve access, delivery, and effectiveness of the emergency medical services system; promote systematic and cost-effective delivery of services; and identify and address system needs within the member counties. The member Counties include Benton, Cass, Crow Wing, Chisago, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright. In 2013, Chisago and Isanti Counties withdrew from the Region. The Region established a Board comprising one Commissioner from each member county. The Region's Board has financial responsibility, and Stearns County is the fiscal agent.

4. 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:

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

6. South Country Health Alliance

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

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

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. Morrison County's equity interest in the SCHA at December 31, 2015, was $4,345,600. The equity interest is reported

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

6. South Country Health Alliance (Continued)

as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as Human Services expenses or revenues.

Complete financial information can be obtained from:

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

7. Central Minnesota Violent Offender Task Force

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

The Stearns County Sheriff’s Office is the fiscal agent for the Central Minnesota Violent Offender Task Force. Members provide officers to the Task Force in lieu of appropriations; Morrison County provided no cash funding to this organization during 2015.

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

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

7. Central Minnesota Violent Offender Task Force (Continued)

Complete financial information can be obtained from:

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

8. Central Minnesota Emergency Services Board

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

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

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

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

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

8. Central Minnesota Emergency Services Board (Continued)

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

Complete financial information can be obtained from:

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

9. Great River Regional Library

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

The Board of Directors consists of 15 members, representing all six of the member counties. Morrison County provided $478,330 to this organization during 2015.

Separate financial information can be obtained from:

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

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

10. Mississippi Headwaters Board

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

The Mississippi Headwaters Board consists of eight members, one appointed from each participating county. Funding is obtained through federal, state, local, and private sources. Crow Wing County maintains the accounting records of the Board. Morrison County provided $1,500 to this organization during 2015.

Complete financial information can be obtained from:

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

Email: timt@mississippiheadwaters.org

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

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

Morrison County provided $231,174 to this organization in 2015.

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

C. Jointly-Governed Organizations

1. Community Health Information Collaborative

The Community Health Information Collaborative (CHIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the CHIC during 2015.

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

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

3. Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Morrison County paid MCCC $99,111 for services provided.

4. Minnesota Criminal Justice Data Communications Network

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

4. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

5. Sentence to Serve

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

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

5. Housing and Redevelopment Authority of Morrison County

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity

The Housing and Redevelopment Authority (HRA) of Morrison County is a component unit of Morrison County and is reported in a separate column in the County's financial statements to emphasize that the HRA is a legally separate entity from Morrison County. The HRA of Morrison County operates as a local government unit for the purpose of providing housing and redevelopment services to the local area. The governing body consists of a five-member board appointed by the County. The financial statements included are as of and for the year ended December 31, 2015.

5. Housing and Redevelopment Authority of Morrison County

A. Summary of Significant Accounting Policies (Continued)

2. Budget Information

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

3. Assets, Liabilities, and Fund Equity Accounts

Cash and Cash Equivalents

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

Prepaid Items

Prepaid expenses present the unexpired premium on insurance policies.

Transactions Between Funds

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

Capital Assets

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

5. Housing and Redevelopment Authority of Morrison County

   A. Summary of Significant Accounting Policies

      3. Assets, Liabilities, and Fund Equity Accounts

Capital Assets (Continued)

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

Liabilities

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

Net Position

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

Vacation and Sick Leave

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

Use of Estimates

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

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

B. Detailed Notes

1. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that, in the event of a bank failure, the HRA's deposits and investments may not be returned or the HRA will not be able to recover collateral securities in the possession of an outside party. The HRA does not include a disclosure concerning deposit policies for custodial credit risk in its financial statements. As of December 31, 2015, the book balance of the HRA's deposits totaled $13,190, and the bank balance totaled $35,522.

2. Capital Assets

A summary of the HRA's capital assets at December 31, 2015, follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 23,500	$ -	$ -	$ 23,500
Capital assets depreciated				
Buildings	$ 328,608	$ -	$ -	$ 328,608
Equipment and other	12,802	-	-	12,802
Total capital assets depreciated	$ 341,410	$ -	$ -	$ 341,410
Less: accumulated depreciation	108,814	14,691	1	123,504
Total capital assets depreciated, net	$ 232,596	$ (14,691)	$ (1)	$ 217,906
Business-Type Activities Capital Assets, Net	$ 256,096	$ (14,691)	$ (1)	$ 241,406

Depreciation expense was charged to the following funds:

Business-type activities	
Housing Choice Vouchers	$ 350
State/Local	14,341
Total Depreciation Expense - Business-Type Activities	$ 14,691

5. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes (Continued)

3. Liabilities

Liabilities at December 31, 2015, consisted of the following:

Bank overdraft	$	1,143
Accounts payable (less than 90 days)		1,959
Salaries payable		4,816
Accrued liabilities - other		255
Accrued compensated absences - current portion		1,707
Accrued compensated absences - noncurrent		2,561
Accrued interest payable		436
Current portion of long-term debt		15,227
Long-term debt, net of current		87,901
Total Liabilities	$	116,005

Long-term debt includes: (1) a mortgage note payable to US Bank secured by the building owned by the HRA, with an interest rate of 4.64 percent and monthly payments of $1,506; and (2) a $25,711 loan from Pine Country Bank, with an interest rate of 5.50 percent, due on July 1, 2018.

