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, 2017

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, 2017

Audit Practice Division
Office of the State Auditor
State of Minnesota

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

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LITTLE FALLS, MINNESOTA

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LITTLE FALLS, MINNESOTA

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Introductory Section

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

ORGANIZATION SCHEDULE
MORRISON COUNTY
2017

Office	Name	Term of Office From	To
Commissioners			
1st District	Mike LeMieur	January 2017	January 2021
2nd District	Jeff Jelinski	January 2017	January 2021
3rd District	Randy Winscher	January 2017	January 2021
4th District	Mike Wilson[1]	January 2015	January 2019
5th District	Open[2]	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	Jean Popp	January 2017	December 2020
Corrections	Nicole Kern	Indefinite	
County Administrator	Deb Gruber	Indefinite	
Court Administrator	Rhonda Bot	Indefinite	
Extension	Susanne Hinrichs	Indefinite	
Information Systems	Joe Byrne	Indefinite	
Land Services Director	Amy Kowalzek	Indefinite	
Public Health Director	Brad Vold	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
[2]Position was filled in 2018 by Greg Blaine.

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

ORGANIZATION SCHEDULE
MORRISON COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY
2017

Position	Name	Term of Office From	Term of Office To
Vice Chair	Greg Zylka	January 2015	January 2019
Member	Jeremy Hanfler	January 2016	January 2020
Member	Andrea Lauer	January 2016	January 2019
Member	Mike Wilson	January 2017	January 2021
Member	Greg Blaine	January 2015	January 2019
Chair	Mark Gerbi	January 2017	January 2021
Secretary/Treasurer	Rob Ronning	January 2017	January 2021

Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Morrison County
Little Falls, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morrison County, Minnesota, as of and for the year ended December 31, 2017, 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 6.5 percent, 5.3 percent, and 77.7 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, 2017, in which Morrison County has an equity interest. The SCHA is a joint venture discussed in Note 5.B.5. to the financial statements. The County's investment in the SCHA, $3,706,146, represents 2.3 percent and 3.0 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 SCHA 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, 2017, 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 20, 2018, on our consideration of Morrison County's and the Morrison County Rural Development Finance Authority (RDFA) 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 solely 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 effectiveness of the County's and the RDFA component unit's 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 RDFA component unit's internal control over financial reporting and compliance. They do not include the HRA of Morrison County component unit or the SCHA 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	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

August 20, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(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, 2017. 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, 2017, and the prior year, 2016, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017 fiscal year include the following:

- County-wide net position increased 2.26 percent over the prior year.
- Overall fund level revenues totaled $45,290,002 and were $896,780 more than expenditures.
- The General Fund's fund balance increased $1,443,282 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

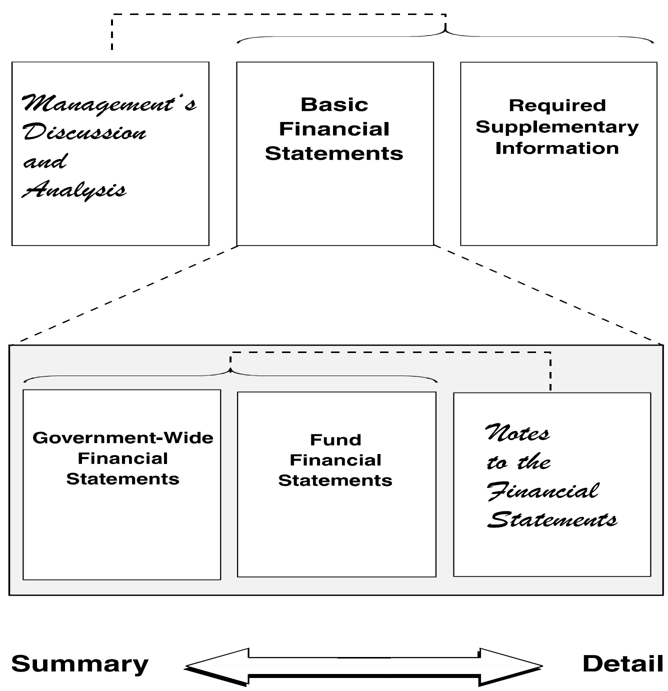

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

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	Full accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Full 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, and 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 $121,905,484 on December 31, 2017. (See Table A-1.)

Table A-1
Net Position

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	$ 49,582,842	$ 34,497,212
Capital and noncurrent assets	113,118,693	111,650,047
Total Assets	$ 162,701,535	$ 146,147,259
Deferred pension outflows	$ 6,593,994	$ 11,352,493
Liabilities		
Current liabilities	$ 2,219,517	$ 2,001,776
Long-term liabilities	39,103,247	33,915,905
Total Liabilities	$ 41,322,764	$ 35,917,681
Deferred Inflows of Resources		
Deferred pension inflows	$ 5,695,928	$ 2,366,528
Prepaid property taxes	371,353	-
Total Deferred Inflows of Resources	$ 6,067,281	$ 2,366,528
Net Position		
Net investment in capital assets	$ 111,775,559	$ 109,453,779
Restricted	14,668,007	1,822,748
Unrestricted	(4,538,082)	7,939,016
Total Net Position	$ 121,905,484	$ 119,215,543

Change in Net Position

The total County-wide revenues on a full accrual basis were $45,026,106 for the year ended December 31, 2017. Property taxes and intergovernmental revenues accounted for 81.57 percent of total revenues for the year. (See Table A-2.)

Table A-2
Change in Net Position

	Governmental Activities	
	2017	2016
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 7,459,162	$ 6,934,651
Operating grants and contributions	15,663,625	15,728,790
Capital grants and contributions	1,045,040	804,606
General revenues		
Property taxes	17,646,052	17,454,913
Unrestricted grants and contributions	2,373,983	2,532,736
Investment earnings	409,110	204,381
Other	429,134	431,023
Total Revenues	$ 45,026,106	$ 44,091,100
Expenses		
General government	$ 8,049,353	$ 7,777,302
Public safety	7,299,462	7,037,611
Highways and streets	11,103,125	9,529,528
Sanitation	2,515,204	2,734,340
Human services	9,326,761	11,874,190
Health	2,098,362	2,418,462
Culture and recreation	877,995	860,079
Conservation of natural resources	483,898	491,057
Economic development	47,650	47,500
Interest	534,355	219,605
Total Expenses	$ 42,336,165	$ 42,989,674
Increase in Net Position	$ 2,689,941	$ 1,101,426
Net Position - Beginning	119,215,543	118,114,117
Net Position - Ending	$ 121,905,484	$ 119,215,543

Total revenues were more than expenses, increasing net position $2,689,941 over the prior year.

The County-wide cost of all governmental activities this year was $42,336,165.

- Some of the cost was paid by the users of the County's programs ($7,459,162).

- The federal and state governments subsidized certain programs with grants and contributions ($16,708,665).

- The remaining County costs ($18,168,338), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with $17,646,052 in property taxes, $2,373,983 of state aid, and $838,244 of investment earnings and other general revenues.

Figure A-3
Sources of Revenues for Fiscal 2017

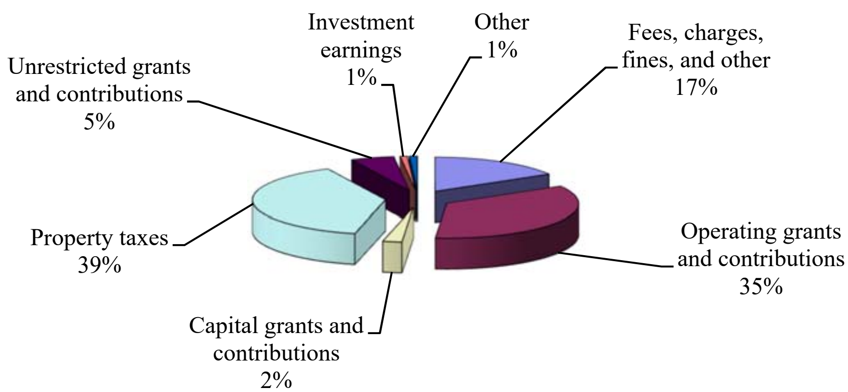

Figure A-4
Sources of Expenses for Fiscal 2017

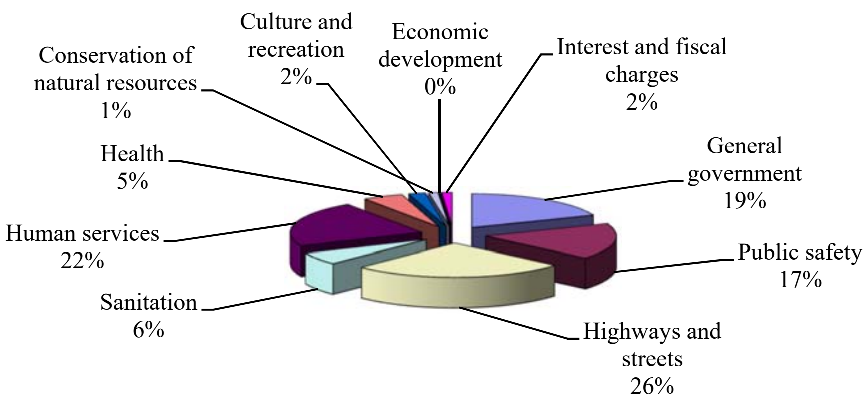

Table A-3
Cost of Services

	Total Cost of Services 2017	Total Cost of Services 2016	Percent (%) Change	Net Cost of (Revenue from) Services 2017	Net Cost of (Revenue from) Services 2016	Percent (%) Change
General government	$ 8,049,353	$ 7,777,302	3.5	$ 6,217,050	$ 5,986,321	3.9
Public safety	7,299,462	7,037,611	3.7	5,680,164	5,499,245	3.3
Highways and streets	11,103,125	9,529,528	16.5	1,746,142	441,772	295.3
Sanitation	2,515,204	2,734,340	(8.0)	(186,904)	282,824	(166.1)
Human services	9,326,761	11,874,190	(21.5)	3,069,312	5,456,467	(43.7)
Health	2,098,362	2,418,462	(13.2)	88,291	432,590	(79.6)
Culture and recreation	877,995	860,079	2.1	740,317	715,761	3.4
Conservation of natural resources	483,898	491,057	(1.5)	231,961	439,542	(47.2)
Economic development	47,650	47,500	0.3	47,650	47,500	0.3
Interest	534,355	219,605	143.3	534,355	219,605	143.3
Total	$ 42,336,165	$ 42,989,674	(1.5)	$ 18,168,338	$ 19,521,627	(6.9)

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 $41,757,849.

