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, 2016

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 650 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, 2016

Audit Practice Division
Office of the State Auditor
State of Minnesota

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

ORGANIZATION SCHEDULE
MORRISON COUNTY
2016

Office	Name	Term of Office From	Term of Office To
Commissioners			
1st District	Kevin Maurer	January 2013	January 2017
2nd District	Jeff Jelinski	January 2013	January 2017
3rd District	Randy Winscher[1]	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	Joe Byrne	Indefinite	
Planning and Zoning Director	Amy Kowalzek	Indefinite	
Public Health Director	Katy Kirchner	Indefinite	
Public Works Director	Steven Backowski	May 2016	May 2020
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
2016

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

Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Morrison County
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, 2016, 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 12.1 percent, 7.7 percent, and 84.5 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 thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the HRA of Morrison County, is based solely on the report of the other auditors. We also did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2016, 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, $2,848,006, represents 1.9 percent and 2.4 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 statements 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 from 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, 2016, 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.

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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 23, 2017, 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 the Uniform Guidance

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

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 23, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(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, 2016. 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, 2016, and the prior year, 2015, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016 fiscal year include the following:

- County-wide net position increased 0.9 percent over the prior year.

- Overall fund level revenues totaled $43,091,108 and were $1,481,474 more than expenditures.

- The General Fund's fund balance increased $734,829 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 government-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 government-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

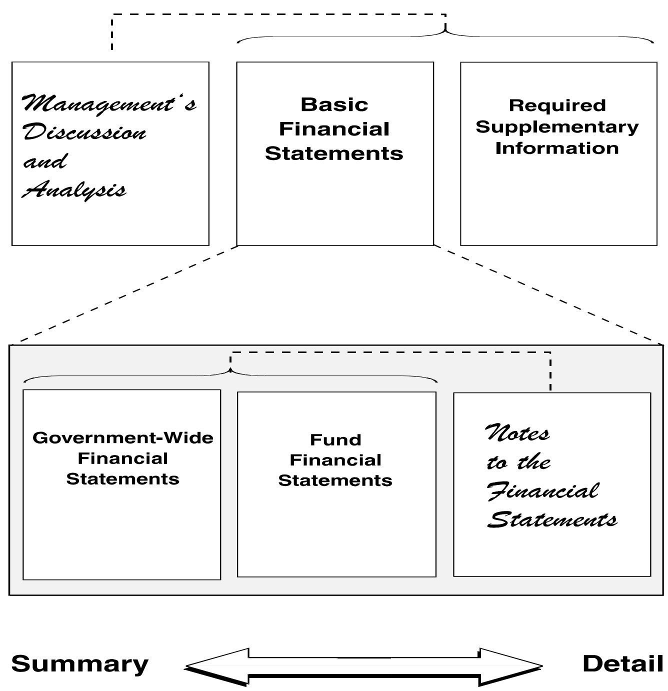

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

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

Government-Wide Statements

The government-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 government-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 government-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 $119,215,543 on December 31, 2016. (See Table A-1.)

Table A-1
Net Position

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	$ 34,497,212	$ 33,585,373
Capital and noncurrent assets	111,650,047	110,059,121
Total Assets	$ 146,147,259	$ 143,644,494
Deferred pension outflows	$ 11,352,493	$ 1,748,241
Liabilities		
Current liabilities	$ 2,001,776	$ 2,060,817
Long-term liabilities	33,915,905	23,825,330
Total Liabilities	$ 35,917,681	$ 25,886,147
Deferred pension inflows	$ 2,366,528	$ 1,392,471
Net Position		
Net investment in capital assets	$ 109,453,779	$ 107,024,719
Restricted	1,822,748	2,038,029
Unrestricted	7,939,016	9,051,369
Total Net Position	$ 119,215,543	$ 118,114,117

Change in Net Position

The total County-wide revenues on a full accrual basis were $44,091,100 for the year ended December 31, 2016. Property taxes and intergovernmental revenues accounted for 82.8 percent of total revenues for the year. (See Table A-2.)

Table A-2
Change in Net Position

	Governmental Activities	
	2016	2015
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 6,934,651	$ 6,740,273
Operating grants and contributions	15,728,790	14,138,273
Capital grants and contributions	804,606	1,013,894
General revenues		
Property taxes	17,454,913	16,964,199
Unrestricted grants and contributions	2,532,736	2,456,357
Investment earnings	204,381	51,017
Other	431,023	398,404
Total Revenues	$ 44,091,100	$ 41,762,417
Expenses		
General government	$ 7,777,302	$ 6,862,576
Public safety	7,037,611	5,733,847
Highways and streets	9,529,528	9,705,647
Sanitation	2,734,340	2,267,044
Human services	11,874,190	9,048,244
Health	2,418,462	2,289,556
Culture and recreation	860,079	858,465
Conservation of natural resources	491,057	390,529
Economic development	47,500	246,248
Interest	219,605	243,205
Total Expenses	$ 42,989,674	$ 37,645,361
Increase in Net Position	$ 1,101,426	$ 4,117,056
Net Position - January 1	118,114,117	113,997,061
Net Position - Ending	$ 119,215,543	$ 118,114,117

Total revenues were more than expenses, increasing net position $1,101,426 over the prior year.

The County-wide cost of all governmental activities this year was $42,989,674.

- Some of the cost was paid by the users of the County's programs ($6,934,651).

- The federal and state governments subsidized certain programs with grants and contributions ($16,533,396).

- The remaining County costs ($19,521,627), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with $17,454,913 in property taxes, $2,532,736 of state aid, and $635,404 with investment earnings and other general revenues.

Figure A-3
Sources of Revenues for Fiscal 2016

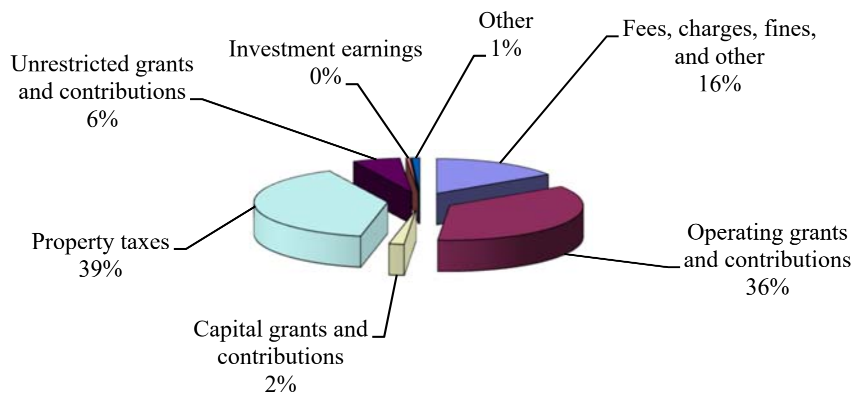

Figure A-4
Sources of Expenses for Fiscal 2016

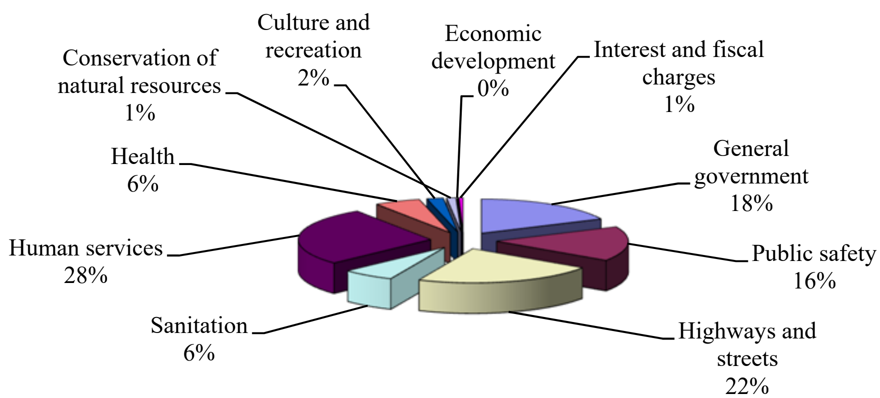

Table A-3
Cost of Services

	Total Cost of Savings		Percent (%)	Net Cost of (Revenue from) Services		Percent (%)
	2016	2015	Change	2016	2015	Change
General government	$ 7,777,302	$ 6,862,576	13.3	$ 5,986,321	$ 5,247,449	14.1
Public safety	7,037,611	5,733,847	22.7	5,499,245	4,911,203	12.0
Highways and streets	9,529,528	9,705,647	(1.8)	441,772	1,322,266	(66.6)
Sanitation	2,734,340	2,267,044	20.6	282,824	(106,914)	364.5
Human services	11,874,190	9,048,244	31.2	5,456,467	2,808,686	94.3
Health	2,418,462	2,289,556	5.6	432,590	304,750	41.9
Culture and recreation	860,079	858,465	0.2	715,761	705,551	1.4
Conservation of natural resources	491,057	390,529	25.7	439,542	270,477	62.5
Economic development	47,500	246,248	(80.7)	47,500	46,248	2.7
Interest	219,605	243,205	(9.7)	219,605	243,205	(9.7)
Total	$ 42,989,674	$ 37,645,361	14.2	$ 19,521,627	$ 15,752,921	23.9

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 $27,719,543.

Revenues for the County's governmental funds were $43,091,108, while total expenditures were $41,609,634.

GENERAL FUND

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

Table A-4
General Fund Revenues

	Year Ended December 31		Change	
	2016	2015	Increase (Decrease)	Percent (%)
Taxes	$ 9,855,412	$ 9,443,965	$ 411,447	4.4
Intergovernmental	3,884,445	3,739,533	144,912	3.9
Charges for services	2,242,936	2,019,966	222,970	11.0
Investment income	131,380	33,256	98,124	295.1
Miscellaneous and other	1,025,974	751,590	274,384	36.5
Total General Fund Revenues	$ 17,140,147	$ 15,988,310	$ 1,151,837	7.2

Total General Fund revenues increased by $1,151,837, or 7.2 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 $222,970 in 2016, mainly due to the economy improving and increase in other counties using Morrison County's jail to house their prisoners. Interest on investments was up in 2016, also contributing to the increase. Also, during 2016 corrections activity, which had previously been administered by a joint powers board, was absorbed by the County.

The following schedule presents a summary of General Fund expenditures.