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Building Loan	Pine Country Bank	Total
Balance - January 1, 2015	$ 89,423	$ 29,310	$ 118,733
Payments made	(11,326)	(4,279)	(15,605)
Balance - December 31, 2015	$ 78,097	$ 25,031	$ 103,128
Due Within One Year	$ 13,500	$ 1,727	$ 15,227

5. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes

3. Liabilities (Continued)

Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31	Building Loan	Pine Country Bank	Total
2016	$ 13,500	$ 1,727	$ 15,227
2017	15,396	1,824	17,220
2018	16,126	21,480	37,606
2019	16,890	-	16,890
2020	16,185	-	16,185
Balance December 31, 2015	$ 78,097	$ 25,031	$ 103,128

Changes in compensated absences for the period ended December 31, 2015, are as follows:

Balance - January 1, 2015	$ 3,187
Net change in compensated absences	1,081
Balance - December 31, 2015	$ 4,268
Due Within One Year	$ 1,707

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	$ 51,324	
Covered Wages	$ 51,324	
Employer contribution	$ 4,106	8.0%
Employee contribution	2,566	5.0
Total	$ 6,672	13.0%

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

D. Summary of Significant Contingencies and Other Items

Risk Management

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

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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 9,401,855	$ 9,401,855	$ 9,443,965	$ 42,110
Licenses and permits	302,479	302,479	365,558	63,079
Intergovernmental	3,061,437	3,061,437	3,739,533	678,096
Charges for services	1,671,222	1,671,222	2,019,966	348,744
Fines and forfeits	2,000	2,000	13,569	11,569
Investment income	200,000	200,000	33,256	(166,744)
Miscellaneous	421,000	421,000	372,463	(48,537)
Total Revenues	**$ 15,059,993**	**$ 15,059,993**	**$ 15,988,310**	**$ 928,317**
Expenditures				
Current				
General government				
Commissioners	$ 292,261	$ 292,261	$ 283,437	$ 8,824
Courts	98,200	98,200	101,903	(3,703)
Law library	35,000	35,000	26,338	8,662
Administrator	470,328	470,328	471,472	(1,144)
Risk management administration	251,640	251,640	250,736	904
Auditor/treasurer	823,849	823,849	708,692	115,157
Motor vehicle/license bureau	343,065	343,065	338,153	4,912
Assessor	871,145	871,145	850,481	20,664
Information services	605,796	605,796	522,848	82,948
Attorney	817,752	817,752	809,482	8,270
Recorder	420,751	420,751	376,183	44,568
Surveyor	2,400	2,400	750	1,650
Planning and zoning	394,239	394,239	412,602	(18,363)
Buildings and plant	814,899	814,899	740,651	74,248
Veterans service officer	208,288	208,288	204,808	3,480
Appropriations - airport	30,000	30,000	30,748	(748)
Other general government	60,000	60,000	103,733	(43,733)
Total general government	**$ 6,539,613**	**$ 6,539,613**	**$ 6,233,017**	**$ 306,596**
Public safety				
Sheriff	$ 3,119,252	$ 3,119,252	$ 2,983,774	$ 135,478
Boat and water safety	14,380	14,380	30,392	(16,012)
Coroner	74,000	74,000	77,777	(3,777)
E-911 system	112,000	112,000	142,738	(30,738)
County jail	1,894,112	1,894,112	1,929,133	(35,021)
Civil defense	83,123	83,123	57,342	25,781
Community corrections	203,505	203,505	203,496	9
Other public safety	93,122	93,122	101,233	(8,111)
Total public safety	**$ 5,593,494**	**$ 5,593,494**	**$ 5,525,885**	**$ 67,609**