Revenues for the County's governmental funds were $45,290,002, while total expenditures were $44,393,222.

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

Fund	Year Ended December 31 2017	Year Ended December 31 2016	Change Increase (Decrease)	Change Percent (%)
Taxes	$ 10,264,549	$ 9,855,412	$ 409,137	4.2
Intergovernmental	4,242,360	3,884,445	357,915	9.2
Charges for services	2,363,809	2,242,936	120,873	5.4
Investment income	247,102	131,380	115,722	88.1
Miscellaneous and other	785,386	1,025,974	(240,588)	(23.4)
Total General Fund Revenues	$ 17,903,206	$ 17,140,147	$ 763,059	4.5

Total General Fund revenues increased by $763,059, or 4.5 percent, from the previous year. The mix of property tax and state aid can change significantly from year to year without any net change in revenue. Charges for services increased by $120,873 in 2017, 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 2017, also contributing to the increase. Also during 2017, 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		Amount of Increase	Percent (%) Increase
	2017	2016	(Decrease)	(Decrease)
General government	$ 6,589,231	$ 6,882,055	$ (292,824)	(4.3)
Public safety	6,686,078	6,149,530	536,548	8.7
Health	1,951,627	2,227,598	(275,971)	(12.4)
Culture and recreation	223,650	219,054	4,596	2.1
Conservation of natural resources	467,116	475,442	(8,326)	(1.8)
Economic development	47,650	47,500	150	0.3
Intergovernmental	494,572	490,855	3,717	0.8
Total Expenditures	$ 16,459,924	$ 16,492,034	$ (32,110)	(0.2)

General Fund Budgetary Highlights

- Actual revenues were $1,100,113 more than expected due, in part, 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 $935,430 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 2017, the County had invested over $196.5 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 3.A.3. to the financial statements. Total depreciation expense for the year was $5,073,431.

Table A-6
Capital Assets

	2017	2016	Percent (%) Change
Land	$ 4,161,395	$ 4,151,400	0.2
Buildings	24,573,798	24,100,574	2.0
Machinery, furniture, and equipment	10,271,236	10,368,388	(0.9)
Infrastructure	157,555,929	152,003,834	3.7
Less: accumulated depreciation	(83,443,665)	(78,974,149)	5.7
Total	$ 113,118,693	$ 111,650,047	1.3

LONG-TERM LIABILITIES

At year-end, the County had $24,359,336 in long-term liabilities outstanding. The County's bonded debt increased $11,715,000 due to issuance of $12,735,000 in Building Remodel Bonds in 2017.

Table A-7
Long-Term Liabilities

	2017	2016	Percent (%) Change
General obligation bonds	$ 17,690,000	$ 5,975,000	196.1
Bond premiums	37,607	47,642	(21.1)
Bond discounts	(2,331)	-	-
Capital lease	235,442	-	-
Compensated absences	1,904,701	1,841,234	3.4
Net OPEB obligation	997,980	900,794	10.8
Estimated liability for landfill closure/postclosure care	3,495,937	3,653,588	(4.3)
Total	$ 24,359,336	$ 12,418,258	96.2

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 have improved over previous years but continue to be low, hurting interest revenue, but this has been a benefit in regards to refinancing County debt. In 2017, the County again rented out jail beds to other counties with an increase in revenue, however, 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 2018 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. In 2017, the County Board addressed the space needs and issued bonds to remodel the government center. This remodel will help the County move forward with its space needs along with improved services and courthouse security. 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, 2017

	Primary Government	Component Units	
	Governmental Activities	Housing and Redevelopment Authority	Rural Development Finance Authority
Assets			
Cash and pooled investments	$ 30,198,222	$ 54,961	$ 848,398
Investments	11,487,335	-	-
Petty cash and change funds	5,975	-	-
Departmental cash	19,057	-	-
Taxes receivable			
Delinquent	533,241	-	-
Special assessments receivable			
Delinquent	1,361	-	-
Accounts receivable	333,035	7,774	-
Accrued interest receivable	175,509	-	-
Due from other governments	2,156,163	-	-
Loans receivable - net of allowance	-	-	74,892
Inventories	966,798	-	-
Investment in joint venture	3,706,146	-	-
Prepaid items	-	533	-
Capital assets			
Non-depreciable	4,161,395	-	-
Depreciable - net of accumulated depreciation	108,957,298	622	-
Total Assets	**$ 162,701,535**	**$ 63,890**	**$ 923,290**
Deferred Outflows of Resources			
Deferred pension outflows	**$ 6,593,994**	**$ -**	**$ -**
Liabilities			
Accounts payable	$ 461,782	$ 5,044	$ -
Salaries payable	1,033,659	2,425	-
Contracts payable	104,972	-	-
Due to other governments	147,390	-	13,139
Accrued interest payable	290,349	-	-
Unearned revenue	181,365	-	-
Noncurrent liabilities			
Due within one year	1,225,345	1,185	-
Due in more than one year	22,136,011	4,739	-
Net other postemployment benefits obligation	997,980	-	-
Net pension liability	14,743,911	-	-
Total Liabilities	**$ 41,322,764**	**$ 13,393**	**$ 13,139**

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, 2017

	Primary Government	Component Units	
	Governmental Activities	Housing and Redevelopment Authority	Rural Development Finance Authority
Deferred Inflows of Resources			
Deferred pension inflows	$ 5,695,928	$ -	$ -
Prepaid property taxes	371,353	-	-
Total Deferred Inflows of Resources	**$ 6,067,281**	**$ -**	**$ -**
Net Position			
Net investment in capital assets	$ 111,775,559	$ 622	$ -
Restricted for			
General government	12,572,721	-	-
Public safety	278,842	-	-
Sanitation	214,137	-	-
Economic development	457,364	-	910,151
Debt service	1,144,943	-	-
Housing assistance payments	-	24,019	-
Unrestricted	(4,538,082)	25,856	-
Total Net Position	**$ 121,905,484**	**$ 50,497**	**$ 910,151**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Fees, Charges, Fines, and Other
Primary government		
Governmental activities		
General government	$ 8,049,353	$ 1,527,220
Public safety	7,299,462	487,486
Highways and streets	11,103,125	664,988
Sanitation	2,515,204	2,592,162
Human services	9,326,761	1,046,040
Health	2,098,362	1,140,635
Culture and recreation	877,995	631
Conservation of natural resources	483,898	-
Economic development	47,650	-
Interest	534,355	-
Total Primary Government	**$ 42,336,165**	**$ 7,459,162**
Component units		
Housing and Redevelopment Authority	**$ 522,175**	**$ 59,623**
Rural Development Finance Authority	**$ 201,505**	**$ -**

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 6.B.5.)

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
$ 305,083	$ -	$ (6,217,050)		
1,131,812	-	(5,680,164)		
7,646,955	1,045,040	(1,746,142)		
109,946	-	186,904		
5,211,409	-	(3,069,312)		
869,436	-	(88,291)		
137,047	-	(740,317)		
251,937	-	(231,961)		
-	-	(47,650)		
-	-	(534,355)		
$ 15,663,625	**$ 1,045,040**	**$ (18,168,338)**		
$ 437,678	**$ -**		**$ (24,874)**	
$ -	**$ -**			**$ (201,505)**
		$ 17,646,052	$ -	$ 83,173
		180,351	-	-
		2,373,983	-	2,872
		409,110	107	4,564
		152,464	-	51,830
		96,319	-	-
		-	(5,000)	-
		$ 20,858,279	**$ (4,893)**	**$ 142,439**
		$ 2,689,941	**$ (29,767)**	**$ (59,066)**
		119,215,543	**80,264**	**969,217**
		$ 121,905,484	**$ 50,497**	**$ 910,151**