Table A-5
General Fund Expenditures

	Year Ended December 31 2016	Year Ended December 31 2015	Amount of Increase (Decrease)	Percent (%) Increase (Decrease)
General government	$ 6,882,055	$ 6,233,017	$ 649,038	10.4
Public safety	6,149,530	5,525,885	623,645	11.3
Health	2,227,598	2,228,794	(1,196)	(0.1)
Culture and recreation	219,054	231,714	(12,660)	(5.5)
Conservation of natural resources	475,442	381,427	94,015	24.6
Economic development	47,500	246,248	(198,748)	(80.7)
Intergovernmental	490,855	478,330	12,525	2.6
Total Expenditures	$ 16,492,034	$ 15,325,415	$ 1,166,619	7.6

General Fund Budgetary Highlights

- Actual revenues were $1,156,881 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 an improving economy, renting out more jail beds, and having corrections come on as a department.

- The actual expenditures were $94,782 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 2016, the County had invested over $190.6 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 $4,855,915.

Table A-6
Capital Assets

	2016	2015	Percent (%) Change
Land	$ 4,151,400	$ 4,145,920	0.1
Buildings	24,100,574	24,149,608	(0.2)
Machinery, furniture, and equipment	10,368,388	9,421,065	10.1
Infrastructure	152,003,834	146,717,291	3.6
Less: accumulated depreciation	(78,974,149)	(74,374,763)	6.2
Total	$ 111,650,047	$ 110,059,121	1.5

LONG-TERM LIABILITIES

At year-end, the County had $12,418,258 in long-term liabilities outstanding. The County's bonded debt decreased $1,000,000 in 2016.

Table A-7
Long-Term Liabilities

	2016	2015	Percent (%) Change
General obligation bonds	$ 5,975,000	$ 6,975,000	(14.3)
Bond premiums	47,642	57,677	(17.4)
Compensated absences	1,841,234	1,725,933	6.7
Net OPEB obligation	900,794	774,290	16.3
Estimated liability for landfill closure/postclosure care	3,653,588	3,525,889	3.6
Total	$ 12,418,258	$ 13,058,789	(4.9)

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 the Land Services and 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 2016, the County again rented 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 2017 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. During 2017-2019, the County will be having a major remodel project of approximately $13 million taking place. One other factor that took place in 2016 is that Community Corrections came on as a full budget and not part of a joint powers; this will add about $1 million to the budget for 2017. 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 Southeast, 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 Southeast, 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, 2016

	Primary Government	Component Units	
	Governmental Activities	Housing and Redevelopment Authority	Rural Development Finance Authority
Assets			
Cash and pooled investments	$ 27,493,180	$ 71,563	$ 568,469
Restricted cash	-	52,295	-
Petty cash and change funds	5,975	-	-
Departmental cash	12,596	-	-
Taxes receivable			
Delinquent	558,361	-	-
Special assessments receivable			
Delinquent	4,450	-	-
Accounts receivable	384,889	7,765	-
Accrued interest receivable	76,504	-	-
Due from other governments	2,310,321	-	-
Loans receivable	-	-	400,748
Inventories	802,930	-	-
Investment in joint venture	2,848,006	-	-
Prepaid items	-	1,033	-
Capital assets			
Non-depreciable	4,151,400	-	-
Depreciable - net of accumulated depreciation	107,498,647	75	-
Total Assets	**$ 146,147,259**	**$ 132,731**	**$ 969,217**
Deferred Outflows of Resources			
Deferred pension outflows	**$ 11,352,493**	**$ -**	**$ -**
Liabilities			
Accounts payable	$ 537,677	$ 4,599	$ -
Salaries payable	997,330	981	-
Contracts payable	34,829	-	-
Due to other governments	200,103	-	-
Accrued interest payable	24,923	-	-
Unearned revenue	206,914	5,664	-
Other liabilities	-	936	-
Noncurrent liabilities			
Due within one year	1,154,060	1,089	-
Due in more than one year	10,363,404	4,356	-
Net other postemployment benefits obligation	900,794	-	-
Net pension liability	21,497,647	-	-
Total Liabilities	**$ 35,917,681**	**$ 17,625**	**$ -**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government	Component Units	
	Governmental Activities	Housing and Redevelopment Authority	Rural Development Finance Authority
Deferred Inflows of Resources			
Deferred pension inflows	$ 2,366,528	$ -	$ -
Deferred housing assistance payment inflows	-	34,842	-
Total Deferred Inflows of Resources	**$ 2,366,528**	**$ 34,842**	**$ -**
Net Position			
Net investment in capital assets	$ 109,453,779	$ 75	$ -
Restricted for			
General government	519,473	-	-
Public safety	249,551	-	-
Economic development	-	-	969,217
Debt service	1,053,724	-	-
Housing assistance payments	-	52,295	-
Unrestricted	7,939,016	27,894	-
Total Net Position	**$ 119,215,543**	**$ 80,264**	**$ 969,217**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary government		
Governmental activities		
General government	$ 7,777,302	$ 1,516,895
Public safety	7,037,611	832,435
Highways and streets	9,529,528	241,458
Sanitation	2,734,340	2,355,612
Human services	11,874,190	1,075,880
Health	2,418,462	908,426
Culture and recreation	860,079	3,945
Conservation of natural resources	491,057	-
Economic development	47,500	-
Interest	219,605	-
Total Primary Government	**$ 42,989,674**	**$ 6,934,651**
Component units		
Housing and Redevelopment Authority	**$ 676,326**	**$ 90,865**
Rural Development Finance Authority	**$ 64,018**	**$ -**

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
Special item - repayment to HUD (See Note 5.B.7.)

Total general revenues and special item

Change in net position

Net Position - Beginning

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
	$ 274,086	$ -	$ (5,986,321)		
	705,931	-	(5,499,245)		
	8,041,692	804,606	(441,772)		
	95,904	-	(282,824)		
	5,341,843	-	(5,456,467)		
	1,077,446	-	(432,590)		
	140,373	-	(715,761)		
	51,515	-	(439,542)		
	-	-	(47,500)		
	-	-	(219,605)		
	$ 15,728,790	**$ 804,606**	**$ (19,521,627)**		
	$ 516,411	**$ -**		**$ (69,050)**	
	$ -	**$ -**			**$ (64,018)**
			$ 17,454,913	$ -	$ 94,997
			189,427	-	-
			2,532,736	-	3,023
			204,381	-	13,012
			191,290	-	540
			50,306	-	-
			-	**(5,000)**	-
			$ 20,623,053	**$ (5,000)**	**$ 111,572**
			$ 1,101,426	**$ (74,050)**	**$ 47,554**
			118,114,117	**154,314**	**921,663**
			$ 119,215,543	**$ 80,264**	**$ 969,217**

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FUND FINANCIAL STATEMENTS

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General		Road and Bridge	
Assets				
Cash and pooled investments	$	10,708,151	$	5,116,567
Petty cash and change funds		5,750		175
Departmental cash		10,790		-
Delinquent taxes receivable		313,790		96,959
Special assessments receivable				
Delinquent		-		-
Accounts receivable		149,083		38,598
Accrued interest receivable		56,657		-
Due from other funds		2,276		-
Due from other governments		241,639		1,541,482
Inventories		-		802,930
Total Assets	**$**	**11,488,136**	**$**	**7,596,711**
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$	112,543	$	21,543
Salaries payable		605,456		124,265
Contracts payable		-		34,829
Due to other funds		-		-
Due to other governments		51,528		2,060
Unearned revenue		206,914		-
Total Liabilities	**$**	**976,441**	**$**	**182,697**
Deferred Inflows of Resources				
Unavailable revenue	**$**	**313,790**	**$**	**1,486,958**
Fund Balances (Note 2.D.)				
Nonspendable	$	-	$	802,930
Restricted		769,024		-
Committed		385,887		-
Assigned		3,644,498		5,124,126
Unassigned		5,398,496		-
Total Fund Balances	**$**	**10,197,905**	**$**	**5,927,056**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$**	**11,488,136**	**$**	**7,596,711**

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

EXHIBIT 3

Social Services	Solid Waste	Debt Service	Nonmajor Funds	Total
$ 4,305,521	$ 5,771,775	$ 1,077,895	$ 513,271	$ 27,493,180
50	-	-	-	5,975
-	1,054	752	-	12,596
105,781	7,166	27,291	7,374	558,361
-	4,450	-	-	4,450
62,333	133,766	-	1,109	384,889
-	19,847	-	-	76,504
-	-	-	-	2,276
498,801	25,073	-	3,326	2,310,321
-	-	-	-	802,930
$ 4,972,486	**$ 5,963,131**	**$ 1,105,938**	**$ 525,080**	**$ 31,651,482**
$ 273,445	$ 130,105	$ -	$ 41	$ 537,677
264,905	2,704	-	-	997,330
-	-	-	-	34,829
2,276	-	-	-	2,276
140,435	6,080	-	-	200,103
-	-	-	-	206,914
$ 681,061	**$ 138,889**	**$ -**	**$ 41**	**$ 1,979,129**
$ 105,781	**$ 11,616**	**$ 27,291**	**$ 7,374**	**$ 1,952,810**
$ -	$ -	$ -	$ -	$ 802,930
-	3,652,395	1,078,647	-	5,500,066
-	-	-	517,665	903,552
4,185,644	2,160,231	-	-	15,114,499
-	-	-	-	5,398,496
$ 4,185,644	**$ 5,812,626**	**$ 1,078,647**	**$ 517,665**	**$ 27,719,543**
$ 4,972,486	**$ 5,963,131**	**$ 1,105,938**	**$ 525,080**	**$ 31,651,482**

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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, 2016

Fund balances - total governmental funds (Exhibit 3)		**$ 27,719,543**
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.		2,848,006
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		111,650,047
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		11,352,493
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		1,952,810
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	$ (6,022,642)	
Accrued interest payable	(24,923)	
Compensated absences	(1,841,234)	
Estimated liability for landfill closure/postclosure	(3,653,588)	
Net other postemployment benefits obligation	(900,794)	
Net pension liability	(21,497,647)	(33,940,828)
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.		(2,366,528)
Net Position of Governmental Activities (Exhibit 1)		**$ 119,215,543**