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

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Health				
Nursing service	**$ 2,322,646**	**$ 2,322,646**	**$ 2,228,794**	**$ 93,852**
Culture and recreation				
Historical society	$ 40,000	$ 40,000	$ 39,926	$ 74
Other	40,300	40,300	191,788	(151,488)
Total culture and recreation	**$ 80,300**	**$ 80,300**	**$ 231,714**	**$ (151,414)**
Conservation of natural resources				
County extension	$ 176,464	$ 176,464	$ 174,768	$ 1,696
Soil and water conservation	95,000	95,000	95,000	-
Agricultural society	35,000	35,000	35,231	(231)
Water planning	20,627	20,627	20,627	-
Other	60,200	60,200	55,801	4,399
Total conservation of natural resources	**$ 387,291**	**$ 387,291**	**$ 381,427**	**$ 5,864**
Economic development				
Community development	**$ 46,250**	**$ 46,250**	**$ 246,248**	**$ (199,998)**
Intergovernmental				
Culture and recreation				
Library	**$ 478,330**	**$ 478,330**	**$ 478,330**	**$ -**
Total Expenditures	**$ 15,447,924**	**$ 15,447,924**	**$ 15,325,415**	**$ 122,509**
Net Change in Fund Balance	**$ (387,931)**	**$ (387,931)**	**$ 662,895**	**$ 1,050,826**
Fund Balance - January 1	**8,800,181**	**8,800,181**	**8,800,181**	**-**
Fund Balance - December 31	**$ 8,412,250**	**$ 8,412,250**	**$ 9,463,076**	**$ 1,050,826**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 3,184,069	$ 3,184,069	$ 3,197,515	$ 13,446
Intergovernmental	6,565,226	6,565,226	8,874,493	2,309,267
Charges for services	-	-	302,244	302,244
Miscellaneous	-	-	37,898	37,898
Total Revenues	**$ 9,749,295**	**$ 9,749,295**	**$ 12,412,150**	**$ 2,662,855**
Expenditures				
Current				
Highways and streets				
Administration	$ 409,355	$ 409,355	$ 472,124	$ (62,769)
Maintenance	2,764,834	2,764,834	2,648,697	116,137
Construction	5,196,922	5,196,922	6,818,298	(1,621,376)
Equipment maintenance and shop	1,366,018	1,366,018	1,263,229	102,789
Other	-	-	59,423	(59,423)
Total highways and streets	**$ 9,737,129**	**$ 9,737,129**	**$ 11,261,771**	**$ (1,524,642)**
Conservation of natural resources				
Agricultural inspector	12,166	12,166	10,278	1,888
Intergovernmental				
Highways and streets	-	-	526,576	(526,576)
Total Expenditures	**$ 9,749,295**	**$ 9,749,295**	**$ 11,798,625**	**$ (2,049,330)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 613,525**	**$ 613,525**
Fund Balance - January 1	**4,951,305**	**4,951,305**	**4,951,305**	**-**
Increase (decrease) in inventories	**-**	**-**	**(46,684)**	**(46,684)**
Fund Balance - December 31	**$ 4,951,305**	**$ 4,951,305**	**$ 5,518,146**	**$ 566,841**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 3,078,921	$ 3,078,921	$ 3,085,712	$ 6,791
Intergovernmental	4,885,979	4,885,979	5,316,436	430,457
Charges for services	633,300	633,300	683,254	49,954
Miscellaneous	398,500	398,500	669,647	271,147
Total Revenues	**$ 8,996,700**	**$ 8,996,700**	**$ 9,755,049**	**$ 758,349**
Expenditures				
Current				
Human services				
Income maintenance	$ 3,284,600	$ 3,284,600	$ 3,538,903	$ (254,303)
Social services	5,724,100	5,724,100	6,015,796	(291,696)
Total Expenditures	**$ 9,008,700**	**$ 9,008,700**	**$ 9,554,699**	**$ (545,999)**
Net Change in Fund Balance	**$ (12,000)**	**$ (12,000)**	**$ 200,350**	**$ 212,350**
Fund Balance - January 1	**4,011,847**	**4,011,847**	**4,011,847**	**-**
Fund Balance - December 31	**$ 3,999,847**	**$ 3,999,847**	**$ 4,212,197**	**$ 212,350**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 213,358	$ 213,358	$ 222,264	$ 8,906
Licenses and permits	16,000	16,000	12,400	(3,600)
Intergovernmental	138,145	138,145	134,715	(3,430)
Charges for services	2,211,201	2,211,201	2,247,243	36,042
Investment income	-	-	7,252	7,252
Miscellaneous	53,500	53,500	12,611	(40,889)
Total Revenues	**$ 2,632,204**	**$ 2,632,204**	**$ 2,636,485**	**$ 4,281**
Expenditures				
Current				
Sanitation				
Solid waste	2,632,204	2,632,204	2,295,389	336,815
Net Change in Fund Balance	**$ -**	**$ -**	**$ 341,096**	**$ 341,096**
Fund Balance - January 1	**5,269,678**	**5,269,678**	**5,269,678**	**-**
Fund Balance - December 31	**$ 5,269,678**	**$ 5,269,678**	**$ 5,610,774**	**$ 341,096**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-5

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2015

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, 2013	$ -	$ 2,065,138	$ 2,065,138	0.00%	$ 11,479,540	17.98%
January 1, 2014	-	2,084,146	2,084,146	0.00	12,145,344	17.16
January 1, 2015	-	2,214,444	2,214,444	0.00	12,600,794	18.00

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-6

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1761%	$ 9,126,416	$ 10,350,204	88.18%	78.19%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-7