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FUND FINANCIAL STATEMENTS

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Road and Bridge	Social Services
Assets			
Cash and pooled investments	$ 12,333,552	$ 5,383,030	$ 4,297,215
Investments	-	-	-
Petty cash and change funds	5,750	175	50
Departmental cash	15,847	-	-
Taxes receivable - delinquent	302,356	90,320	100,673
Special assessments receivable - delinquent	-	-	-
Accounts receivable	1,204	4,921	162,643
Accrued interest receivable	75,330	-	-
Due from other funds	2,994	-	-
Due from other governments	376,560	1,341,747	428,131
Inventories	-	966,798	-
Total Assets	**$ 13,113,593**	**$ 7,786,991**	**$ 4,988,712**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 102,474	$ 32,410	$ 242,350
Salaries payable	615,285	128,777	286,509
Contracts payable	-	104,972	-
Due to other funds	-	-	2,994
Due to other governments	54,384	3,038	75,979
Unearned revenue	181,365	-	-
Total Liabilities	**$ 953,508**	**$ 269,197**	**$ 607,832**
Deferred Inflows of Resources			
Unavailable revenue	$ 302,356	$ 1,374,044	$ 100,673
Prepaid property taxes	216,542	56,892	70,827
Total Deferred Inflows of Resources	**$ 518,898**	**$ 1,430,936**	**$ 171,500**
Fund Balances (Note 3.D.)			
Nonspendable	$ -	$ 966,798	$ -
Restricted	1,651,032	-	-
Committed	385,887	-	-
Assigned	3,832,189	5,120,060	4,209,380
Unassigned	5,772,079	-	-
Total Fund Balances	**$ 11,641,187**	**$ 6,086,858**	**$ 4,209,380**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 13,113,593**	**$ 7,786,991**	**$ 4,988,712**

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

Solid Waste		Debt Service		Capital Projects		Nonmajor Funds		Total	
$	6,122,146	$	1,120,872	$	434,735	$	506,672	$	30,198,222
	-		329,401		11,157,934		-		11,487,335
	-		-		-		-		5,975
	1,632		1,578		-		-		19,057
	6,876		25,538		-		7,478		533,241
	1,361		-		-		-		1,361
	164,267		-		-		-		333,035
	22,648		-		77,531		-		175,509
	-		-		-		-		2,994
	9,725		-		-		-		2,156,163
	-		-		-		-		966,798
$	**6,328,655**	**$**	**1,477,389**	**$**	**11,670,200**	**$**	**514,150**	**$**	**45,879,690**
$	54,050	$	-	$	12,305	$	18,193	$	461,782
	3,088		-		-		-		1,033,659
	-		-		-		-		104,972
	-		-		-		-		2,994
	13,989		-		-		-		147,390
	-		-		-		-		181,365
$	**71,127**	**$**	**-**	**$**	**12,305**	**$**	**18,193**	**$**	**1,932,162**
$	8,237	$	25,538	$	-	$	7,478	$	1,818,326
	4,852		16,559		-		5,681		371,353
$	**13,089**	**$**	**42,097**	**$**	**-**	**$**	**13,159**	**$**	**2,189,679**
$	-	$	-	$	-	$	-	$	966,798
	3,710,074		1,435,292		11,657,895		-		18,454,293
	-		-		-		482,798		868,685
	2,534,365		-		-		-		15,695,994
	-		-		-		-		5,772,079
$	**6,244,439**	**$**	**1,435,292**	**$**	**11,657,895**	**$**	**482,798**	**$**	**41,757,849**
$	**6,328,655**	**$**	**1,477,389**	**$**	**11,670,200**	**$**	**514,150**	**$**	**45,879,690**

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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, 2017

Fund balances - total governmental funds (Exhibit 3)		**$ 41,757,849**
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.		3,706,146
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		113,118,693
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		6,593,994
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		1,818,326
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	$ (17,725,276)	
Capital lease	(235,442)	
Accrued interest payable	(290,349)	
Compensated absences	(1,904,701)	
Estimated liability for landfill closure/postclosure	(3,495,937)	
Net other postemployment benefits obligation	(997,980)	
Net pension liability	(14,743,911)	(39,393,596)
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.		(5,695,928)
Net Position of Governmental Activities (Exhibit 1)		**$ 121,905,484**

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, 2017

	General	Road and Bridge	Social Services
Revenues			
Taxes	$ 10,264,549	$ 2,854,700	$ 3,256,853
Licenses and permits	366,834	-	-
Intergovernmental	4,242,360	9,179,406	5,647,738
Charges for services	2,363,809	613,686	491,669
Fines and forfeits	10,237	-	-
Investment income	247,102	-	-
Miscellaneous	408,315	135,336	554,371
Total Revenues	**$ 17,903,206**	**$ 12,783,128**	**$ 9,950,631**
Expenditures			
Current			
General government	$ 6,589,231	$ -	$ -
Public safety	6,686,078	-	-
Highways and streets	-	12,472,784	-
Sanitation	-	-	-
Human services	-	-	9,926,895
Health	1,951,627	-	-
Culture and recreation	223,650	-	-
Conservation of natural resources	467,116	12,099	-
Economic development	47,650	-	-
Intergovernmental			
Highways and streets	-	534,597	-
Culture and recreation	494,572	-	-
Capital outlay			
General government	-	-	-
Debt service			
Principal	-	9,658	-
Interest	-	3,156	-
Bond issuance costs	-	-	-
Administrative (fiscal) charges	-	-	-
Total Expenditures	**$ 16,459,924**	**$ 13,032,294**	**$ 9,926,895**
Excess of Revenues Over (Under) Expenditures	**$ 1,443,282**	**$ (249,166)**	**$ 23,736**
Other Financing Sources (Uses)			
Capital lease	$ -	$ 245,100	$ -
Bonds issued	-	-	-
Discount on bonds issued	-	-	-
Total Other Financing Sources (Uses)	**$ -**	**$ 245,100**	**$ -**
Net Change in Fund Balances	**$ 1,443,282**	**$ (4,066)**	**$ 23,736**
Fund Balances - January 1	**10,197,905**	**5,927,056**	**4,185,644**
Increase (decrease) in inventories	**-**	**163,868**	**-**
Fund Balances - December 31	**$ 11,641,187**	**$ 6,086,858**	**$ 4,209,380**

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

Solid Waste	Debt Service	Capital Projects	Nonmajor Funds	Total
$ 229,291	$ 801,515	$ -	$ 264,264	$ 17,671,172
18,200	-	-	-	385,034
140,979	107,083	-	35,137	19,352,703
2,554,119	-	-	-	6,023,283
-	-	-	-	10,237
47,858	14,617	89,609	-	399,186
22,932	326,802	-	631	1,448,387
$ 3,013,379	**$ 1,250,017**	**$ 89,609**	**$ 300,032**	**$ 45,290,002**
$ -	$ -	$ -	$ 234,120	$ 6,823,351
-	-	-	-	6,686,078
-	-	-	-	12,472,784
2,581,566	-	-	-	2,581,566
-	-	-	-	9,926,895
-	-	-	-	1,951,627
-	-	-	100,779	324,429
-	-	-	-	479,215
-	-	-	-	47,650
-	-	-	-	534,597
-	-	-	-	494,572
-	-	771,871	-	771,871
-	1,020,000	-	-	1,029,658
-	200,233	-	-	203,389
-	-	63,000	-	63,000
-	2,540	-	-	2,540
$ 2,581,566	**$ 1,222,773**	**$ 834,871**	**$ 334,899**	**$ 44,393,222**
$ 431,813	**$ 27,244**	**$ (745,262)**	**$ (34,867)**	**$ 896,780**
$ -	$ -	$ -	$ -	$ 245,100
-	329,401	12,405,599	-	12,735,000
-	-	(2,442)	-	(2,442)
$ -	**$ 329,401**	**$ 12,403,157**	**$ -**	**$ 12,977,658**
$ 431,813	**$ 356,645**	**$ 11,657,895**	**$ (34,867)**	**$ 13,874,438**
5,812,626	**1,078,647**	**-**	**517,665**	**27,719,543**
-	**-**	**-**	**-**	**163,868**
$ 6,244,439	**$ 1,435,292**	**$ 11,657,895**	**$ 482,798**	**$ 41,757,849**

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, 2017

Net change in fund balances - total governmental funds (Exhibit 5)		**$ 13,874,438**
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	$ 1,818,326	
Unavailable revenue - January 1	(1,952,810)	(134,484)
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	$ 6,597,382	
Net book value of capital asset disposals	(55,305)	
Current year depreciation	(5,073,431)	1,468,646
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.		
Current year bond proceeds	$ (12,735,000)	
Discount on bonds issued	2,442	
Capital lease financing	(245,100)	
Principal repayments		
General obligation bonds	1,020,000	
Capital lease	9,658	
Current year amortization of premiums and discounts	9,924	(11,938,076)

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, 2017

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	$ (265,426)	
Change in compensated absences	(63,467)	
Change in estimated liability for landfill closure/postclosure	157,651	
Change in net other postemployment benefits obligation	(97,186)	
Change in net pension liability	6,753,736	
Change in deferred pension outflows	(4,757,589)	
Change in deferred pension inflows	(3,330,310)	
Change in inventories	163,868	(1,438,723)
Transactions to record investment in joint venture		
Change in investment in joint venture		858,140
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 2,689,941**

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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, 2017

	Agency Funds
Assets	
Cash and pooled investments	$ 1,213,289
Departmental cash	126
Accrued interest receivable	55
Total Assets	**$ 1,213,470**
Liabilities	
Due to other governments	**$ 1,213,470**

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 accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2017. 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 GAAP, 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 from Morrison County. The HRA operates as a local government unit for the purpose of

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

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, 2017.

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 5.B. The County also participates in jointly-governed organizations, which are described in Note 5.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.

The Capital Projects Fund is used to account for the financial resources to be used for renovation of the Government Center complex.

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.

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, 2017. 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 2017 were $247,102.