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, 2016

	General	Road and Bridge
Revenues		
Taxes	$ 9,855,412	$ 3,191,170
Licenses and permits	356,603	-
Intergovernmental	3,884,445	8,193,929
Charges for services	2,242,936	235,019
Fines and forfeits	12,080	-
Investment income	131,380	-
Miscellaneous	657,291	40,739
Total Revenues	**$ 17,140,147**	**$ 11,660,857**
Expenditures		
Current		
General government	$ 6,882,055	$ -
Public safety	6,149,530	-
Highways and streets	-	10,625,022
Sanitation	-	-
Human services	-	-
Health	2,227,598	-
Culture and recreation	219,054	-
Conservation of natural resources	475,442	10,295
Economic development	47,500	-
Intergovernmental		
Highways and streets	-	541,753
Culture and recreation	490,855	-
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
Total Expenditures	**$ 16,492,034**	**$ 11,177,070**
Excess of Revenues Over (Under) Expenditures	**$ 648,113**	**$ 483,787**
Other Financing Sources (Uses)		
Transfers in	$ 86,716	$ -
Transfers out	-	-
Total Other Financing Sources (Uses)	**$ 86,716**	**$ -**
Net Change in Fund Balances	**$ 734,829**	**$ 483,787**
Fund Balances - January 1	**9,463,076**	**5,518,146**
Increase (decrease) in inventories	**-**	**(74,877)**
Fund Balances - December 31	**$ 10,197,905**	**$ 5,927,056**

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

Social Services	Solid Waste	Debt Service	Nonmajor Funds	Total
$ 3,138,868	$ 225,115	$ 791,656	$ 248,581	$ 17,450,802
-	18,600	-	-	375,203
5,780,860	132,483	110,576	37,434	18,139,727
598,633	2,311,941	-	-	5,388,529
-	-	-	-	12,080
-	60,108	2,858	-	194,346
477,247	24,243	326,903	3,998	1,530,421
$ 9,995,608	**$ 2,772,490**	**$ 1,231,993**	**$ 290,013**	**$ 43,091,108**
$ -	$ -	$ -	$ 115,661	$ 6,997,716
-	-	-	-	6,149,530
-	-	-	-	10,625,022
-	2,570,638	-	-	2,570,638
9,935,445	-	-	-	9,935,445
-	-	-	-	2,227,598
-	-	-	91,214	310,268
-	-	-	-	485,737
-	-	-	-	47,500
-	-	-	-	541,753
-	-	-	-	490,855
-	-	1,000,000	-	1,000,000
-	-	225,782	-	225,782
-	-	1,790	-	1,790
$ 9,935,445	**$ 2,570,638**	**$ 1,227,572**	**$ 206,875**	**$ 41,609,634**
$ 60,163	**$ 201,852**	**$ 4,421**	**$ 83,138**	**$ 1,481,474**
$ -	$ -	$ -	$ -	$ 86,716
(86,716)	-	-	-	(86,716)
$ (86,716)	**$ -**	**$ -**	**$ -**	**$ -**
$ (26,553)	**$ 201,852**	**$ 4,421**	**$ 83,138**	**$ 1,481,474**
4,212,197	**5,610,774**	**1,074,226**	**434,527**	**26,312,946**
-	**-**	**-**	**-**	**(74,877)**
$ 4,185,644	**$ 5,812,626**	**$ 1,078,647**	**$ 517,665**	**$ 27,719,543**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balances - total governmental funds (Exhibit 5)			**$**	**1,481,474**
Amounts reported for governmental activities in the statement of activities are different because:				
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.				
Unavailable revenue - December 31	$	1,952,810		
Unavailable revenue - January 1		(898,900)		1,053,910
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 disposed of.				
Expenditures for general capital assets and infrastructure	$	6,612,651		
Net book value of capital asset disposals		(165,810)		
Current year depreciation		(4,855,915)		1,590,926
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.				
Principal repayments				
General obligation bonds	$	1,000,000		
Current year amortization of premiums		10,035		1,010,035
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.				
Change in accrued interest payable	$	7,967		
Change in compensated absences		(115,301)		
Change in estimated liability for landfill closure/postclosure		(127,699)		
Change in net other postemployment benefits obligation		(126,504)		
Change in net pension liability		(10,731,106)		
Change in deferred pension outflows		9,604,252		
Change in deferred pension inflows		(974,057)		
Change in inventories		(74,877)		(2,537,325)

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

EXHIBIT 6
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

Transactions to record investment in joint venture	
Change in investment in joint venture	(1,497,594)
Change in Net Position of Governmental Activities (Exhibit 2)	**$ 1,101,426**

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

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FIDUCIARY FUNDS

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	Agency Funds
Assets	
Cash and pooled investments	$ 1,077,956
Departmental cash	21
Accrued interest receivable	1,033
Total Assets	**$ 1,079,010**
Liabilities	
Due to other governments	**$ 1,079,010**

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) in the United States of America as of and for the year ended December 31, 2016. 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, 2016.

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 Southeast, 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. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      1. Government-Wide Statements (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. Fund Financial Statements

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

         The County reports the following major governmental funds:

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

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

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

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

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 full 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, 2016. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. 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 2016 were $131,380.

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 2010 through 2016. 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 2010 through 2016 and noncurrent special assessments payable in 2017 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.

Inventories at the government-wide level are recorded as expenses when consumed.

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 acquisition value (entry price) 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.

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation 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. 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. Compensated absences are accrued when incurred in the government-wide financial statements. 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. The compensated absences liability is primarily liquidated by the General Fund, and the Road and Bridge and Social Services Special Revenue Funds.

6. 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.

1. Summary of Significant Accounting Policies

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

6. Long-Term Obligations (Continued)

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 another 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.

7. 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. 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, differences between expected and actual pension plan economic experience, changes in actuarial assumptions, the differences between projected and actual earnings on pension plan investments, and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

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 a 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

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources and Unearned Revenue (Continued)

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.

8. 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.

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.

1. Summary of Significant Accounting Policies

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

9. Classification of Net Position (Continued)

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

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 or 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, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. 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	$ 27,493,180
Petty cash and change funds	5,975
Departmental cash	12,596
Discretely presented component units	
Cash and pooled investments	640,032
Restricted cash	52,295
Statement of fiduciary net position	
Cash and pooled investments	1,077,956
Departmental cash	21
Total Cash and Investments	$ 29,282,055

2. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments (Continued)

         a. Deposits

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

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution 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, 2016, 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:

2. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments (Continued)

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

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

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

            (4) bankers' acceptances of United States banks;

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

            (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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Custodial Credit Risk (Continued)

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, 2016, the County's investments were subject to custodial credit risk in the amount of $1,952,703.

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.

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, 2016, and information relating to potential investment risk:

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Primary government					
U.S. government agency securities					
Federal National Mortgage Association	Aaa/AA+	Moody's/S&P	-	3 yrs. - 5 yrs.	$ 238,875
Federal Home Loan Mortgage Corporation	Aaa/AA+	Moody's/S&P	5.79%	3 yrs. - 5 yrs.	1,075,632
Federal Home Loan Mortgage Corporation	Aaa/AA+	Moody's/S&P	-	6 yrs. - 10 yrs.	490,700
Negotiable certificates of deposit	N/A	N/A	27.22%	<1 yr. - 3 yrs.	5,057,588
Investment pools/mutual funds					
MAGIC Fund	N/A	N/A	63.03%	N/A	11,709,750
Money market account with broker	N/A	N/A	-	N/A	5,226
Total investments					$ 18,577,771
Deposits					9,797,949
Petty cash and change funds					5,975
Departmental cash					12,617
Cash on hand					195,416
Total cash and investments - primary government					$ 28,589,728
Component units					
Deposits					692,327
Total Cash and Investments					$ 29,282,055

N/A - Not Applicable

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

At December 31, 2016, the County had the following recurring fair value measurements.

	December 31, 2016	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. government agency securities	$ 1,805,207	$ -	$ 1,805,207	$ -
Negotiable certificates of deposit	5,057,588	-	5,057,588	-
Total Investments Included in the Fair Value Hierarchy	$ 6,862,795	$ -	$ 6,862,795	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 11,709,750			
Money market mutual funds	5,226			
Total Investments Measured at the NAV	$ 11,714,976			

Debt securities classified in Level 2 are valued using the following approaches:

- U.S. government agency securities are valued using a market approach by utilizing quoted prices for identical securities in markets that are not active.
- Negotiable certificates of deposit are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

MAGIC is a local government investment pool which is quoted at NAV. The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

The County invests in money market funds for the benefit of liquid investments that can be readily re-invested. Money market funds held by the County seek a constant NAV of $1.00 per share.

2. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land - infrastructure right-of-way	$ 2,000,355	$ 5,480	$ -	$ 2,005,835
Land	2,145,565	-	-	2,145,565
Total capital assets not depreciated	$ 4,145,920	$ 5,480	$ -	$ 4,151,400
Capital assets depreciated				
Buildings	$ 24,149,608	$ 150,337	$ 199,371	$ 24,100,574
Machinery, furniture, and equipment	9,421,065	1,170,291	222,968	10,368,388
Infrastructure	146,717,291	5,286,543	-	152,003,834
Total capital assets depreciated	$ 180,287,964	$ 6,607,171	$ 422,339	$ 186,472,796

2. Detailed Notes on All Funds

A. Assets

2. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	$ 10,299,498	$ 536,475	$ 33,561	$ 10,802,412
Machinery, furniture, and equipment	6,589,882	733,155	222,968	7,100,069
Infrastructure	57,485,383	3,586,285	-	61,071,668
Total accumulated depreciation	$ 74,374,763	$ 4,855,915	$ 256,529	$ 78,974,149
Total capital assets depreciated, net	$ 105,913,201	$ 1,751,256	$ 165,810	$ 107,498,647
Governmental Activities Capital Assets, Net	$ 110,059,121	$ 1,756,736	$ 165,810	$ 111,650,047

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

Governmental activities	
General government	$ 331,068
Public safety	252,251
Highway and streets, including infrastructure assets	4,034,616
Sanitation	126,980
Human services	15,616
Health	36,428
Culture and recreation	58,956
Total Depreciation Expense - Governmental Activities	$ 4,855,915

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2016, 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 $2,276.

Interfund Transfers

The Social Services Special Revenue Fund transferred $86,716 to the General Fund for its share of the phone project costs.