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 789,631	$ 789,631	$ -	$ 10,528,415	7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-8

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.137%	$ 1,556,641	$ 1,256,015	123.93%	86.61%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-9

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 204,151	$ 204,151	$ -	$ 1,260,189	16.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-10

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.54%	$ 83,484	$ 969,324	8.61%	96.95%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-11

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 86,792	$ 86,792	$ -	$ 991,903	8.75%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

1. Budgetary Information

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

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

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

2. Excess of Expenditures Over Budget

The following major governmental funds had expenditures in excess of budget at the function level for the year ended December 31, 2015:

	Expenditures		
	Actual	Final Budget	Excess
General Fund			
Current			
Culture and recreation	$ 231,714	$ 80,300	$ 151,414
Community development	246,248	46,250	199,998
Road and Bridge Special Revenue Fund			
Current			
Highways and streets	11,261,771	9,737,129	1,524,642
Intergovernmental			
Highways and streets	526,576	-	526,576
Social Services Special Revenue Fund			
Current			
Human services	9,554,699	9,008,700	545,999

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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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.

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

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

AGENCY FUNDS

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

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

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

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

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

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

NONMAJOR FUNDS

AGENCY FUNDS
(Continued)

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

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

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

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Special Revenue Funds		
	County Building	County Parks	Total
Assets			
Cash and pooled investments	$ 227,294	$ 208,104	$ 435,398
Delinquent taxes receivable	4,563	2,171	6,734
Total Assets	**$ 231,857**	**$ 210,275**	**$ 442,132**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	**$ 795**	**$ 76**	**$ 871**
Deferred Inflows of Resources			
Unavailable revenue	**$ 4,563**	**$ 2,171**	**$ 6,734**
Fund Balances			
Committed			
Park projects	$ -	$ 208,028	$ 208,028
County building projects	226,499	-	226,499
Total Fund Balances	**$ 226,499**	**$ 208,028**	**$ 434,527**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 231,857**	**$ 210,275**	**$ 442,132**

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, 2015

	Special Revenue Funds		
	County Building	County Parks	Total
Revenues			
Taxes	$ 161,620	$ 71,650	$ 233,270
Intergovernmental	22,662	8,274	30,936
Miscellaneous	1,755	845	2,600
Total Revenues	**$ 186,037**	**$ 80,769**	**$ 266,806**
Expenditures			
Current			
General government	$ 253,889	$ -	$ 253,889
Culture and recreation	-	89,465	89,465
Total Expenditures	**$ 253,889**	**$ 89,465**	**$ 343,354**
Net Change in Fund Balance	**$ (67,852)**	**$ (8,696)**	**$ (76,548)**
Fund Balance - January 1	**294,351**	**216,724**	**511,075**
Fund Balance - December 31	**$ 226,499**	**$ 208,028**	**$ 434,527**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT B-3

BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 162,338	$ 162,338	$ 161,620	$ (718)
Intergovernmental	22,662	22,662	22,662	-
Miscellaneous	-	-	1,755	1,755
Total Revenues	**$ 185,000**	**$ 185,000**	**$ 186,037**	**$ 1,037**
Expenditures				
Current				
General government	185,000	185,000	253,889	(68,889)
Net Change in Fund Balance	**$ -**	**$ -**	**$ (67,852)**	**$ (67,852)**
Fund Balance - January 1	**294,351**	**294,351**	**294,351**	**-**
Fund Balance - December 31	**$ 294,351**	**$ 294,351**	**$ 226,499**	**$ (67,852)**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT B-4

BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 55,255	$ 55,255	$ 71,650	$ 16,395
Intergovernmental	7,693	7,693	8,274	581
Miscellaneous	-	-	845	845
Total Revenues	**$ 62,948**	**$ 62,948**	**$ 80,769**	**$ 17,821**
Expenditures				
Current				
Culture and recreation				
Parks	86,948	86,948	89,465	(2,517)
Net Change in Fund Balance	**$ (24,000)**	**$ (24,000)**	**$ (8,696)**	**$ 15,304**
Fund Balance - January 1	**216,724**	**216,724**	**216,724**	**-**
Fund Balance - December 31	**$ 192,724**	**$ 192,724**	**$ 208,028**	**$ 15,304**

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, 2015

	Balance January 1	Additions	Deductions	Balance December 31
LOCAL COLLABORATIVE				
Assets				
Cash and pooled investments	$ 456,320	$ 107,850	$ 204,155	$ 360,015
Departmental cash	2	17	2	17
Accrued interest receivable	4,223	2,065	4,223	2,065
Total Assets	**$ 460,545**	**$ 109,932**	**$ 208,380**	**$ 362,097**
Liabilities				
Due to other governments	**$ 460,545**	**$ 109,932**	**$ 208,380**	**$ 362,097**
MOTOR VEHICLE				
Assets				
Cash and pooled investments	**$ 13,342**	**$ 270,698**	**$ 261,223**	**$ 22,817**
Liabilities				
Due to other governments	**$ 13,342**	**$ 270,698**	**$ 261,223**	**$ 22,817**
SPECIAL DISTRICTS				
Assets				
Cash and pooled investments	**$ -**	**$ 154,964**	**$ 154,964**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 154,964**	**$ 154,964**	**$ -**