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

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 2011 through 2017. 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

Special assessments receivable consist of delinquent special assessments payable in the years 2011 through 2017 and noncurrent special assessments payable in 2018 and after. No provision has been made for an estimated uncollectible amount.

Loans

Loans may be made to private enterprises or individuals as per the parameters of the specific programs. The Rural Development Finance Authority provides loans to promote business expansion in the area. Loans receivable are reported as an asset in the amount of loan proceeds, less collections on principal. An allowance for uncollectible loans, which offsets the total gross loans receivable, is recognized for the amount of loans receivable for which collection is doubtful or questionable. This allowance is based on management's expectation for collectability. Interest earned on the loans is recognized as revenue.

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.

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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.

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.

1. Summary of Significant Accounting Policies

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

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.

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

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

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)

to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, and grants receivable, for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports 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, changes in actuarial assumptions, and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position. The County also reports a deferred inflow for prepaid taxes under both the full and modified accrual basis of accounting. These amounts represent the County's share of 2018 property taxes collected in advance. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amounts were levied.

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.

1. Summary of Significant Accounting Policies

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

9. Classification of Net Position

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

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

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

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

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.

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)

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.

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 3.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:

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)

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.

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. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget

The following nonmajor governmental funds have expenditures in excess of budget for the year ended December 31, 2017:

	Expenditures		
	Actual	Final Budget	Excess
County Building Special Revenue Fund			
Current			
General government	$ 234,120	$ 210,000	$ 24,120
County Parks Special Revenue Fund			
Current			
Culture and recreation	100,779	87,948	12,831

2. Stewardship, Compliance, and Accountability (Continued)

B. Change in Accounting Estimate

For the year ending December 31, 2017, an allowance for uncollectible loans was accrued for the loans receivable reported in the Rural Development Finance Authority component unit. Management determined that 80 percent of a loan would be uncollectible; as of December 31, 2017, the allowance is estimated to be $100,000.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	$ 30,198,222
Investments	11,487,335
Petty cash and change funds	5,975
Departmental cash	19,057
Discretely presented component units	
Cash and pooled investments	903,359
Statement of fiduciary net position	
Cash and pooled investments	1,213,289
Departmental cash	126
Total Cash and Investments	$ 43,827,363

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.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to minimize custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. At December 31, 2017, none of the County's deposits were exposed to custodial credit risk.

b. Investments

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(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 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, 2017, the County's investments were subject to custodial credit risk in the amount of $2,225,718.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

Interest Rate Risk

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

Credit Risk

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

3. 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, 2017, and information relating to potential investment risk:

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	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.	$ 633,472
Federal Home Loan Mortgage Corporation	Aaa/AA+	Moody's/S&P	-	3 yrs. - 5 yrs.	1,010,554
Federal Home Loan Mortgage Corporation	Aaa/AA+	Moody's/S&P	-	6 yrs. - 10 yrs.	495,460
Federal Farm Agency Corporation	Aaa/AA+	Moody's/S&P	-	3 yrs. - 5 yrs.	123,106
Negotiable certificates of deposit	N/A	N/A	20.95%	<1 yr. - 5 yrs.	7,174,716
Investment pools/mutual funds					
MAGIC Fund	N/A	N/A	38.74%	N/A	13,265,352
Money market account with broker	N/A	N/A	-	N/A	54,857
Repurchase agreement	N/A	N/A	33.54%	N/A	11,487,335
Total investments					$ 34,244,852
Deposits					8,225,821
Petty cash and change funds					5,975
Departmental cash					19,183
Cash on hand					428,173
Total cash and investments - primary government					$ 42,924,004
Component units					
Deposits					903,359
Total Cash and Investments					$ 43,827,363

N/A - Not Applicable

During 2017, the County invested in a repurchase agreement which is measured at cost. The investment was made for the benefit of investment earnings on bond proceeds during the courthouse remodel project.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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.

At December 31, 2017, the County had the following recurring fair value measurements.

		Fair Value Measurements Using		
	December 31, 2017	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	$ 2,262,592	$ -	$ 2,262,592	$ -
Negotiable certificates of deposit	7,174,716	-	7,174,716	-
Total Investments Included in the Fair Value Hierarchy	$ 9,437,308	$ -	$ 9,437,308	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 13,265,352			
Money market mutual funds	54,857			
Total Investments Measured at the NAV	$ 13,320,209			

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments (Continued)

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.

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. Loans Receivable

Loans receivable reported in the Rural Development Finance Authority component unit for the year ended December 31, 2017, were as follows:

Loans receivable	$ 174,892
Allowance for uncollectible loans	(100,000)
Loans receivable, net of allowance	$ 74,892

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land - infrastructure right-of-way	$ 2,005,835	$ 9,995	$ -	$ 2,015,830
Land	2,145,565	-	-	2,145,565
Total capital assets not depreciated	$ 4,151,400	$ 9,995	$ -	$ 4,161,395
Capital assets depreciated				
Buildings	$ 24,100,574	$ 473,224	$ -	$ 24,573,798
Machinery, furniture, and equipment	10,368,388	562,068	659,220	10,271,236
Infrastructure	152,003,834	5,552,095	-	157,555,929
Total capital assets depreciated	$ 186,472,796	$ 6,587,387	$ 659,220	$ 192,400,963
Less: accumulated depreciation for				
Buildings	$ 10,802,412	$ 536,381	$ -	$ 11,338,793
Machinery, furniture, and equipment	7,100,069	752,991	603,915	7,249,145
Infrastructure	61,071,668	3,784,059	-	64,855,727
Total accumulated depreciation	$ 78,974,149	$ 5,073,431	$ 603,915	$ 83,443,665
Total capital assets depreciated, net	$ 107,498,647	$ 1,513,956	$ 55,305	$ 108,957,298
Governmental Activities Capital Assets, Net	$ 111,650,047	$ 1,523,951	$ 55,305	$ 113,118,693

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

Governmental activities	
General government	$ 308,527
Public safety	257,643
Highway and streets, including infrastructure assets	4,267,732
Sanitation	129,088
Human services	11,727
Health	39,758
Culture and recreation	58,956
Total Depreciation Expense - Governmental Activities	$ 5,073,431

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, 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 $2,994.

C. Liabilities

1. Payables

Payables at December 31, 2017, were as follows:

	Governmental Activities
Accounts	$ 461,782
Salaries	1,033,659
Contracts	104,972
Due to other governments	147,390
Accrued interest	290,349
Total Payables	$ 2,038,152

2. Unearned Revenue/Deferred Inflows of Resources

Unearned revenue 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, prepaid property taxes, and state and federal grants received but not yet earned. Unearned revenue and deferred inflows of resources at December 31, 2017, are summarized by fund, as follows:

3. Detailed Notes on All Funds

C. Liabilities

2. Unearned Revenue/Deferred Inflows of Resources (Continued)

	Special Assessments	Taxes	Grants	Total
Major governmental funds				
General	$ -	$ 518,898	$ 181,365	$ 700,263
Road and Bridge	-	147,212	1,283,724	1,430,936
Social Services	-	171,500	-	171,500
Solid Waste	1,361	11,728	-	13,089
Debt Service	-	42,097	-	42,097
Nonmajor governmental funds				
County Building	-	8,974	-	8,974
County Parks	-	4,185	-	4,185
Total	$ 1,361	$ 904,594	$ 1,465,089	$ 2,371,044

	Special Assessments	Taxes	Grants	Total
Liability				
Unearned revenue	$ -	$ -	$ 181,365	$ 181,365
Deferred inflows of resources				
Unavailable revenue	1,361	533,241	1,283,724	1,818,326
Prepaid property taxes	-	371,353	-	371,353
Total	$ 1,361	$ 904,594	$ 1,465,089	$ 2,371,044

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 $142,771 at December 31, 2017, is available to employees in the event of an absence but is not paid to them at termination.

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt - Bonds

Bond payments are typically made from the Debt Service Fund. Information on individual bonds payable was as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
2009A G.O. Capital Improvement Plan Crossover Refunding Bonds	2018	$395,000 - $500,000	2.25 - 3.50	$ 3,190,000	$ 500,000
2010A G.O. Utility Improvement Plan Bonds	2033	$155,000 - $315,000	2.00 - 4.45	4,930,000	3,620,000
2011A G.O. Capital Equipment Notes	2021	$135,000 - $225,000	0.50 - 3.00	1,540,000	615,000
2011B G.O. Capital Improvement Plan Refunding Bonds	2018	$210,000 - $220,000	1.00 - 1.70	1,290,000	220,000
2017A G.O. Capital Improvement Bonds	2038	$345,000 - $875,000	2.00 - 3.50	12,735,000	12,735,000
Total General Obligation Bonds				$ 23,685,000	$ 17,690,000

5. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2018	$ 1,055,000	$ 697,002
2019	685,000	540,021
2020	705,000	522,662
2021	725,000	502,314
2022	745,000	479,314
2023 - 2027	4,105,000	2,016,081
2028 - 2032	4,840,000	1,278,898
2033 - 2037	3,955,000	498,459
2038 - 2042	875,000	15,313
Total	$ 17,690,000	$ 6,550,064

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 5,975,000	$ 12,735,000	$ (1,020,000)	$ 17,690,000	$ 1,055,000
Bond premiums	47,642	-	(10,035)	37,607	-
Bond discount	-	(2,442)	111	(2,331)	-
Capital lease	-	245,100	(9,658)	235,442	38,630
Compensated absences	1,841,234	63,467	-	1,904,701	131,715
Estimated liability for landfill closure/postclosure	3,653,588	-	(157,651)	3,495,937	-
Total Long-Term Liabilities	$ 11,517,464	$ 13,041,125	$ (1,197,233)	$ 23,361,356	$ 1,225,345

The capital lease is liquidated by the Road and Bridge Special Revenue Fund. The compensated absences liability is primarily liquidated by the General Fund and the Road and Bridge and Social Services Special Revenue Funds. The general obligation bonds and notes are typically liquidated by the Debt Service Fund.

7. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place the final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $3,495,937 landfill closure and postclosure care liability at December 31, 2017, represents the cumulative amount reported to date based on the use of 55.84 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $1,543,806 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

3. Detailed Notes on All Funds

C. Liabilities

7. Landfill Closure and Postclosure Care Costs (Continued)

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, 2017, the County has restricted fund balance of $3,710,074 in the Solid Waste Special Revenue Fund 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.

8. 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, 2017, the most recent actuarial valuation date:

Active employees	240
Retired employees	9
Total Plan Participants	249

3. Detailed Notes on All Funds

C. Liabilities

8. Other Postemployment Benefits (OPEB) (Continued)

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 2017, the County contributed $65,347 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.

The following table shows the components of the County's annual OPEB cost for 2017, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

ARC	$	157,162
Interest on net OPEB obligation		40,536
Adjustment to ARC		(35,165)
Annual OPEB cost	$	162,533
Contributions during the year		(65,347)
Increase in net OPEB obligation	$	97,186
Net OPEB obligation - beginning of year		900,794
Net OPEB obligation - end of year	$	997,980

3. Detailed Notes on All Funds

C. Liabilities

8. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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, 2015	$ 201,159	$ 97,734	48.59%	$ 774,290
December 31, 2016	156,625	30,121	19.23	900,794
December 31, 2017	162,533	65,347	40.21	997,980

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

Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $1,585,133, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $1,585,133. The covered payroll (annual payroll of active employees covered by the plan) was $13,235,000, and the ratio of the UAAL to the covered payroll was 12 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.

3. Detailed Notes on All Funds

   C. Liabilities

      8. Other Postemployment Benefits (OPEB) (Continued)

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, 2017, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 8.67 percent, 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, 2017, the remaining amortization period is 20 years.

      9. Contract Commitments

The County has entered into a contract which has not been completed as of December 31, 2017, in the amount of $8,702,468 in the Capital Projects Fund for the courthouse building remodel.

   D. Fund Balance

      1. Nonspendable Fund Balance

The detail of nonspendable fund balance at December 31, 2017, is as follows:

Road and Bridge Special Revenue Fund inventory	$ 966,798

3. Detailed Notes on All Funds

D. Fund Balance (Continued)

2. Restricted Fund Balance

The detail of restricted fund balance at December 31, 2017, is as follows:

	General	Solid Waste	Debt Service	Capital Projects
Recorder's technology	$ 365,734	$ -	$ -	$ -
Recorder's compliance	451,007	-	-	-
Landfill closure/postclosure	-	3,710,074	-	-
Law library	45,308	-	-	-
Prosecutorial purposes	52,777	-	-	-
Law enforcement	40,258	-	-	-
DARE	30,430	-	-	-
Enhanced 911 programs	208,154	-	-	-
Aquatic invasive species	346,678	-	-	-
Riparian Protection Aid	110,686	-	-	-
Debt service	-	-	1,435,292	-
Capital projects	-	-	-	11,657,895
Total Restricted	$ 1,651,032	$ 3,710,074	$ 1,435,292	$ 11,657,895

3. Committed Fund Balance

The detail of committed fund balance at December 31, 2017, is as follows:

	General	County Building	County Parks
Park projects	$ -	$ -	$ 201,668
County building projects	-	281,130	-
Insurance	385,887	-	-
Total Committed	$ 385,887	$ 281,130	$ 201,668

3. Detailed Notes on All Funds

D. Fund Balance (Continued)

4. Assigned Fund Balance

The detail of assigned fund balance at December 31, 2017, is as follows:

	General	Road and Bridge	Social Services	Solid Waste
800 megahertz project	$ 65,400	$ -	$ -	$ -
General government	193,194	-	-	-
Revolving loan	114,525	-	-	-
Septic program	8,900	-	-	-
Jail inmate programs	129,857	-	-	-
Jail upgrades	1,297,948	-	-	-
Sentence to Serve programs	16,775	-	-	-
Corrections	323,883	-	-	-
Sheriff programs	384,756	-	-	-
Technology upgrades	122,007	-	-	-
Veterans' programs	43,418	-	-	-
Jail PX	121,322	-	-	-
Human services	-	-	4,209,380	-
Attorney's contingency	10,245	-	-	-
Solid waste	-	-	-	2,534,365
Boat and water	44,181	-	-	-
Capital equipment	608,507	-	-	-
Election programs	347,271	-	-	-
Highways and streets	-	5,120,060	-	-
Total Assigned	$ 3,832,189	$ 5,120,060	$ 4,209,380	$ 2,534,365

4. 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.

4. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

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 prorated basis 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.

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

4. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Retirement Plan and Public Employees Police and Fire Plan benefit recipients receive a future annual 1.0 percent for the post-retirement benefit increase, while Public Employees Correctional Plan benefit recipients receive 2.5 percent. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, 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.

4. 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 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

In 2017, 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.

4. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	$	887,535
Public Employees Police and Fire Plan		233,204
Public Employees Correctional Plan		85,604

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of $11,427,242 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.1790 percent. It was 0.1728 percent measured as of June 30, 2016. The County recognized pension expense of $1,551,383 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $4,151 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 required the State of Minnesota to contribute $6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The County's proportionate share of the net pension liability	$ 11,427,242
State of Minnesota's proportionate share of the net pension liability associated with the County	143,718
Total	$ 11,570,960

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	$ 376,607	$ 712,554
Changes in actuarial assumptions	1,831,457	1,145,582
Difference between projected and actual investment earnings	12,139	-
Changes in proportion	377,557	294,550
Contributions paid to PERA subsequent to the measurement date	448,641	-
Total	$ 3,046,401	$ 2,152,686

The $448,641 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

Year Ended December 31	Pension Expense Amount
2018	$ 338,228
2019	700,642
2020	(108,731)
2021	(485,065)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of $1,863,164 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, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.138 percent. It was 0.136 percent measured as of June 30, 2016. The County recognized pension expense of $458,427 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $12,420 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.

4. 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	$ 42,886	$ 491,982
Changes in actuarial assumptions	2,402,985	2,645,233
Difference between projected and actual investment earnings	17,640	-
Changes in proportion	66,884	18,376
Contributions paid to PERA subsequent to the measurement date	117,844	-
Total	$ 2,648,239	$ 3,155,591

The $117,844 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, 2018. 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
2018	$ 30,292
2019	30,292
2020	(37,513)
2021	(141,173)
2022	(507,094)

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of $1,453,505 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.510 percent. It was 0.550 percent measured as of June 30, 2016. The County recognized pension expense of $547,267 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	$ 1,049	$ 24,103
Changes in actuarial assumptions	853,413	253,011
Difference between projected and actual investment earnings	2,391	-
Changes in proportion	773	110,537
Contributions paid to PERA subsequent to the measurement date	41,728	-
Total	$ 899,354	$ 387,651

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The $41,728 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, 2018. 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
2018	$ 310,752
2019	322,349
2020	(122,665)
2021	(40,461)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was $2,557,077.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, 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 for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General

4. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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 through 2044 and 2064, respectively, and 2.5 percent thereafter. 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, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016. The experience study for the Public Employees Correctional Plan was dated February 2012.

The long-term expected rate of return on pension plan investments is 7.50 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	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. 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

4. Pension Plans

   A. Defined Benefit Pension Plans

      6. Discount Rate (Continued)

position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were 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 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, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56 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 5.96 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of 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 to the point of asset depletion and 3.56 percent thereafter.

      7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

General Employees Retirement Plan (Continued)

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

Public Employees Police and Fire Plan

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Police and Fire Plan (Continued)

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Public Employees Correctional Plan

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

4. 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, 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%	$ 17,724,501	6.50%	$ 3,508,882	4.96%	$ 2,395,195
Current	7.50	11,427,242	7.50	1,863,164	5.96	1,453,505
1% Increase	8.50	6,271,791	8.50	504,534	6.96	718,503

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

4. Pension Plans

B. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by Morrison County during the year ended December 31, 2017, were:

	Employee	Employer
Contribution amount	$ 7,585	$ 7,585
Percentage of covered payroll	5%	5%

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2017 and 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

B. Joint Ventures

1. 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.

5. Summary of Significant Contingencies and Other Items

   B. Joint Ventures

      1. Little Falls-Morrison County Airport Commission (Continued)

         b. If the agreement is terminated by action of Morrison County, all capital improvement assets will belong to the City of Little Falls free and clear of any claim by the County.

         c. If the agreement is terminated by action of the City of Little Falls, all capital improvement assets jointly owned by the City and County will belong to the City of Little Falls, provided the City pays the County 50 percent of the depreciated value of the capital improvement assets.

         Morrison County provided $36,196 in funding to the Commission during 2017. 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

      2. 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.

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

2. Morrison-Todd-Wadena Community Health Services Board (Continued)

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.

3. 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.

4. 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, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright. 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.

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

4. 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

5. 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, Crow Wing, and Freeborn Counties elected to opt out of the SCHA, consistent with the terms of the Joint Powers Agreement. 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, 2017, was $3,706,146. The equity interest is reported

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

5. 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

6. 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 2017.