2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2016, were as follows:

	Governmental Activities
Accounts	$ 537,677
Salaries	997,330
Contracts	34,829
Due to other governments	200,103
Accrued interest	24,923
Total Payables	$ 1,794,862

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, 2016, are summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major governmental funds				
General	$ -	$ 313,790	$ 206,914	$ 520,704
Road and Bridge	-	96,959	1,389,999	1,486,958
Social Services	-	105,781	-	105,781
Solid Waste	4,450	7,166	-	11,616
Debt Service	-	27,291	-	27,291
Nonmajor governmental funds				
County Building	-	4,991	-	4,991
County Parks	-	2,383	-	2,383
Total	$ 4,450	$ 558,361	$ 1,596,913	$ 2,159,724
Liability				
Unearned revenue	$ -	$ -	$ 206,914	$ 206,914
Deferred inflows of resources				
Unavailable revenue	4,450	558,361	1,389,999	1,952,810
Total	$ 4,450	$ 558,361	$ 1,596,913	$ 2,159,724

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 $263,808 at December 31, 2016, 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, 2016, was $35,832 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, 2016
2009A G.O. Capital Improvement Plan Crossover Refunding Bonds	2018	$395,000 - $500,000	2.25 - 3.50	$ 3,190,000	$ 985,000
2010A G.O. Utility Improvement Plan Bonds	2033	$155,000 - $315,000	2.00 - 4.45	4,930,000	3,795,000

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, 2016
2011A G.O. Capital Equipment Notes	2021	$135,000 - $225,000	0.50 - 3.00	1,540,000	760,000
2011B G.O. Capital Improvement Plan Refunding Bonds	2018	$210,000 - $220,000	1.00 - 1.70	1,290,000	435,000
Total General Obligation Bonds				$ 10,950,000	$ 5,975,000

6. Debt Service Requirements

Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	General Obligation Bonds Principal	Interest
2017	$ 1,020,000	$ 200,233
2018	1,055,000	169,960
2019	340,000	148,190
2020	355,000	137,780
2021	365,000	126,333
2022 - 2026	1,140,000	501,267
2027 - 2031	1,385,000	252,415
2032 - 2033	315,000	14,017
Total	$ 5,975,000	$ 1,550,195

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 6,975,000	$ -	$ 1,000,000	$ 5,975,000	$ 1,020,000
Bond premiums	57,677	-	10,035	47,642	-
Compensated absences	1,725,933	115,301	-	1,841,234	134,060
Estimated liability for landfill closure/postclosure	3,525,889	127,699	-	3,653,588	-
Total Long-Term Liabilities	$ 12,284,499	$ 243,000	$ 1,010,035	$ 11,517,464	$ 1,154,060

2. Detailed Notes on All Funds

C. Liabilities (Continued)

8. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place the final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $3,653,588 landfill closure and postclosure care liability at December 31, 2016, represents the cumulative amount reported to date based on the use of 52.89 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $1,721,205 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. 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, 2016, the County has restricted net position of $3,652,395 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, 2016, the most recent actuarial valuation date:

Active employees	240
Retired employees	9
Total Plan Participants	249

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 2016, the County contributed $30,121 to the plan; there were 249 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 2016, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

ARC	$	152,009
Interest on net OPEB obligation		34,843
Adjustment to ARC		(30,227)
Annual OPEB cost	$	156,625
Contributions during the year		(30,121)
Increase in net OPEB obligation	$	126,504
Net OPEB obligation - beginning of year		774,290
Net OPEB obligation - end of year	$	900,794

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, 2014	$ 195,382	$ 76,977	39.39%	$ 670,865
December 31, 2015	201,159	97,734	48.59	774,290
December 31, 2016	156,625	30,121	19.23	900,794

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, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $1,453,131, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $1,453,131. The covered payroll (annual payroll of active employees covered by the plan) was $12,787,000, and the ratio of the UAAL to the covered payroll was 11 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, 2016, 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 9.00 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 the market value of assets. The UAAL is being amortized over 30 years on a closed basis. As of December 31, 2016, the remaining amortization period is 21 years.

D. Fund Balance

1. Nonspendable Fund Balance

The detail of nonspendable fund balance at December 31, 2016, is as follows:

Road and Bridge Special Revenue Fund inventory	$ 802,930

2. Restricted Fund Balance

The detail of restricted fund balance at December 31, 2016, is as follows:

	General	Solid Waste	Debt Service
Recorder's technology	$ 431,417	$ -	$ -
Landfill closure/postclosure	-	3,652,395	-
Law library	36,710	-	-
Prosecutorial purposes	51,346	-	-
Law enforcement	38,280	-	-
Enhanced 911 programs	211,271	-	-
Debt service	-	-	1,078,647
Total Restricted	$ 769,024	$ 3,652,395	$ 1,078,647

2. Detailed Notes on All Funds

D. Fund Balance (Continued)

3. Committed Fund Balance

The detail of committed fund balance at December 31, 2016, is as follows:

	General	County Building	County Parks
Park projects	$ -	$ -	$ 212,144
County building projects	-	305,521	-
Insurance	385,887	-	-
Total Committed	$ 385,887	$ 305,521	$ 212,144

4. Assigned Fund Balance

The detail of assigned fund balance at December 31, 2016, is as follows:

	General	Road and Bridge	Social Services	Solid Waste
800 megahertz project	$ 37,282	$ -	$ -	$ -
Aquatic invasive species	247,607	-	-	-
General government	623,343	-	-	-
Revolving loan	114,525	-	-	-
Septic program	8,900	-	-	-
Jail inmate programs	105,841	-	-	-
Jail upgrades	1,031,611	-	-	-
STS programs	2,727	-	-	-
Corrections	271,834	-	-	-
Sheriff programs	54,069	-	-	-
Technology upgrades	136,840	-	-	-
Veterans programs	39,314	-	-	-
Jail PX	107,999	-	-	-
Human services	-	-	4,185,644	-
Attorney’s contingency	12,962	-	-	-
Solid waste	-	-	-	2,160,231
Boat and water	39,426	-	-	-
Capital equipment	507,095	-	-	-
DARE	27,435	-	-	-
Election programs	275,688	-	-	-
Highways and streets	-	5,124,126	-	-
Total Assigned	$ 3,644,498	$ 5,124,126	$ 4,185,644	$ 2,160,231

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 Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), 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.

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. 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 Plan (accounted for in the 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 Plan (accounted for in the 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 Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive 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. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan 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 Plan 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 Plan and Public Employees Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. 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 Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2016.

In 2016, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75
Public Employees Police and Fire Plan	16.20
Public Employees Correctional Plan	8.75

The employee and employer contribution rates did not change from the previous year.

3. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2016, to the pension plans were:

General Employees Retirement Plan	$	835,107
Public Employees Police and Fire Plan		221,832
Public Employees Correctional Plan		90,808

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of $14,030,503 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.1728 percent. It was 0.1761 percent measured as of June 30, 2015. The County recognized pension expense of $1,809,003 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $54,621 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

County's proportionate share of the net pension liability	$ 14,030,503
State of Minnesota's proportionate share of the net pension liability associated with the County	183,184
Total	$ 14,213,687

The County reported its proportionate share of the General Employees Retirement Plan'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	$ -	$ 1,145,519
Changes in actuarial assumptions	2,747,185	-
Difference between projected and actual investment earnings	2,675,192	-
Changes in proportion	-	546,344
Contributions paid to PERA subsequent to the measurement date	426,159	-
Total	$ 5,848,536	$ 1,691,863

The $426,159 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

Year Ended December 31	Pension Expense Amount
2017	$ 953,765
2018	953,765
2019	1,316,177
2020	506,807

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of $5,457,917 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.136 percent. It was 0.137 percent measured as of June 30, 2014. The County recognized pension expense of $939,704 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $12,240 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 Plan. Legislation requires the State of Minnesota to contribute $9 million to the Public Employees Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The County reported its proportionate share of the Public Employees Police and Fire Plan'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	$ -	$ 627,600
Changes in actuarial assumptions	3,003,730	-
Difference between projected and actual investment earnings	834,401	-
Changes in proportion	-	23,870
Contributions paid to PERA subsequent to the measurement date	113,544	-
Total	$ 3,951,675	$ 651,470

The $113,544 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, 2017. 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
2017	$ 685,186
2018	685,186
2019	685,186
2020	617,381
2021	513,722

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2016, the County reported a liability of $2,009,227 for its proportionate share of the Public Employees Correctional Plan'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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.55 percent. It was 0.54 percent measured as of June 30, 2015. The County recognized pension expense of $566,812 for its proportionate share of the Public Employees Correctional Plan's pension expense.

The County reported its proportionate share of the Public Employees Correctional Plan'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	$ 1,573	$ 21,309
Changes in actuarial assumptions	1,280,120	-
Difference between projected and actual investment earnings	224,778	-
Changes in proportion	1,159	1,886
Contributions paid to PERA subsequent to the measurement date	44,652	-
Total	$ 1,552,282	$ 23,195

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The $44,652 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, 2017. 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
2017	$ 476,564
2018	476,564
2019	488,161
2020	43,146

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was $3,315,519.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for Public Employees Police and Fire Plan and Public Employees Correctional Plan were based on

3. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009. The experience study for the Public Employees Correctional Plan was for the period 2006 through 2011.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.5 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

3. Pension Plans

A. Defined Benefit Pension Plans (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. 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, the fiduciary net position of the General Employees Retirement Plan 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. In the Public Employees Police and Fire Plan and the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056, and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057, for the Public Employees Police and Fire Plan and June 30, 2059, for the Public Employees Correctional Plan, when projected benefit payments exceed the Plans' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan and 5.31 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

3. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

General Employees Retirement Plan (Continued)

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

3. Pension Plans

A. Defined Benefit Pension Plans (Continued)

8. 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:

	Proportionate Share of the General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 19,927,472	4.60%	$ 7,640,359	4.31%	$ 3,025,275
Current	7.50	14,030,503	5.60	5,457,917	5.31	2,009,227
1% Increase	8.50	9,173,005	6.60	3,674,696	6.31	1,216,006

9. 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 contribution rates. An eligible elected official who decides to participate contributes

3. Pension Plans

B. Defined Contribution Plan (Continued)

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 Morrison County during the year ended December 31, 2016, were:

	Employee	Employer
Contribution amount	$ 7,640	$ 7,640
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 $500,000 per claim in 2016 and 2017. 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 $97,139 to the Agency in 2016.