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, 2015

	Balance January 1	Additions	Deductions	Balance December 31
SCHOOL DISTRICTS				
Assets				
Cash and pooled investments	$ -	$ 8,653,245	$ 8,653,245	$ -
Liabilities				
Due to other governments	$ -	$ 8,653,245	$ 8,653,245	$ -
STATE REVENUE				
Assets				
Cash and pooled investments	$ 139,306	$ 650,877	$ 745,828	$ 44,355
Liabilities				
Due to other governments	$ 139,306	$ 650,877	$ 745,828	$ 44,355
TOWNS AND CITIES				
Assets				
Cash and pooled investments	$ -	$ 10,057,903	$ 10,057,903	$ -
Liabilities				
Due to other governments	$ -	$ 10,057,903	$ 10,057,903	$ -

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Balance January 1	Additions	Deductions	Balance December 31
MORRISON, TODD, AND WADENA BOARD OF HEALTH				
Assets				
Cash and pooled investments	$ 76,761	$ 1,159,346	$ 1,185,170	$ 50,937
Liabilities				
Due to other governments	$ 76,761	$ 1,159,346	$ 1,185,170	$ 50,937
FORFEITED LAND				
Assets				
Cash and pooled investments	$ 2,565	$ 91,573	$ 45,434	$ 48,704
Liabilities				
Due to other governments	$ 2,565	$ 91,573	$ 45,434	$ 48,704
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	$ 493,640	$ 40,982,342	$ 41,127,728	$ 348,254
Liabilities				
Due to other governments	$ 493,640	$ 40,982,342	$ 41,127,728	$ 348,254

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 1,181,934	$ 62,128,798	$ 62,435,650	$ 875,082
Departmental cash	2	17	2	17
Accrued interest receivable	4,223	2,065	4,223	2,065
Total Assets	**$ 1,186,159**	**$ 62,130,880**	**$ 62,439,875**	**$ 877,164**
Liabilities				
Due to other governments	**$ 1,186,159**	**$ 62,130,880**	**$ 62,439,875**	**$ 877,164**

OTHER SCHEDULES

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015

Shared Revenue		
State		
Highway users tax	$	8,066,856
County program aid		1,619,230
Market value credit - real property		627,897
PERA rate reimbursement		48,267
Disparity reduction aid		29,096
Aquatic invasive species		131,867
Police aid		151,537
SCORE		98,126
Enhanced 911		111,083
Total shared revenue	**$**	**10,883,959**
Reimbursement for Services		
Minnesota Department of Human Services	**$**	**1,016,407**
Payments - Local		
Local grants	$	300,842
Local share of construction		159,629
Payments in lieu of taxes		192,061
Total payments - local	**$**	**652,532**
Grants		
State		
Minnesota Department/Board of		
Corrections	$	18,006
Public Safety		15,671
Health		250,919
Veterans Affairs		10,000
Natural Resources		164,741
Human Services		1,748,109
Water and Soil Resources		120,052
Pollution Control Agency		6,805
Peace Officer Standards and Training Board		6,997
Total state	**$**	**2,341,300**
Federal		
Department of		
Agriculture	$	387,032
Justice		4,445
Transportation		262,188
Education		2,492
Health and Human Services		2,590,612
Homeland Security		66,210
Total federal	**$**	**3,312,979**
Total state and federal grants	**$**	**5,654,279**
Total Intergovernmental Revenue	**$**	**18,207,177**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipient
U.S. Department of Agriculture				
Passed Through Minnesota Department of Health				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN014-W5003	$ 123,718	$ -
Passed Through Minnesota Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15152MN-10152514	263,314	-
Total U.S. Department of Agriculture			**$ 387,032**	**$ -**
U.S. Department of Justice				
Direct				
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804		$ 2,826	$ -
Passed Through Minnesota Department of Public Safety				
Law Enforcement Assistance - Narcotics and Dangerous Drugs Training	16.004	Not Provided	1,619	-
Total U.S. Department of Justice			**$ 4,445**	**$ -**
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	00049	$ 249,511	$ -
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC15-2015-MORRISSO-0022	6,369	-
National Priority Safety Programs	20.616	A-ENFRC15-2015-MORRISSO-0022	2,977	-
(Total expenditures for Highway Safety Cluster $9,346)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC15-2015-MORRISSO-0022	3,331	-
Total U.S. Department of Transportation			**$ 262,188**	**$ -**
U.S. Department of Education				
Passed Through Minnesota Department of Health				
Special Education - Grants for Infants and Families	84.181	H18A150029	**$ 2,492**	**$ -**