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.

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

6. 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

7. 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.

5. Summary of Significant Contingencies and Other Items

   B. Joint Ventures

      7. 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

      8. 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 $494,572 to this organization during 2017.

         Separate financial information can be obtained from:

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

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

9. 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 2017.

Complete financial information can be obtained from:

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

Email: mhb@co.crow-wing.mn.us

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

The Rural Minnesota Concentrated Employment Programs, Inc. (RMCEP), is a private non-profit corporation that provides workforce development services in a 19-county area in North Central and West Central Minnesota. The agency was incorporated in 1968 to operate employment and training programs which include Workforce Investment Act (WIA) services. The RMCEP was established to create job training and employment opportunities for economically disadvantaged, underemployed and unemployed persons, and youthful persons in both the private and the public sector.

Morrison County provided $222,655 to this organization in 2017.

5. 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. Morrison County did not contribute to the CHIC during 2017.

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 $166,152 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.

5. 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, 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 2017, Morrison County had 14 pay-as-you-go notes within the County. The tax increment taxes collected during 2017 totaled $131,686 for the County and $53,664 for the Morrison County RDFA component unit. The County's portion of the captured tax capacity and related property taxes was approximately 60 percent.

6. Housing and Redevelopment Authority of Morrison County

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity

The Housing and Redevelopment Authority (HRA) of Morrison County is a component unit of Morrison County and is reported in a separate column in the County's financial statements to emphasize that the HRA is a legally separate entity from Morrison County. The HRA of Morrison County operates as a local government unit for the purpose of providing housing and redevelopment services to the local area. The governing body consists of a five-member Board appointed by the County. The financial statements included are as of and for the year ended December 31, 2017.

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 Equity Accounts

Cash and Cash Equivalents

All checking, savings, certificates of deposit, and cash on hand are included in cash for the cash flow statement. Cash equivalents are considered to be short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

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. The fair value of investments is based on quoted market prices. Short-term investments are valued at cost, which approximates fair value.

Prepaid Items

Prepaid expenses represent the unexpired premium on insurance policies.

6. Housing and Redevelopment Authority of Morrison County

A. Summary of Significant Accounting Policies

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

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.

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.

6. Housing and Redevelopment Authority of Morrison County

A. Summary of Significant Accounting Policies

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and 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. Net position is reported as unrestricted when the funds do not meet the definition of restricted or net investment in capital assets.

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.

6. Housing and Redevelopment Authority of Morrison County

   B. Detailed Notes

      1. Deposits and Investments (Continued)

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

Custodial credit risk 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, 2017, the HRA's deposits were not exposed to custodial credit risk.

As of and during the year ended December 31, 2017, the HRA 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, 2017, the book balance of the HRA's deposits totaled $54,961, and the bank balance totaled $61,581.

      2. Capital Assets

A summary of the HRA's capital assets at December 31, 2017, follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Equipment and other	$ 11,359	$ 655	$ 747	$ 11,267
Less: accumulated depreciation	11,284	33	672	10,645
Capital Assets, Net	$ 75	$ 622	$ 75	$ 622

Depreciation expense of $33 was charged to Housing Choice Vouchers.

6. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes (Continued)

3. Liabilities

Liabilities at December 31, 2017, consisted of the following:

Current liabilities		
Bank overdraft	$	2,632
Accounts payable (less than 90 days)		2,412
Accrued wage/payroll tax payable		2,425
Accrued compensated absences - current portion		1,185
Total Current Liabilities	$	8,654
Noncurrent liabilities		
Accrued compensated absences - noncurrent portion	$	4,739

4. Compensated Absences

Changes in compensated absences for the year ended December 31, 2017, were as follows:

Balance - January 1, 2017	$	5,445
Net change in compensated absences		479
Balance - December 31, 2017	$	5,924

5. Special Item

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

6. 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'

6. Housing and Redevelopment Authority of Morrison County

B. Detailed Notes

6. Risk Management (Continued)

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.

7. 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.

8. Pension Plan

Eligible employees participate in a defined contribution pension plan with the Principal Mutual Insurance Company. Contributions to the plan for the year ended December 31, 2017, were as follows:

Total Wages	$ 55,805	
Covered Wages	$ 55,450	
Employer contribution	$ 4,436	8.0%
Employee contribution	2,870	5.0
Total	$ 7,306	13.0%

9. 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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 10,247,493	$ 10,247,493	$ 10,264,549	$ 17,056
Licenses and permits	303,020	303,020	366,834	63,814
Intergovernmental	3,947,274	3,947,274	4,242,360	295,086
Charges for services	1,690,806	1,690,806	2,363,809	673,003
Fines and forfeits	2,000	2,000	10,237	8,237
Investment income	162,000	162,000	247,102	85,102
Miscellaneous	450,500	450,500	408,315	(42,185)
Total Revenues	**$ 16,803,093**	**$ 16,803,093**	**$ 17,903,206**	**$ 1,100,113**
Expenditures				
Current				
General government				
Commissioners	$ 309,375	$ 309,375	$ 272,005	$ 37,370
Courts	98,200	98,200	123,026	(24,826)
Law library	35,000	35,000	26,940	8,060
Administrator	547,731	547,731	534,430	13,301
Risk management administration	221,000	221,000	236,306	(15,306)
Auditor-treasurer	800,194	800,194	741,608	58,586
Motor vehicle/license bureau	353,646	353,646	356,358	(2,712)
Assessor	-	-	21,535	(21,535)
Information services	638,508	638,508	578,477	60,031
Attorney	972,846	972,846	956,001	16,845
Recorder	420,796	420,796	489,188	(68,392)
Surveyor	2,400	2,400	1,200	1,200
Planning and zoning	1,187,655	1,187,655	1,127,994	59,661
Buildings and plant	839,542	839,542	781,666	57,876
Veterans service officer	213,714	213,714	210,794	2,920
Appropriations - airport	35,000	35,000	36,196	(1,196)
Other general government	60,000	60,000	95,507	(35,507)
Total general government	**$ 6,735,607**	**$ 6,735,607**	**$ 6,589,231**	**$ 146,376**
Public safety				
Sheriff	$ 3,758,682	$ 3,758,682	$ 3,492,111	$ 266,571
Boat and water safety	16,459	16,459	14,559	1,900
Coroner	76,500	76,500	55,593	20,907
E-911 system	112,000	112,000	113,332	(1,332)
County jail	2,069,384	2,069,384	2,011,522	57,862
Civil defense	75,933	75,933	78,892	(2,959)
Community corrections	946,938	946,938	852,468	94,470
Other public safety	111,906	111,906	67,601	44,305
Total public safety	**$ 7,167,802**	**$ 7,167,802**	**$ 6,686,078**	**$ 481,724**

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Health				
Nursing service	**$ 2,294,091**	**$ 2,294,091**	**$ 1,951,627**	**$ 342,464**
Culture and recreation				
Historical society	$ 46,200	$ 46,200	$ 46,328	$ (128)
Other	40,300	40,300	177,322	(137,022)
Total culture and recreation	**$ 86,500**	**$ 86,500**	**$ 223,650**	**$ (137,150)**
Conservation of natural resources				
County extension	$ 184,222	$ 184,222	$ 181,502	$ 2,720
Soil and water conservation	118,275	118,275	118,275	-
Agricultural society	30,000	30,000	30,348	(348)
Water planning	20,627	20,627	7,018	13,609
Other	216,008	216,008	129,973	86,035
Total conservation of natural resources	**$ 569,132**	**$ 569,132**	**$ 467,116**	**$ 102,016**
Economic development				
Community development	**$ 47,650**	**$ 47,650**	**$ 47,650**	**$ -**
Intergovernmental				
Culture and recreation				
Library	**$ 494,572**	**$ 494,572**	**$ 494,572**	**$ -**
Total Expenditures	**$ 17,395,354**	**$ 17,395,354**	**$ 16,459,924**	**$ 935,430**
Net Change in Fund Balance	**$ (592,261)**	**$ (592,261)**	**$ 1,443,282**	**$ 2,035,543**
Fund Balance - January 1	**10,197,905**	**10,197,905**	**10,197,905**	**-**
Fund Balance - December 31	**$ 9,605,644**	**$ 9,605,644**	**$ 11,641,187**	**$ 2,035,543**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,198,815	$ 3,198,815	$ 2,854,700	$ (344,115)
Intergovernmental	8,963,771	8,963,771	9,179,406	215,635
Charges for services	-	-	613,686	613,686
Miscellaneous	-	-	135,336	135,336
Total Revenues	**$ 12,162,586**	**$ 12,162,586**	**$ 12,783,128**	**$ 620,542**
Expenditures				
Current				
Highways and streets				
Administration	$ 435,841	$ 435,841	$ 445,068	$ (9,227)
Maintenance	2,821,356	2,821,356	2,705,553	115,803
Construction	7,483,358	7,483,358	7,743,308	(259,950)
Equipment maintenance and shop	1,409,865	1,409,865	1,574,022	(164,157)
Other	-	-	4,833	(4,833)
Total highways and streets	**$ 12,150,420**	**$ 12,150,420**	**$ 12,472,784**	**$ (322,364)**
Conservation of natural resources				
Agricultural inspector	**$ 12,166**	**$ 12,166**	**$ 12,099**	**$ 67**
Intergovernmental				
Highways and streets	**$ -**	**$ -**	**$ 534,597**	**$ (534,597)**
Debt service				
Principal	$ -	$ -	$ 9,658	$ (9,658)
Interest	-	-	3,156	(3,156)
Total debt service	**$ -**	**$ -**	**$ 12,814**	**$ (12,814)**
Total Expenditures	**$ 12,162,586**	**$ 12,162,586**	**$ 13,032,294**	**$ (869,708)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (249,166)**	**$ (249,166)**
Other Financing Sources (Uses)				
Capital lease	-	-	245,100	245,100
Net Change in Fund Balance	**$ -**	**$ -**	**$ (4,066)**	**$ (4,066)**
Fund Balance - January 1	**5,927,056**	**5,927,056**	**5,927,056**	**-**
Increase (decrease) in inventories	**-**	**-**	**163,868**	**163,868**
Fund Balance - December 31	**$ 5,927,056**	**$ 5,927,056**	**$ 6,086,858**	**$ 159,802**