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 $30,753 in funding to the Commission during 2016. Financial information for the Commission can be obtained from:

         Little Falls-Morrison County Airport Commission
         Little Falls City Hall
         100 Northeast 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, 2016, was $2,848,006. 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 2016.

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 $490,855 to this organization during 2016.

Separate financial information can be obtained from:

Great River Regional Library
1300 West 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 2016.

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 $272,656 to this organization in 2016.

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 2016.

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 the 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 the MCCC $123,268 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.

D. Tax Abatements

The County is subject to tax abatements granted by cities and other districts within the County pursuant to Minn. Stat §§ 469.174-.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within the city or other district. TIF captures the increase in tax capacity and property taxes (of most taxing jurisdictions, including the County) from development or redevelopment to provide funding for the related project.

The pay-as-you-go note provides for payment to the developer of a percentage of all tax increment received in the prior six months. The payment reimburses the developer for certain public improvements. During 2016, Morrison County had 17 pay-as-you-go notes within the County. The tax increment taxes collected during 2016 totaled $117,660 for the County and $46,613 for the RDFA. The County's portion of the captured tax capacity and related property taxes was approximately 59 percent.

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

E. Subsequent Event

On April 1, 2017, Morrison County issued $12,735,000 General Obligation Capital Improvement Plan Bonds, Series 2017A, for renovation of the Morrison County Government Center complex.

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, 2016.

2. Budget Information

The HRA adopts estimated revenue and expense budgets. 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.

5. Housing and Redevelopment Authority of Morrison County

A. Summary of Significant Accounting Policies

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

Prepaid Items

Prepaid expenses represent the unexpired premium on insurance policies.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by grantors and other external parties.

Capital Assets

Capital assets include property, buildings, and furniture and equipment. 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 acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment. Depreciation is recorded using the straight-line method over the various lives of the assets, which range from 3 to 40 years.

Liabilities

All liabilities are recorded as incurred.

Unearned Revenue

The HRA reports prepaid revenues on its statement of net position. Prepaid revenues arise when resources are received by the HRA before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the HRA has a legal claim to the resources, the liability for prepaid revenue is removed from the statement of net position and the revenue is recognized.

5. Housing and Redevelopment Authority of Morrison County

A. Summary of Significant Accounting Policies

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

Compensated Absences

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 two days per month with a maximum accumulation of 100 days. Maximum accumulation for vacation is 24 days.

Deferred Inflows of Resources

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the HRA has one item of deferred inflows that qualifies for reporting in this category. These inflows consist of 2017 Housing Assistance Payments funds received in 2016.

Net Position

Net position represents the difference between assets, liabilities, and deferred inflows of resources. 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.

5. Housing and Redevelopment Authority of Morrison County

A. Summary of Significant Accounting Policies

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

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, deferred outflows of resources, liabilities, and deferred inflows of resources; 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.

B. Detailed Notes

1. Deposits and Investments

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

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

Custodial credit risk is the risk that, in the event of a financial institution failure, the HRA's deposits may not be returned to it. As of December 31, 2016, the HRA's deposits were not exposed to custodial credit risk.

5. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes

1. Deposits and Investments (Continued)

As of and during the year ended December 31, 2016, the Authority did not own any investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

As of December 31, 2016, the book balance of the HRA's deposits totaled $123,858, and the bank balance totaled $132,327.

2. Restricted Assets

The Authority maintains restricted cash in the amount of Housing Assistance Payments equity as required by the grantor. As of December 31, 2016, the restricted cash was $52,295.

3. Capital Assets

A summary of the HRA's capital assets at December 31, 2016, 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	-	1,443	11,359
Total capital assets depreciated	$ 341,410	$ -	$ 330,051	$ 11,359
Less: accumulated depreciation	123,504	14,153	126,373	11,284
Total capital assets depreciated, net	$ 217,906	$ (14,153)	$ 203,678	$ 75
Business-Type Activities Capital Assets, Net	$ 241,406	$ (14,153)	$ 227,178	$ 75

5. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes

3. Capital Assets (Continued)

Depreciation expense was charged to the following funds:

Business-type activities		
Housing Choice Vouchers	$	29
State/Local		14,124
Total Depreciation Expense - Business-Type Activities	$	14,153

4. Liabilities

Liabilities at December 31, 2016, consisted of the following:

Current liabilities		
Accounts payable (less than 90 days)	$	4,599
Accrued wage/payroll tax payable		981
Accrued compensated absences - current portion		1,089
Unearned revenue		5,664
Accrued liabilities - other		936
Total current liabilities	$	13,269
Noncurrent liabilities		
Accrued compensated absences - noncurrent portion	$	4,356

5. Long-Term Obligations

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 $25,031 loan from Pine Country Bank, with an interest rate of 5.50 percent, due on July 1, 2018. Both the mortgage note and the loan payable were paid off in 2016.

5. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes

5. Long-Term Obligations (Continued)

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Mortgage note payable	$ 78,097	$ -	$ 78,097	$ -
Loan payable	25,031	-	25,031	-
Total Long-Term Liability	$ 103,128	$ -	$ 103,128	$ -

6. Compensated Absences

Changes in compensated absences for the year ended December 31, 2016, were as follows:

Balance - January 1, 2016	$ 4,268
Net change in compensated absences	1,177
Balance - December 31, 2016	$ 5,445

7. Special Item

The special item is a repayment of housing assistance payments to the U.S. Department of Housing and Urban Development (HUD) in the amount of $5,000 per the HCV-Federal Data Schedule.

8. 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.

5. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes (Continued)

9. Contingencies

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the HRA expects such amounts, if any, to be immaterial.

10. 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	$ 53,977	
Covered Wages	$ 51,324	
Employer contribution	$ 4,106	8.0%
Employee contribution	2,566	5.0
Total	$ 6,672	13.0%

11. Economic Dependency

The HRA is economically dependent on annual contributions and grants from HUD. The HRA operates at a loss prior to receiving contributions and grants from HUD.

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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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 9,827,691	$ 9,827,691	$ 9,855,412	$ 27,721
Licenses and permits	291,900	291,900	356,603	64,703
Intergovernmental	3,660,774	3,660,774	3,884,445	223,671
Charges for services	1,614,901	1,614,901	2,242,936	628,035
Fines and forfeits	2,000	2,000	12,080	10,080
Investment income	156,000	156,000	131,380	(24,620)
Miscellaneous	430,000	430,000	657,291	227,291
Total Revenues	**$ 15,983,266**	**$ 15,983,266**	**$ 17,140,147**	**$ 1,156,881**
Expenditures				
Current				
General government				
Commissioners	$ 303,991	$ 303,991	$ 290,629	$ 13,362
Courts	98,200	98,200	101,414	(3,214)
Law library	35,000	35,000	25,192	9,808
Administrator	520,877	520,877	516,717	4,160
Risk management administration	218,931	218,931	236,204	(17,273)
Auditor/treasurer	874,657	874,657	784,171	90,486
Motor vehicle/license bureau	350,090	350,090	348,793	1,297
Assessor	887,593	887,593	818,629	68,964
Information services	592,346	592,346	602,165	(9,819)
Attorney	898,725	898,725	885,815	12,910
Recorder	392,222	392,222	427,885	(35,663)
Surveyor	2,400	2,400	150	2,250
Planning and zoning	393,960	393,960	440,033	(46,073)
Buildings and plant	828,119	828,119	753,925	74,194
Veterans service officer	205,762	205,762	216,357	(10,595)
Appropriations - airport	30,000	30,000	30,753	(753)
Other general government	60,000	60,000	403,223	(343,223)
Total general government	**$ 6,692,873**	**$ 6,692,873**	**$ 6,882,055**	**$ (189,182)**
Public safety				
Sheriff	$ 3,526,155	$ 3,526,155	$ 3,140,935	$ 385,220
Boat and water safety	15,768	15,768	35,365	(19,597)
Coroner	74,000	74,000	47,113	26,887
E-911 system	112,000	112,000	171,528	(59,528)
County jail	1,964,768	1,964,768	2,093,791	(129,023)
Civil defense	71,999	71,999	76,923	(4,924)
Community corrections	571,121	571,121	511,387	59,734
Other public safety	94,280	94,280	72,488	21,792
Total public safety	**$ 6,430,091**	**$ 6,430,091**	**$ 6,149,530**	**$ 280,561**

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Health				
Nursing service	**$ 2,278,449**	**$ 2,278,449**	**$ 2,227,598**	**$ 50,851**
Culture and recreation				
Historical society	$ 42,000	$ 42,000	$ 41,732	$ 268
Other	40,300	40,300	177,322	(137,022)
Total culture and recreation	**$ 82,300**	**$ 82,300**	**$ 219,054**	**$ (136,754)**
Conservation of natural resources				
County extension	$ 179,788	$ 179,788	$ 178,011	$ 1,777
Soil and water conservation	95,000	95,000	95,000	-
Agricultural society	35,000	35,000	34,840	160
Water planning	20,627	20,627	20,627	-
Other	234,333	234,333	146,964	87,369
Total conservation of natural resources	**$ 564,748**	**$ 564,748**	**$ 475,442**	**$ 89,306**
Economic development				
Community development	**$ 47,500**	**$ 47,500**	**$ 47,500**	**$ -**
Intergovernmental				
Culture and recreation				
Library	**$ 490,855**	**$ 490,855**	**$ 490,855**	**$ -**
Total Expenditures	**$ 16,586,816**	**$ 16,586,816**	**$ 16,492,034**	**$ 94,782**
Excess of Revenues Over (Under) Expenditures	**$ (603,550)**	**$ (603,550)**	**$ 648,113**	**$ 1,251,663**
Other Financing Sources (Uses)				
Transfers in	-	-	86,716	86,716
Net Change in Fund Balance	**$ (603,550)**	**$ (603,550)**	**$ 734,829**	**$ 1,338,379**
Fund Balance - January 1	**9,463,076**	**9,463,076**	**9,463,076**	**-**
Fund Balance - December 31	**$ 8,859,526**	**$ 8,859,526**	**$ 10,197,905**	**$ 1,338,379**