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

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipient
U.S. Department of Health and Human Services				
Direct				
Drug-Free Communities Support Program Grants	93.276		$ 114,173	$ -
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	1401MNFPSS	7,149	-
(Total Promoting Safe and Stable Families 93.556 $14,055)				
Temporary Assistance for Needy Families	93.558	1502MNTANF	265,906	-
(Total Temporary Assistance for Needy Families 93.558 $299,488)				
Child Support Enforcement	93.563	1504MN4005	587,831	-
Refugee and Entrant Assistance - State-Administered Programs	93.566	1501MNRCMA	344	-
Child Care and Development Block Grant	93.575	G1501MNCCDF	8,253	-
Community-Based Child Abuse Prevention Grants	93.590	1302MNFRPG	5,305	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1401MNCWSS	1,820	-
Foster Care - Title IV-E	93.658	1501MNFOST	190,774	-
Social Services Block Grant	93.667	1501MNSOSR	183,357	-
Chafee Foster Care Independence Program	93.674	1401MN1420	7,897	-
Children's Health Insurance Program	93.767	1405MN5021	108	-
Medical Assistance Program	93.778	1505MN5ADM	938,692	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	14B1MNSAPT	147,164	-
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	U90TP000529	26,444	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	U90TP000529	470	-
Universal Newborn Hearing Screening	93.251	H61MC00035	400	-
Immunization Cooperative Agreements	93.268	H23IP000737	220	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	UR3DD000842	75	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	D89MC28263	5,463	-
Temporary Assistance for Needy Families	93.558	2015G996115	33,582	-
(Total Temporary Assistance for Needy Families 93.558 $299,488)				
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	53,279	-
Passed through National Association of County and City Health Officials				
NON-ACA/PPHF - Building Capacity of the Public Health System to Improve Population Health Through National Nonprofit Organizations	93.424	5U38OT000172-02	5,000	-

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

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipient
U.S. Department of Health and Human Services (Continued)				
Passed Through Becker County, Minnesota				
Promoting Safe and Stable Families	93.556	Not Provided	6,906	-
(Total Promoting Safe and Stable Families 93.556 $14,055)				
Total U.S. Department of Health and Human Services			**$ 2,590,612**	**$ -**
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	R29G4CGSFY15	$ 13,210	$ -
Passed Through Minnesota Department of Public Safety				
Hazard Mitigation Grant	97.039	FEMA-1990-DR-MN	6,466	-
Emergency Management Performance Grants	97.042	A-EMPG-2015-MORRISCO-00051	46,534	-
Total U.S. Department of Homeland Security			**$ 66,210**	**$ -**
Total Federal Awards			**$ 3,312,979**	**$ -**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

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, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Morrison County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Morrison County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Morrison County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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MORRISON COUNTY
RURAL DEVELOPMENT FINANCE AUTHORITY

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MORRISON COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY
LITTLE FALLS, MINNESOTA

EXHIBIT E-1

GENERAL FUND BALANCE SHEET
AND GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
DECEMBER 31, 2015

	General Fund	Reconciliation	Governmental Activities
Assets			
Current assets			
Cash	$ 472,214	$ -	$ 472,214
Loans receivable	449,449	-	449,449
Total Assets	**$ 921,663**	**$ -**	**$ 921,663**
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position			
Deferred Inflows of Resources			
Unavailable revenue	$ 449,449	$ (449,449)	$ -
Fund Balance			
Restricted for economic development	472,214	(472,214)	
Net Position			
Restricted for economic development		921,663	921,663
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	**$ 921,663**	**$ -**	**$ 921,663**

Reconciliation of the General Fund Balance to Net Position	
Fund Balance - General Fund	$ 472,214
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	449,449
Net Position - Governmental Activities	**$ 921,663**

MORRISON COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY
LITTLE FALLS, MINNESOTA

EXHIBIT E-2

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Reconciliation	Governmental Activities
Revenues			
Taxes	$ 85,974	$ -	$ 85,974
Intergovernmental			
State-shared revenues	2,774	-	2,774
Investment income	14,732	-	14,732
Insurance dividends	346	-	346
Miscellaneous	46,795	(46,795)	-
Total Revenues	**$ 150,621**	**$ (46,795)**	**$ 103,826**
Expenditures/Expenses			
Current			
Economic development	59,121	-	59,121
Net Change in Fund Balance/Change in Net Position	**$ 91,500**	**$ (46,795)**	**$ 44,705**
Fund Balance/Net Position - January 1	**380,714**	**496,244**	**876,958**
Fund Balance/Net Position - December 31	**$ 472,214**	**$ 449,449**	**$ 921,663**

Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	
Net Change in Fund Balance	$ 91,500
In the fund, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statement and the statement of activities is the increase or decrease in unavailable revenue.	(46,795)
Change in Net Position of Governmental Activities	**$ 44,705**

**Management and
Compliance Section**

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MORRISON COUNTY

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal program is:

Medical Assistance Program	CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was $750,000.