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,254,671	$ 3,254,671	$ 3,256,853	$ 2,182
Intergovernmental	5,577,029	5,577,029	5,647,738	70,709
Charges for services	491,400	491,400	491,669	269
Miscellaneous	500,800	500,800	554,371	53,571
Total Revenues	**$ 9,823,900**	**$ 9,823,900**	**$ 9,950,631**	**$ 126,731**
Expenditures				
Current				
Human services				
Income maintenance	$ 3,559,550	$ 3,559,550	$ 3,316,525	$ 243,025
Social services	6,344,350	6,344,350	6,610,370	(266,020)
Total Expenditures	**$ 9,903,900**	**$ 9,903,900**	**$ 9,926,895**	**$ (22,995)**
Net Change in Fund Balance	**$ (80,000)**	**$ (80,000)**	**$ 23,736**	**$ 103,736**
Fund Balance - January 1	**4,185,644**	**4,185,644**	**4,185,644**	**-**
Fund Balance - December 31	**$ 4,105,644**	**$ 4,105,644**	**$ 4,209,380**	**$ 103,736**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 229,196	$ 229,196	$ 229,291	$ 95
Licenses and permits	16,000	16,000	18,200	2,200
Intergovernmental	136,142	136,142	140,979	4,837
Charges for services	2,219,931	2,219,931	2,554,119	334,188
Investment income	-	-	47,858	47,858
Miscellaneous	71,500	71,500	22,932	(48,568)
Total Revenues	**$ 2,672,769**	**$ 2,672,769**	**$ 3,013,379**	**$ 340,610**
Expenditures				
Current				
Sanitation				
Solid waste	2,672,769	2,672,769	2,581,566	91,203
Net Change in Fund Balance	**$ -**	**$ -**	**$ 431,813**	**$ 431,813**
Fund Balance - January 1	**5,812,626**	**5,812,626**	**5,812,626**	**-**
Fund Balance - December 31	**$ 5,812,626**	**$ 5,812,626**	**$ 6,244,439**	**$ 431,813**

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, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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, 2017	$ -	$ 1,585,133	$ 1,585,133	0.00%	$ 13,235,000	11.98%
January 1, 2016	-	1,453,131	1,453,131	0.00	12,787,000	11.36
January 1, 2015	-	2,214,444	2,214,444	0.00	12,600,794	17.57
January 1, 2014	-	2,084,146	2,084,146	0.00	12,145,344	17.16

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

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-6

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017

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
2017	0.1790%	$ 11,427,242	$ 143,718	$ 11,570,960	$ 11,534,045	99.07%	75.90%
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, 2017

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)
2017	$ 887,535	$ 887,535	$ -	$ 11,833,810	7.50%
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.

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

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, 2017

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
2017	0.138%	$ 1,863,164	$ 1,412,986	131.86%	85.43%
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, 2017

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)
2017	$ 233,204	$ 233,204	$ -	$ 1,439,532	16.20%
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.

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT A-10

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017

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
2017	0.51%	$ 1,453,505	$ 1,011,741	143.66%	67.89%
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, 2017

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)
2017	$ 85,604	$ 85,604	$ -	$ 978,321	8.75%
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.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

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. Annual budgets are not adopted for the Debt Service Fund or the Capital Projects Fund.

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

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

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, 2017:

	Expenditures		
	Actual	Final Budget	Excess
General Fund			
Current			
Culture and recreation	$ 223,650	$ 86,500	$ 137,150
Road and Bridge Special Revenue Fund			
Current			
Highways and streets	12,472,784	12,150,420	322,364
Intergovernmental			
Highways and streets	534,597	-	534,597
Debt service			
Principal	9,658	-	9,658
Interest	3,156	-	3,156
Social Services Special Revenue Fund			
Current			
Human services	9,926,895	9,903,900	22,995

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 3.C.8. 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:

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

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

General Employees Retirement Plan (Continued)

2016

- 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

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- 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.

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

Public Employees Correctional Plan

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- 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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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, 2017

	Special Revenue Funds		
	County Building	County Parks	Total
Assets			
Cash and pooled investments	$ 295,518	$ 211,154	$ 506,672
Delinquent taxes receivable	5,125	2,353	7,478
Total Assets	**$ 300,643**	**$ 213,507**	**$ 514,150**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	**$ 10,539**	**$ 7,654**	**$ 18,193**
Deferred Inflows of Resources			
Unavailable revenue	$ 5,125	$ 2,353	$ 7,478
Prepaid property taxes	3,849	1,832	5,681
Total Deferred Inflows of Resources	**$ 8,974**	**$ 4,185**	**$ 13,159**
Fund Balances			
Committed			
Park projects	$ -	$ 201,668	$ 201,668
County building projects	281,130	-	281,130
Total Fund Balances	**$ 281,130**	**$ 201,668**	**$ 482,798**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 300,643**	**$ 213,507**	**$ 514,150**

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, 2017**

	Special Revenue Funds		
	County Building	County Parks	Total
Revenues			
Taxes	$ 184,964	$ 79,300	$ 264,264
Intergovernmental	24,765	10,372	35,137
Miscellaneous	-	631	631
Total Revenues	**$ 209,729**	**$ 90,303**	**$ 300,032**
Expenditures			
Current			
General government	$ 234,120	$ -	$ 234,120
Culture and recreation	-	100,779	100,779
Total Expenditures	**$ 234,120**	**$ 100,779**	**$ 334,899**
Net Change in Fund Balances	**$ (24,391)**	**$ (10,476)**	**$ (34,867)**
Fund Balances - January 1	**305,521**	**212,144**	**517,665**
Fund Balances - December 31	**$ 281,130**	**$ 201,668**	**$ 482,798**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT B-3

BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 185,235	$ 185,235	$ 184,964	$ (271)
Intergovernmental	24,765	24,765	24,765	-
Total Revenues	**$ 210,000**	**$ 210,000**	**$ 209,729**	**$ (271)**
Expenditures				
Current				
General government	210,000	210,000	234,120	(24,120)
Net Change in Fund Balance	**$ -**	**$ -**	**$ (24,391)**	**$ (24,391)**
Fund Balance - January 1	**305,521**	**305,521**	**305,521**	**-**
Fund Balance - December 31	**$ 305,521**	**$ 305,521**	**$ 281,130**	**$ (24,391)**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT B-4

BUDGETARY COMPARISON SCHEDULE
COUNTY PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 77,576	$ 77,576	$ 79,300	$ 1,724
Intergovernmental	10,372	10,372	10,372	-
Miscellaneous	-	-	631	631
Total Revenues	**$ 87,948**	**$ 87,948**	**$ 90,303**	**$ 2,355**
Expenditures				
Current				
Culture and recreation				
Parks	87,948	87,948	100,779	(12,831)
Net Change in Fund Balance	**$ -**	**$ -**	**$ (10,476)**	**$ (10,476)**
Fund Balance - January 1	**212,144**	**212,144**	**212,144**	**-**
Fund Balance - December 31	**$ 212,144**	**$ 212,144**	**$ 201,668**	**$ (10,476)**

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, 2017

	Balance January 1	Additions	Deductions	Balance December 31
LOCAL COLLABORATIVE				
Assets				
Cash and pooled investments	$ 308,222	$ 146,319	$ 182,750	$ 271,791
Departmental cash	21	126	21	126
Accrued interest receivable	1,033	55	1,033	55
Total Assets	**$ 309,276**	**$ 146,500**	**$ 183,804**	**$ 271,972**
Liabilities				
Due to other governments	**$ 309,276**	**$ 146,500**	**$ 183,804**	**$ 271,972**
MOTOR VEHICLE				
Assets				
Cash and pooled investments	**$ 15,826**	**$ 337,468**	**$ 341,488**	**$ 11,806**
Liabilities				
Due to other governments	**$ 15,826**	**$ 337,468**	**$ 341,488**	**$ 11,806**
SPECIAL DISTRICTS				
Assets				
Cash and pooled investments	**$ -**	**$ 170,916**	**$ 170,916**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 170,916**	**$ 170,916**	**$ -**

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, 2017

	Balance January 1	Additions	Deductions	Balance December 31
SCHOOL DISTRICTS				
Assets				
Cash and pooled investments	$ -	$ 10,397,465	$ 10,397,465	$ -
Liabilities				
Due to other governments	$ -	$ 10,397,465	$ 10,397,465	$ -
STATE REVENUE				
Assets				
Cash and pooled investments	$ 83,550	$ 923,285	$ 943,277	$ 63,558
Liabilities				
Due to other governments	$ 83,550	$ 923,285	$ 943,277	$ 63,558
TOWNS AND CITIES				
Assets				
Cash and pooled investments	$ -	$ 10,324,885	$ 10,324,885	$ -
Liabilities				
Due to other governments	$ -	$ 10,324,885	$ 10,324,885	$ -