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,183,349	$ 3,183,349	$ 3,191,170	$ 7,821
Intergovernmental	7,289,621	7,289,621	8,193,929	904,308
Charges for services	-	-	235,019	235,019
Miscellaneous	-	-	40,739	40,739
Total Revenues	**$ 10,472,970**	**$ 10,472,970**	**$ 11,660,857**	**$ 1,187,887**
Expenditures				
Current				
Highways and streets				
Administration	$ 437,301	$ 437,301	$ 459,536	$ (22,235)
Maintenance	2,860,309	2,860,309	2,569,077	291,232
Construction	5,774,164	5,774,164	6,191,609	(417,445)
Equipment maintenance and shop	1,389,030	1,389,030	1,384,884	4,146
Other	-	-	19,916	(19,916)
Total highways and streets	**$ 10,460,804**	**$ 10,460,804**	**$ 10,625,022**	**$ (164,218)**
Conservation of natural resources				
Agricultural inspector	12,166	12,166	10,295	1,871
Intergovernmental				
Highways and streets	-	-	541,753	(541,753)
Total Expenditures	**$ 10,472,970**	**$ 10,472,970**	**$ 11,177,070**	**$ (704,100)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 483,787**	**$ 483,787**
Fund Balance - January 1	**5,518,146**	**5,518,146**	**5,518,146**	**-**
Increase (decrease) in inventories	**-**	**-**	**(74,877)**	**(74,877)**
Fund Balance - December 31	**$ 5,518,146**	**$ 5,518,146**	**$ 5,927,056**	**$ 408,910**

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,138,583	$ 3,138,583	$ 3,138,868	$ 285
Intergovernmental	5,378,117	5,378,117	5,780,860	402,743
Charges for services	632,900	632,900	598,633	(34,267)
Miscellaneous	487,600	487,600	477,247	(10,353)
Total Revenues	**$ 9,637,200**	**$ 9,637,200**	**$ 9,995,608**	**$ 358,408**
Expenditures				
Current				
Human services				
Income maintenance	$ 3,509,300	$ 3,509,300	$ 3,472,593	$ 36,707
Social services	6,127,900	6,127,900	6,462,852	(334,952)
Total Expenditures	**$ 9,637,200**	**$ 9,637,200**	**$ 9,935,445**	**$ (298,245)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 60,163**	**$ 60,163**
Other Financing Sources (Uses)				
Transfers out	-	-	(86,716)	(86,716)
Net Change in Fund Balance	**$ -**	**$ -**	**$ (26,553)**	**$ (26,553)**
Fund Balance - January 1	**4,212,197**	**4,212,197**	**4,212,197**	**-**
Fund Balance - December 31	**$ 4,212,197**	**$ 4,212,197**	**$ 4,185,644**	**$ (26,553)**

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

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 223,788	$ 223,788	$ 225,115	$ 1,327
Licenses and permits	16,000	16,000	18,600	2,600
Intergovernmental	136,803	136,803	132,483	(4,320)
Charges for services	2,213,601	2,213,601	2,311,941	98,340
Investment income	-	-	60,108	60,108
Miscellaneous	71,500	71,500	24,243	(47,257)
Total Revenues	**$ 2,661,692**	**$ 2,661,692**	**$ 2,772,490**	**$ 110,798**
Expenditures				
Current				
Sanitation				
Solid waste	2,661,692	2,661,692	2,570,638	91,054
Net Change in Fund Balance	**$ -**	**$ -**	**$ 201,852**	**$ 201,852**
Fund Balance - January 1	**5,610,774**	**5,610,774**	**5,610,774**	**-**
Fund Balance - December 31	**$ 5,610,774**	**$ 5,610,774**	**$ 5,812,626**	**$ 201,852**

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, 2016

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, 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
January 1, 2016	-	1,453,131	1,453,131	0.00	12,787,000	11.00

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-6

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Morrison County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.1728%	$ 14,030,503	$ 183,184	$ 14,213,687	$ 10,721,283	130.87%	68.91%
2015	0.1761	9,126,416	N/A	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.
N/A - Not Applicable

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-7

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016

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)
2016	$ 835,107	$ 835,107	$ -	$ 11,134,758	7.50%
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 PLAN
DECEMBER 31, 2016

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
2016	0.136%	$ 5,457,917	$ 1,369,334	398.58%	63.88%
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 PLAN
DECEMBER 31, 2016

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)
2016	$ 221,832	$ 221,832	$ -	$ 1,369,333	16.20%
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.

The notes to the required supplementary information are an integral part of these schedules.

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-10

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016

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
2016	0.55%	$ 2,009,227	$ 1,036,779	193.80%	58.16%
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 PLAN
DECEMBER 31, 2016

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)
2016	$ 90,808	$ 90,808	$ -	$ 1,037,943	8.75%
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.

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Budgetary Information

The County Board adopts annual budgets for the General Fund and all 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, 2016:

	Expenditures		
	Actual	Final Budget	Excess
General Fund			
Current			
General government	$ 6,882,055	$ 6,692,873	$ 189,182
Culture and recreation	219,054	82,300	136,754
Road and Bridge Special Revenue Fund			
Current			
Highways and streets	10,625,022	10,460,804	164,218
Intergovernmental			
Highways and streets	541,753	-	541,753
Social Services Special Revenue Fund			
Current			
Human services	9,935,445	9,637,200	298,245

3. Other Postemployment Benefits Funding Status

The County implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. See Note 2.C.9. to the financial statements for more information.

GASB Statement 45 requires a Schedule of Funding Progress - Other Postemployment Benefits for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported.

Since Morrison County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value to pay the actuarial liability for postemployment benefits is zero.

4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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, 2016

	Special Revenue Funds		
	County Building	County Parks	Total
Assets			
Cash and pooled investments	$ 305,521	$ 207,750	$ 513,271
Delinquent taxes receivable	4,991	2,383	7,374
Accounts receivable	-	1,109	1,109
Due from other governments	-	3,326	3,326
Total Assets	**$ 310,512**	**$ 214,568**	**$ 525,080**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	**$ -**	**$ 41**	**$ 41**
Deferred Inflows of Resources			
Unavailable revenue	**$ 4,991**	**$ 2,383**	**$ 7,374**
Fund Balances			
Committed			
Park projects	$ -	$ 212,144	$ 212,144
County building projects	305,521	-	305,521
Total Fund Balances	**$ 305,521**	**$ 212,144**	**$ 517,665**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 310,512**	**$ 214,568**	**$ 525,080**

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, 2016

	Special Revenue Funds		
	County Building	County Parks	Total
Revenues			
Taxes	$ 170,701	$ 77,880	$ 248,581
Intergovernmental	23,929	13,505	37,434
Miscellaneous	53	3,945	3,998
Total Revenues	**$ 194,683**	**$ 95,330**	**$ 290,013**
Expenditures			
Current			
General government	$ 115,661	$ -	$ 115,661
Culture and recreation	-	91,214	91,214
Total Expenditures	**$ 115,661**	**$ 91,214**	**$ 206,875**
Net Change in Fund Balances	**$ 79,022**	**$ 4,116**	**$ 83,138**
Fund Balances - January 1	**226,499**	**208,028**	**434,527**
Fund Balances - December 31	**$ 305,521**	**$ 212,144**	**$ 517,665**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT B-3

BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 171,071	$ 171,071	$ 170,701	$ (370)
Intergovernmental	23,929	23,929	23,929	-
Miscellaneous	-	-	53	53
Total Revenues	**$ 195,000**	**$ 195,000**	**$ 194,683**	**$ (317)**
Expenditures				
Current				
General government	195,000	195,000	115,661	79,339
Net Change in Fund Balance	**$ -**	**$ -**	**$ 79,022**	**$ 79,022**
Fund Balance - January 1	**226,499**	**226,499**	**226,499**	**-**
Fund Balance - December 31	**$ 226,499**	**$ 226,499**	**$ 305,521**	**$ 79,022**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT B-4

BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 72,769	$ 72,769	$ 77,880	$ 5,111
Intergovernmental	10,179	10,179	13,505	3,326
Miscellaneous	-	-	3,945	3,945
Total Revenues	**$ 82,948**	**$ 82,948**	**$ 95,330**	**$ 12,382**
Expenditures				
Current				
Culture and recreation				
Parks	82,948	82,948	91,214	(8,266)
Net Change in Fund Balance	**$ -**	**$ -**	**$ 4,116**	**$ 4,116**
Fund Balance - January 1	**208,028**	**208,028**	**208,028**	**-**
Fund Balance - December 31	**$ 208,028**	**$ 208,028**	**$ 212,144**	**$ 4,116**

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, 2016

	Balance January 1	Additions	Deductions	Balance December 31
LOCAL COLLABORATIVE				
Assets				
Cash and pooled investments	$ 360,015	$ 145,473	$ 197,266	$ 308,222
Departmental cash	17	21	17	21
Accrued interest receivable	2,065	1,033	2,065	1,033
Total Assets	**$ 362,097**	**$ 146,527**	**$ 199,348**	**$ 309,276**
Liabilities				
Due to other governments	**$ 362,097**	**$ 146,527**	**$ 199,348**	**$ 309,276**
MOTOR VEHICLE				
Assets				
Cash and pooled investments	**$ 22,817**	**$ 328,506**	**$ 335,497**	**$ 15,826**
Liabilities				
Due to other governments	**$ 22,817**	**$ 328,506**	**$ 335,497**	**$ 15,826**
SPECIAL DISTRICTS				
Assets				
Cash and pooled investments	**$ -**	**$ 164,824**	**$ 164,824**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 164,824**	**$ 164,824**	**$ -**

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, 2016

	Balance January 1	Additions	Deductions	Balance December 31
SCHOOL DISTRICTS				
Assets				
Cash and pooled investments	$ -	$ 9,161,336	$ 9,161,336	$ -
Liabilities				
Due to other governments	$ -	$ 9,161,336	$ 9,161,336	$ -
STATE REVENUE				
Assets				
Cash and pooled investments	$ 44,355	$ 803,525	$ 764,330	$ 83,550
Liabilities				
Due to other governments	$ 44,355	$ 803,525	$ 764,330	$ 83,550
TOWNS AND CITIES				
Assets				
Cash and pooled investments	$ -	$ 10,100,675	$ 10,100,675	$ -
Liabilities				
Due to other governments	$ -	$ 10,100,675	$ 10,100,675	$ -