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-002

Segregation of Duties

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

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

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Morrison County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

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

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

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

Client's Response:

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

Finding 2014-001

County Jail and Canteen Account

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

Condition: During our 2015 audit, we noted significant improvements over the County Jail's financial operations. However, of the ten canteen disbursements tested we noted the following:

- Three disbursements were improperly coded in the County's general ledger.

- One disbursement had a questionable public purpose.

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

Effect: Lack of control over County Jail expenditures.

Cause: The County has no formal policies and procedures over the operations of the inmate canteen activities.

Recommendation: We recommend the County establish formal policies and procedures for the inmate canteen operations and that canteen expenditures be properly coded in the County's general ledger and spent for appropriate public purposes.

Client's Response:

The Morrison County Jail will double check all receipts to make sure they are coded to the correct account. They are also making notes on the receipts indicating what they are for.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding 2015-001

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778); Award No. 1505MN5ADM

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

Condition: The state maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While overall program supervisory case reviews are performed to provide reasonable assurance of compliance with grant eligibility requirements, none are performed specifically for Medical Assistance case files. When performing our review of case files for compliance with eligibility requirements, we noted instances where information was input into MAXIS incorrectly. The following exceptions were noted in our sample of 40 cases tested:

- Six case files contained updated bank statements that were not entered into MAXIS.
- For one case file, the real estate panel in MAXIS indicated a tax statement was used to verify ownership of the participant's home and its value; however, only the homeowner's insurance was noted in the case file. This case file also contained an updated bank statement that was not entered into MAXIS.
- One case file contained documentation of a certificate of deposit that was entered into MAXIS at the face value rather than at the current market value.
- One case file did not include evidence of verification of a vehicle that was listed in MAXIS. The file did not contain evidence that the asset was owned by the individual.

The sample size was based on guidance from Chapter 21 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: The State of Minnesota contracts with the County Social Services Department to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the state maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

Effect: The improper input of information into MAXIS and lack of follow-up of issues increases the risk that a program participant will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS did not ensure all required information was input correctly.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly input into MAXIS and maintained in case files, and that issues are followed up in a timely manner.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Cyndi Bachan
Income Maintenance Supervisor
Morrison County Social Services
Phone: 320-632-0214
Toll free: 800-269-1464
Fax: 320-631-0831
cyndib@co.morrison.mn.us

Corrective Action Planned:

- *Results of review will be disclosed and discussed at the Income Maintenance Unit meeting on August 4, 2016, where the updating of stat panels when information is received is important and discuss how to best make sure it happens.*

- *The Income Maintenance supervisors will conduct a minimum of 12 case reviews as well as 12 peer reviews per year, and track the errors.*

Morrison County would like to emphasize that while some client documentation was not entered into MAXIS, they were only technical errors and all cases reviewed were eligible for the benefits they received.

Anticipated Completion Date:

December 31, 2016, and ongoing.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding 2015-002

Administrative Tickets

Criteria: Minn. Stat. § 169.999, subd. 1, permits administrative fines for speeding less than ten miles per hour over the posted speed limit. Ordinances enacted by a county need to be authorized by statute.

Condition: The County has adopted an ordinance providing for administrative fines for a number of offenses including speeding less than ten miles per hour over the posted speed limit. During the audit year, the County issued an administrative fine for a vehicle operator traveling 30 miles per hour over the posted speed limit.

The ordinance also contains provisions allowing fines for theft, trespass, disorderly conduct, stopping, and exhibition driving (other ordinance provisions). These other ordinance provisions do not appear to be authorized by statute.

Context: When we brought to the County's attention our concerns regarding the other ordinance provisions, County staff reviewed the provisions in question and indicated the County would not be issuing administrative fines under those provisions and would amend the ordinance accordingly in the future.

Effect: The issuance of an administrative fine to a driver exceeding the posted speed limit by 30 miles per hour is contrary to the County's ordinance and state law. The other ordinance provisions allowing fines for other violations need to be authorized by statute.

Cause: The issuance of an administrative fine for exceeding the posted speed limit by 30 miles per hour appears to be a mistake. The other ordinance provisions appear to have been enacted without authority.

Recommendation: We recommend that, per the County ordinance and state law, the County only issue administrative fines for speeding to those drivers that exceed the posted speed limit by less than ten miles per hour.

Since the County has addressed our concerns regarding the other ordinance provisions, our only recommendation is that the County, in fact, amend its ordinance to remove the unauthorized provisions.

Client's Response:

The Morrison County Sheriff's Office is amending the ordinance and deleting the five offenses to reflect the change. The Sheriff's Office will also, per the recommendation, only issue administrative citations for speeding to those drivers that exceed the posted speed limit by less than 10 miles per hour.