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, 2016

	Balance January 1	Additions	Deductions	Balance December 31
MORRISON, TODD, AND WADENA BOARD OF HEALTH				
Assets				
Cash and pooled investments	$ 50,937	$ 1,119,518	$ 1,007,811	$ 162,644
Liabilities				
Due to other governments	$ 50,937	$ 1,119,518	$ 1,007,811	$ 162,644
FORFEITED LAND				
Assets				
Cash and pooled investments	$ 48,704	$ 30,843	$ 63,119	$ 16,428
Liabilities				
Due to other governments	$ 48,704	$ 30,843	$ 63,119	$ 16,428
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	$ 348,254	$ 42,348,323	$ 42,205,291	$ 491,286
Liabilities				
Due to other governments	$ 348,254	$ 42,348,323	$ 42,205,291	$ 491,286

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, 2016

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 875,082	$ 64,203,023	$ 64,000,149	$ 1,077,956
Departmental cash	17	21	17	21
Accrued interest receivable	2,065	1,033	2,065	1,033
Total Assets	**$ 877,164**	**$ 64,204,077**	**$ 64,002,231**	**$ 1,079,010**
Liabilities				
Due to other governments	**$ 877,164**	**$ 64,204,077**	**$ 64,002,231**	**$ 1,079,010**

OTHER SCHEDULES

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016

Shared Revenue		
State		
Highway users tax	$	7,091,076
County program aid		1,702,114
Market value credit - real property		621,919
PERA rate reimbursement		48,267
Disparity reduction aid		29,096
Aquatic invasive species		131,340
Police aid		153,662
SCORE		95,904
Enhanced 911		111,082
Total shared revenue	**$**	**9,984,460**
Reimbursement for Services		
Minnesota Department of Human Services	**$**	**974,752**
Payments - Local		
Local grants	$	14,156
Local share of construction		140,955
Payments in lieu of taxes		189,427
Total payments - local	**$**	**344,538**
Grants		
State		
Minnesota Department/Board of		
Corrections	$	314,071
Public Safety		152,650
Health		210,706
Veterans Affairs		10,000
Natural Resources		153,533
Human Services		2,018,541
Revenue		396
Water and Soil Resources		51,515
Pollution Control Agency		76,316
Trial Courts		35,782
Peace Officer Standards and Training Board		6,879
Total state	**$**	**3,030,389**
Federal		
Department of		
Agriculture	$	548,883
Transportation		443,869
Education		1,450
Health and Human Services		2,783,439
Homeland Security		27,947
Total federal	**$**	**3,805,588**
Total state and federal grants	**$**	**6,835,977**
Total Intergovernmental Revenue	**$**	**18,139,727**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Health				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN014W1003	$ 247,418	$ -
Passed Through Minnesota Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	16162MN101S252	120	-
State Administrative Matching Grants for the SNAP	10.561	16162MN127Q750	50,330	-
State Administrative Matching Grants for the SNAP	10.561	16162MN101S251	251,015	-
(Total State Administrative Matching Grants for the SNAP 10.561 $301,465)				
Total U.S. Department of Agriculture			**$ 548,883**	**$ -**
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	00049	$ 425,600	$ -
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC16-2016-MORRISSO-00022	10,726	1,611
National Priority Safety Programs	20.616	A-ENFRC16-2016-MORRISSO-00022	7,006	2,479
(Total expenditures for Highway Safety Cluster $17,732)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC16-2016-MORRISSO-00022	537	184
Total U.S. Department of Transportation			**$ 443,869**	**$ 4,274**
U.S. Department of Education				
Passed Through Minnesota Department of Health				
Special Education - Grants for Infants and Families	84.181	H18A150029	**$ 1,450**	**$ -**
U.S. Department of Health and Human Services				
Direct				
Drug-Free Communities Support Program Grants	93.276		$ 126,370	$ -

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	7,509	-
(Total Promoting Safe and Stable Families 93.556 $17,600)				
Temporary Assistance for Needy Families	93.558	1601MFTANF	142,505	-
Temporary Assistance for Needy Families	93.558	1601MNTANF	61,535	-
(Total Temporary Assistance for Needy Families 93.558 $235,839)				
Child Support Enforcement	93.563	1604MNCEST	647,163	-
Child Support Enforcement	93.563	1604MNCSES	26,228	-
(Total Child Support Enforcement 93.563 $673,391)				
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	1601MNRCMA	234	-
Child Care and Development Block Grant	93.575	G1601MNCCDF	7,618	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRPG	12,516	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	3,989	-
Foster Care - Title IV-E	93.658	1601MNFOST	226,405	-
Social Services Block Grant	93.667	1601MNSOSR	186,276	-
Chafee Foster Care Independence Program	93.674	G-1601MNCLIP	1,995	-
Medical Assistance Program	93.778	05-1605MN5ADM	1,075,537	-
Medical Assistance Program	93.778	05-1605MN5MAP	19,681	-
(Total Medical Assistance Program 93.778 $1,095,218)				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	T1010027-15	117,748	-
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	5NU90TP000529-05-00	29,286	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5NU90TP000529-05-00	363	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	6NUR3DD000842-05-01	75	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	D89MC28263	4,053	-
Temporary Assistance for Needy Families	93.558	2015G996115	31,799	-
(Total Temporary Assistance for Needy Families 93.558 $235,839)				
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	44,463	-
Passed Through Becker County, Minnesota				
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	10,091	-
(Total Promoting Safe and Stable Families 93.556 $17,600)				
Total U.S. Department of Health and Human Services			**$ 2,783,439**	**$ -**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	R29G4CGSFY16	$ 2,827	$ -
Passed Through Minnesota Department of Public Safety				
Hazard Mitigation Grant	97.039	FEMA-1990-DR-MN	1,763	-
Emergency Management Performance Grants	97.042	A-EMPG-2016-MORRISCO-00052	23,357	-
Total U.S. Department of Homeland Security			**$ 27,947**	**$ -**
Total Federal Awards			**$ 3,805,588**	**$ 4,274**

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2016

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. The schedule does not include $510,901 in federal awards expended by the Housing and Redevelopment Authority of Morrison County component unit, which was audited by other auditors.

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, 2016. 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 or changes in net position of Morrison County.

3. Summary of Significant Accounting Policies

   Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the 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, 2016

	General Fund	Reconciliation	Governmental Activities
Assets			
Current assets			
Cash	$ 568,469	$ -	$ 568,469
Loans receivable	400,748	-	400,748
Total Assets	**$ 969,217**	**$ -**	**$ 969,217**
Deferred Inflows of Resources and Fund Balance/Net Position			
Deferred Inflows of Resources			
Unavailable revenue	$ 400,748	$ (400,748)	$ -
Fund Balance			
Restricted for economic development	568,469	(568,469)	
Net Position			
Restricted for economic development		969,217	969,217
Total Deferred Inflows of Resources and Fund Balance/Net Position	**$ 969,217**	**$ -**	**$ 969,217**

Reconciliation of the General Fund Balance to Net Position	
Fund Balance - General Fund	$ 568,469
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	400,748
Net Position - Governmental Activities	**$ 969,217**

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, 2016

	General Fund	Reconciliation	Governmental Activities
Revenues			
Taxes	$ 94,997	$ -	$ 94,997
Intergovernmental			
State-shared revenues	3,023	-	3,023
Investment income	13,012	-	13,012
Insurance dividends	540	-	540
Miscellaneous	48,701	(48,701)	-
Total Revenues	**$ 160,273**	**$ (48,701)**	**$ 111,572**
Expenditures/Expenses			
Current			
Economic development	64,018	-	64,018
Net Change in Fund Balance/Change in Net Position	**$ 96,255**	**$ (48,701)**	**$ 47,554**
Fund Balance/Net Position - January 1	**472,214**	**449,449**	**921,663**
Fund Balance/Net Position - December 31	**$ 568,469**	**$ 400,748**	**$ 969,217**

Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	
Net Change in Fund Balance	$ 96,255
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.	(48,701)
Change in Net Position of Governmental Activities	**$ 47,554**

Management and Compliance Section

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MORRISON COUNTY

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

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, 2016, 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 23, 2017. 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 Section.

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 a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 1996-002, that we consider to be a significant deficiency.

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 County administers no tax increment financing districts.

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.* 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 and management practices findings identified in our audit are described in the Corrective Action Plan. 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	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

August 23, 2017

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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 the 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, 2016. 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.

Morrison County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Morrison County component unit, which expended $510,901 in federal awards during the year ended December 31, 2016, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the HRA of Morrison County because the HRA of Morrison County was audited by other auditors.

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.

Basis for Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)
As described in the accompanying Schedule of Findings and Questioned Costs, Morrison County did not comply with requirements regarding CFDA No. 93.778 Medical Assistance Program as described in finding number 2015-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Medical Assistance Program for the year ended December 31, 2016.

Other Matters
The results of our auditing procedures disclosed an other instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

Morrison County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. Morrison County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a significant deficiency.

Morrison County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Morrison County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 23, 2017

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 GAAP: **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? **Yes**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for the major federal program: **Qualified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

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 ITEM NOT RESOLVED

Finding Number 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 the Sheriff, Jail, and Public Health Departments. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts.

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.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2015-001

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1605MN5ADM, 2016

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 federal 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 Minnesota Department of Human Services (DHS) 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 testing of case files for compliance with eligibility requirements, we noted not all documentation was available to support participant eligibility. In other circumstances, information was either input incorrectly or not properly updated in MAXIS. The following instances were noted in our sample of 40 cases tested:

- Eleven case files contained updated bank statements that were not entered into MAXIS.

- One case file did not have an annual review application on file.

- 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, nor was there documentation to support the value of the asset.

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 sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

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 Minnesota DHS maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

Effect: The improper input or updating of information into MAXIS and lack of verification or follow-up of eligibility-determining factors 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 or updated in MAXIS correctly or that all required information was obtained and/or retained.

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

View of Responsible Official: Acknowledged

ITEM ARISING THIS YEAR

Finding Number 2016-001

Allowable Costs/Cost Principles

Program: U.S. Department of Health and Human Services’ Medical Assistance Program (CFDA No. 93.778), Award No. 05-1605MN5ADM, 2016

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Annually, a central services cost allocation plan (CAP) is prepared and used for the recovery of indirect costs expended on behalf of federal programs of the U.S. Department of Health and Human Services such as the Medical Assistance Program. A CAP should be prepared accurately to ensure indirect costs are being allocated correctly to the benefiting departments.