PREVIOUSLY REPORTED ITEM RESOLVED

Collateral Assignments (2014-002)

During our previous audit, Morrison County had deposits with Pine Country Bank in Royalton, Minnesota. To secure these deposits, US Bank held collateral pledged to Morrison County. The "Collateral Control Agreement" provided by US Bank did not meet some of the Minnesota statutory requirements regarding deposits of public funds.

Resolution

During 2015, US Bank provided a pledge agreement that met Minnesota statutory requirements.

B. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

Finding 2015-003

Property and Evidence Room

Criteria: Management is responsible for establishing and maintaining internal controls. The County should have sufficient controls in place over the property and evidence room to ensure the adequate safeguarding and control of property and evidence.

Condition: During our review of the County's property and evidence room procedures, we noted the following:

- An excessive number of individuals have direct access to certain items located in the property and evidence facilities. These items include guns, large items such as vehicles, and blood and other items needing refrigeration.

- There are no surveillance cameras in either of the evidence rooms or the evidence storage shed to record the activity of those entering the facilities.

- There is no periodic monitoring of the property and evidence room to verify an item is located where it should be or was properly disposed of.

Context: Only the main property and evidence custodian and his/her supervisor should maintain direct access to the items located in the property and evidence room. Deputies should check in/out items with the property and evidence custodian, and all activity should be noted on the record log. Items should be placed in a specific location within the property and evidence room and noted as such on the record log.

Effect: The County is at greater risk for the personal use of property and evidence items, tampering of property and evidence, and misplaced/lost items.

Cause: The County has no formal policies and procedures over the property and evidence room other than a policy on disposal of evidence.

Recommendation: We recommend the County implement policies and procedures over its property and evidence facilities to reduce these risks to an acceptable level. A limited number of staff should have direct access to the property and evidence storage areas.

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

The Morrison County Sheriff's Office is looking at utilizing its records management system (LETG) for logging and tracing evidence. It is also looking at a system which would limit access to the evidence room to command staff only.

Morrison County is in the planning stages for a remodel of the government center. The Sheriff's Office would be gaining some room. They are working with the architect to better lay out the office which may include changes to the evidence room.

REBECCA OTTO
STATE AUDITOR

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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*

Independent Auditor's Report

Board of County Commissioners
Morrison County
Little Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morrison County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 16, 2016. Our report includes references to other auditors who audited the financial statements of the Housing and Redevelopment Authority of Morrison County, a discretely presented component unit, and the South Country Health Alliance joint venture, as described in our report on Morrison County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*. The results of our testing of the Morrison County Rural Development Finance Authority component unit's internal control over financial reporting and on compliance and other matters are reported on separately within this Management and Compliance Report.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Morrison County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties,* except as described in the Schedule of Findings and Questioned Costs as item 2015-002.

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

Included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

Morrison County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 16, 2016

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

Independent Auditor's Report

Board of County Commissioners
Morrison County
Little Falls, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Morrison County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2015. Morrison County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for Morrison County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morrison County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on the Major Federal Program

In our opinion, Morrison County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, that we consider to be a significant deficiency.

Morrison County’s response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. Morrison County’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of This Report

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

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

August 16, 2016

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MORRISON COUNTY
RURAL DEVELOPMENT FINANCE AUTHORITY

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MORRISON COUNTY
RURAL DEVELOPMENT FINANCE AUTHORITY
LITTLE FALLS, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2011-001

Segregation of Duties

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

Condition: The accounting functions over cash handling and receipting of the Morrison County Rural Development Finance Authority (RDFA) lack proper segregation of duties. The RDFA has one individual responsible for receipting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of staff within the RDFA, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the RDFA; however, the RDFA's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in one individual is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the RDFA's ability to detect misstatements in amounts that would be material in relation to the financial statements.

Cause: The RDFA informed us it does not have the economic resources available to hire additional qualified accounting staff to adequately segregate duties.

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

Client's Response:

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

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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*

Independent Auditor's Report

Board of Commissioners
Morrison County Rural Development Finance Authority
Little Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Morrison County, Minnesota, which includes the governmental activities and the General Fund of the Morrison County Rural Development Finance Authority (RDFA), a component unit of Morrison County, as of and for the year ended December 31, 2015, and have issued our report thereon dated August 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Morrison County RDFA's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the RFDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the RFDA'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 RFDA's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financing reporting, described in the accompanying Schedule of Findings and Recommendations as item 2011-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the RFDA's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for contracting and bidding because the RFDA did not enter into any contracts; public indebtedness because the RFDA has no long-term debt; and tax increment financing because the RFDA administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the Morrison County RDFA failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions.* However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the RFDA's noncompliance with the above referenced provisions.

Morrison County RDFA's Response to Findings

The Morrison County RDFA's response to the internal control finding identified in our audit has been included in the Schedule of Findings and Recommendations. The RFDA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

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

August 16, 2016