Condition: During our review of Morrison County’s 2016 CAP, which is based on County data from 2014, we identified an error in calculating department salaries for the basis of allocating workers’ compensation insurance premiums to benefiting departments. Discrepancies occurred between the salaries expenditures included in the calculation for each department.

Questioned Costs: The Minnesota DHS determines federal reimbursement based on the CAP, the allocation of which is not readily determinable; therefore, actual questioned costs could not be determined.

Context: The County hired a private firm to prepare the 2016 CAP, which was prepared in conformity with 2 CFR Part 200 and submitted to the Minnesota DHS for reimbursement of indirect costs.

Effect: Discrepancies in the CAP could result in improper reimbursement of indirect costs.

Cause: The preparer of the CAP made an error when allocating workers' compensation insurance premiums, and the County did not detect the error before the CAP was submitted to the Minnesota DHS.

Recommendation: We recommend the County implement procedures to ensure that the CAP is reviewed for accuracy and completeness by an individual with sufficient knowledge and experience prior to submission to the Minnesota DHS.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 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 refrigerated items and the part-time locker, which is shared by all part-time deputies.

- 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 have 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. The County is waiting until the Government Center remodel project is completed in 2018 to implement new procedures.

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.

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2014-001 County Jail and Canteen Account
2015-002 Administrative Tickets

REPRESENTATION OF MORRISON COUNTY
LITTLE FALLS, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 1996-002
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Deb Lowe, Auditor-Treasurer

Corrective Action Planned:

Morrison County management is aware of this situation and will continue to periodically review its internal control procedures and modify its procedures as necessary to address any issues related to the lack of segregation of duties.

Anticipated Completion Date:

On-going

Finding Number: 2015-001
Finding Title: Eligibility
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Brad Vold, Director of Social Services

Corrective Action Planned:

Areas for corrective action, beginning immediately:

- Review audit findings for CY 2016 Medical Assistance Program with staff at unit meeting. (Completed at 7/20/17 unit meeting.)

- Retrain staff on federal requirements pertaining to assets. (Completed at 7/20/17 unit meeting.)

- Review CAP at September unit meeting.

- Instruct staff that all received documentation/verification from participants are to be entered into MAXIS.
- Workers will review SPAN in MAXIS and use a cheat sheet.
- We have implemented a peer review program to assure that required documentation is present and that MAXIS panels are completed.
- Peer reviews will be completed monthly and submitted to their direct supervisor. Results will be shared with eligibility worker. Supervisor will send a unit e-mail identifying specific error to serve as a reminder to entire staff as to what to watch for.
- If infractions continue eligibility worker may be placed on a PIP.

Morrison County Social Services actively seeks to ensure that ALL the aforementioned is executed.

Anticipated Completion Date:

September 30, 2017

Finding Number: 2016-001
Finding Title: Allowable Costs/Cost Principles
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Deb Lowe, Auditor-Treasurer

Corrective Action Planned:

Our vendor made a minor error in the cost allocation plan which resulted in us receiving less money. We have discussed the situation with the vendor. The person creating the report was new to the activity. She was confused, but did not ask us any questions. In the future, any concerns, confusions, and questions will be brought to our attention as soon as they arise. Because the error was minor, it will not be corrected.

Anticipated Completion Date:

Completed upon the discussion with the vendor.

Finding Number: 2015-003
Finding Title: Property and Evidence Room

Name of Contact Person Responsible for Corrective Action:

Jason Worlie, Chief Deputy

Corrective Action Planned:

Only the Sheriff, Chief Deputy, and the two investigators have access affective immediately. They will also be doing random checks for evidence. The Auditor advised the Chief Deputy that this would be fine until the remodel.

Anticipated Completion Date:

In place already.

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REPRESENTATION OF MORRISON COUNTY
LITTLE FALLS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 1996-002
Finding Title: Segregation of Duties

Summary of Condition: Several County departments that collect fees lack proper segregation of duties, including Planning and Zoning, Sheriff, Public Health, and Social Services. These departments generally have one staff person who is responsible for billing, collecting, recording, depositing receipts as well as reconciling bank accounts.

Summary of Corrective Action Previously Reported: Morrison County management is aware of this situation and will do what is necessary to ensure that the assets of Morrison County are protected.

Status: Not Corrected. The County's limited staff in many departments prevents complete segregation of duties. The County periodically reviews its internal control processes and implements compensating controls as needed to address the lack of segregation of duties. Please see corrective action plan for further information.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2014-001
Finding Title: County Jail and Canteen Account

Summary of Condition: Of the ten County Jail canteen disbursements tested, three were improperly coded in the County's general ledger and one had a questionable public purpose.

Summary of Corrective Action Previously Reported: The Morrison County Jail will double check all receipts and disbursements to make sure they are coded to the correct account, and will make notes on receipts indicating what they are for.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2015-001
Finding Title: Eligibility
Program: Medical Assistance Program (CFDA No. 93.778)

Summary of 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 requirements for eligibility, none are performed specifically for Medical Assistance case files. When performing case file reviews for eligibility, it was noted that not all documentation was available to support participant eligibility. In other circumstances, information was input into MAXIS incorrectly.

Summary of Corrective Action Previously Reported: Results of the review were disclosed and discussed at the Income Maintenance Unit meeting on August 4, 2016. The Income Maintenance supervisors will conduct a minimum of 12 case reviews as well as 12 peer reviews per year, and track the errors.

Status: Not Corrected. The County continues to address these issues with employees on both an individual and group basis. The County conducts random case reviews to identify recurring problems. Please see corrective action plan for further information.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2015-002
Finding Title: Administrative Tickets

Summary of Condition: The County 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 contained 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.

Summary of Corrective Action Previously Reported: The Morrison County Sheriff's Office is amending the ordinance and deleting the five other ordinance provisions to reflect the change. The Sheriff's Office will also only issue administrative citations for speeding to those drivers that exceed the posted speed limit by less than 10 miles per hour.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2015-003
Finding Title: Property and Evidence Room

Summary of Condition: 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. The following issues were noted during review of the County's property and evidence room procedures: 1) an excessive number of individuals have direct access to certain items located in the property and evidence facilities; 2) no surveillance cameras were installed in either of the evidence rooms or the evidence storage shed to record the activity of those entering the facilities, and; 3) there is no periodic monitoring of the property and evidence rooms to verify an item is where it should be or was properly disposed of.

Summary of Corrective Action Previously Reported: 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 and 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.

Status: Not Corrected. The Government Center remodeling project is not scheduled for completion until 2018. Any changes to property and evidence room policies and procedures would not be made until then. Please see corrective action plan for further information.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

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MORRISON COUNTY
RURAL DEVELOPMENT FINANCE AUTHORITY

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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 include as supplementary information, the financial statements of the Morrison County Rural Development Finance Authority (RDFA), a discretely presented component unit, as of and for the year ended December 31, 2016, 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 23, 2017.

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 RDFA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the RDFA'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 RDFA'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 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 RDFA'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 RDFA did not enter into any contracts; public indebtedness because the RDFA has no long-term debt; and tax increment financing because the RDFA 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 Counties*, except as described in the Schedule of Findings and Recommendations as item 2016-001. 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 RDFA's noncompliance with the above referenced provisions.

Morrison County RDFA's Response to Findings

The Morrison County RDFA's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The RDFA'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 RDFA'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 RDFA's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

August 23, 2017

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MORRISON COUNTY
RURAL DEVELOPMENT FINANCE AUTHORITY
LITTLE FALLS, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 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 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.

View of Responsible Official: Acknowledged

II. OTHER FINDINGS AND RECOMMENDATIONS

<u>MINNESOTA LEGAL COMPLIANCE</u>

<u>ITEM ARISING THIS YEAR</u>

Finding Number 2016-001

<u>Collateral Assignments</u>

Criteria: Minn. Stat. § 118A.03 states, in part, that, "[a]ny collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution." To be enforceable under federal law (12 U.S.C. § 1823(e)), this written assignment must be approved by the depository's board of directors or loan committee and must be an official record of the depository.

Condition: The RDFA could not provide documentation for the approval of the collateral assignment from the depository's board of directors.

Context: The market value of the collateral pledged by US Bank for deposits held at Pine Country Bank totaled $495,315 as of December 31, 2016. To secure deposits in excess of the available federal deposit insurance, the depository has pledged securities from its investment portfolio as collateral. Absent from the pledging documents, however, is the board of director's resolution(s) approving the assignments.

Effect: Without formal approval by the depository's board of directors, there is no official record of the written assignment. The RDFA is, therefore, in noncompliance with Minn. Stat. § 118A.03, and the assignment is unenforceable under federal law (12 U.S.C. § 1823(e)).

Cause: The RDFA could not locate the depository's board of directors' approval.

Recommendation: We recommend the RDFA obtain documentation for the approval of the written assignments from the depository's board of directors and maintain a copy of that approval.

View of Responsible Official: Acknowledged

REPRESENTATION OF MORRISON COUNTY
RURAL DEVELOPMENT FINANCE AUTHORITY
LITTLE FALLS, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 2011-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Deb Lowe, Auditor-Treasurer

Corrective Action Planned:

Management is aware of this situation and will continue to periodically review its internal control procedures and modify its procedures as necessary to address any issues related to the lack of segregation of duties.

Anticipated Completion Date:

On-going

Finding Number: 2016-001
Finding Title: Collateral Assignments

Name of Contact Person Responsible for Corrective Action:

Deb Lowe, Auditor-Treasurer

Corrective Action Planned:

I had followed the same processes and procedures as my predecessor and did not realize that the RDFA needed a separate bank resolution from the County. Effective for the year 2018 forward, I will obtain a separate resolution.

Anticipated Completion Date:

December 2017

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REPRESENTATION OF MORRISON COUNTY
RURAL DEVELOPMENT FINANCE AUTHORITY
LITTLE FALLS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 2011-001
Finding Title: Segregation of Duties

Summary of 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.

Summary of Corrective Action Previously Reported: Morrison County RDFA is fully aware of the situation and will do what is necessary to ensure that the assets of Morrison County RDFA are protected.

Status: Not Corrected. The Authority's limited staff prevents complete segregation of duties. Please see corrective action plan for further information.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___