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, 2017

	Balance January 1	Additions	Deductions	Balance December 31
MORRISON, TODD, AND WADENA BOARD OF HEALTH				
Assets				
Cash and pooled investments	$ 162,644	$ 1,209,996	$ 1,292,949	$ 79,691
Liabilities				
Due to other governments	$ 162,644	$ 1,209,996	$ 1,292,949	$ 79,691
FORFEITED LAND				
Assets				
Cash and pooled investments	$ 16,428	$ 11,572	$ 22,185	$ 5,815
Liabilities				
Due to other governments	$ 16,428	$ 11,572	$ 22,185	$ 5,815
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	$ 491,286	$ 44,865,440	$ 44,576,098	$ 780,628
Liabilities				
Due to other governments	$ 491,286	$ 44,865,440	$ 44,576,098	$ 780,628

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, 2017

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 1,077,956	$ 68,387,346	$ 68,252,013	$ 1,213,289
Departmental cash	21	126	21	126
Accrued interest receivable	1,033	55	1,033	55
Total Assets	**$ 1,079,010**	**$ 68,387,527**	**$ 68,253,067**	**$ 1,213,470**
Liabilities				
Due to other governments	**$ 1,079,010**	**$ 68,387,527**	**$ 68,253,067**	**$ 1,213,470**

OTHER SCHEDULES

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017

Shared Revenue		
State		
Highway users tax	$	8,025,266
County program aid		1,688,489
Market value credit - real property		608,131
PERA rate reimbursement		48,267
Disparity reduction aid		29,096
Aquatic invasive species		128,680
Riparian Protection Aid		123,257
Police aid		158,849
SCORE		95,104
Enhanced 911		111,082
Total shared revenue	**$**	**11,016,221**
Reimbursement for Services		
Minnesota Department of Human Services	**$**	**1,038,674**
Payments - Local		
Local grants	$	55,937
Local share of construction		206,620
Payments in lieu of taxes		180,351
Total payments - local	**$**	**442,908**
Grants		
State		
Minnesota Department/Board of		
Corrections	$	620,275
Public Safety		9,450
Health		281,478
Veterans Affairs		11,000
Natural Resources		154,026
Human Services		1,886,390
Revenue		1,591
Water and Soil Resources		89,825
Pollution Control Agency		81,366
Trial Courts		92,588
Peace Officer Standards and Training Board		7,948
Total state	**$**	**3,235,937**
Federal		
Department of		
Agriculture	$	425,812
Defense		4,700
Transportation		594,627
Education		2,416
Health and Human Services		2,547,505
Homeland Security		43,903
Total federal	**$**	**3,618,963**
Total state and federal grants	**$**	**6,854,900**
Total Intergovernmental Revenue	**$**	**19,352,703**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

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	172MN004W1003	$ 186,175	$ -
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	239,637	-
Total U.S. Department of Agriculture			**$ 425,812**	**$ -**
U.S. Department of Defense				
Passed Through Minnesota Department of Military Affairs				
National Guard Military Operations and Maintenance (O&M) Projects	12.401	Not Provided	**$ 4,700**	**$ -**
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	00049	$ 587,661	$ -
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC17-2017-MORRISSO-085	20,521	1,026
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC17-2017-MORRISSO-085	3,722	-
Highway Safety Cluster				
National Priority Safety Programs	20.616	A-ENFRC17-2017-MORRISSO-085	4,000	1,790
Total U.S. Department of Transportation			**$ 615,904**	**$ 2,816**
U.S. Department of Education				
Passed Through Minnesota Department of Health				
Special Education - Grants for Infants and Families	84.181	H18A160029	**$ 2,416**	**$ -**
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	$ 5,234	$ -
(Total Promoting Safe and Stable Families 93.556 $24,968)				
TANF Cluster				
Temporary Assistance for Needy Families	93.558	1601MNTANF	256,989	-
(Total Temporary Assistance for Needy Families 93.558 $309,985)				

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

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

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				
Passed Through Minnesota Department of Human Services (Continued)				
Child Support Enforcement	93.563	1704MNCSES	559,132	-
Refugee and Entrant Assistance - State Administered Programs	93.566	1701MNRCMA	615	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	G1701MNCCDF	7,652	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRPG	6,544	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	5,900	-
Foster Care - Title IV-E	93.658	1701MNFOST	248,025	-
Social Services Block Grant	93.667	G-1701MNSOSR	184,537	-
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	12,577	-
Children's Health Insurance Program	93.767	05-1605MN5021	99	-
Medicaid Cluster				
Medical Assistance Program	93.778	05-1705MN5ADM	1,090,024	-
Medical Assistance Program	93.778	05-1605MN5MAP	24,976	-
(Total Medical Assistance Program 93.778 $1,115,000)				
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	3U90TP000529-04S1	24,697	-
Universal Newborn Hearing Screening	93.251	6NUR3DD000842-05-01	225	-
Maternal, Infant, and Early Childhood Home Visiting Cluster				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	D89MC28263	5,886	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	Not Provided	400	-
TANF Cluster				
Temporary Assistance for Needy Families	93.558	2015G996115	52,996	-
(Total Temporary Assistance for Needy Families 93.558 $309,985)				
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	41,263	-
Passed Through Becker County, Minnesota				
Promoting Safe and Stable Families	93.556	G-1701MNFPSS	19,734	-
(Total Promoting Safe and Stable Families 93.556 $24,968)				
Total U.S. Department of Health and Human Services			**$ 2,547,505**	**$ -**

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

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

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	R29G4CGSFFY16	$ 20,550	$ -
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	A-EMPG-2017-MORRISCO-051	23,353	-
Total U.S. Department of Homeland Security			**$ 43,903**	**$ -**
Total Federal Awards			**$ 3,640,240**	**$ 2,816**

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 239,637
Total expenditures for Highway Planning and Construction Cluster	587,661
Total expenditures for Highway Safety Cluster	24,521
Total expenditures for TANF Cluster	309,985
Total expenditures for CCDF Cluster	7,652
Total expenditures for Medicaid Cluster	1,115,000
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster	5,886

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, 2017

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 $437,678 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, 2017. 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.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 3,618,963
Grants received more than 60 days after year-end, unavailable in 2017	
Highway Planning and Construction Cluster	21,277
Expenditures Per Schedule of Expenditures of Federal Awards	$ 3,640,240

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MORRISON COUNTY
RURAL DEVELOPMENT FINANCE AUTHORITY

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MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT E-1

GENERAL FUND BALANCE SHEET
AND GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
MORRISON COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY
DECEMBER 31, 2017

	General Fund	Reconciliation	Governmental Activities
Assets			
Current assets			
Cash	$ 848,398	$ -	$ 848,398
Loans receivable	74,892	-	74,892
Total Assets	**$ 923,290**	**$ -**	**$ 923,290**
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position			
Liabilities			
Current liabilities			
Due to other governments	$ 13,139	$ -	$ 13,139
Deferred Inflows of Resources			
Unavailable revenue	74,892	(74,892)	-
Fund Balance			
Restricted for economic development	835,259	(835,259)	
Net Position			
Restricted for economic development		910,151	910,151
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	**$ 923,290**	**$ -**	**$ 923,290**

Reconciliation of the General Fund Balance to Net Position	
Fund Balance - General Fund	$ 835,259
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	74,892
Net Position - Governmental Activities	**$ 910,151**

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

EXHIBIT E-2

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES MORRISON COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Reconciliation	Governmental Activities
Revenues			
Taxes	$ 83,173	$ -	$ 83,173
Intergovernmental			
State-shared revenues	2,872	-	2,872
Investment earnings	4,564	-	4,564
Insurance dividends	585	-	585
Miscellaneous	277,101	(225,856)	51,245
Total Revenues	**$ 368,295**	**$ (225,856)**	**$ 142,439**
Expenditures/Expenses			
Current			
Economic development	101,505	100,000	201,505
Net Change in Fund Balance/Change in Net Position	**$ 266,790**	**$ (325,856)**	**$ (59,066)**
Fund Balance/Net Position - January 1	**568,469**	**400,748**	**969,217**
Fund Balance/Net Position - December 31	**$ 835,259**	**$ 74,892**	**$ 910,151**

Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	
Net Change in Fund Balance	$ 266,790
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 and expenses between the fund statement and the statement of activities is the increase or decrease in unavailable revenue.	(325,856)
Change in Net Position of Governmental Activities	**$ (59,066)**

Management and Compliance Section

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MORRISON COUNTY

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REBECCA OTTO
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Morrison County
Little Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morrison County, Minnesota, as of and for the year ended December 31, 2017, 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 20, 2018. 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*, except as described in the Schedule of Findings and Questioned Costs as items 2017-003 and 2017-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

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

Morrison County's Response to Findings

Morrison County's responses to the internal control, legal compliance, and management practices findings identified in our audit 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

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 20, 2018

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

Independent Auditor's Report

Board of County Commissioners
Morrison County
Little Falls, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Morrison County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. Morrison County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Morrison County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Morrison County component unit, which expended $437,678 in federal awards during the year ended December 31, 2017, 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 each of Morrison County's major federal programs 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 each 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 Medicaid Cluster (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 Medicaid Cluster 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 Medicaid Cluster (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 Medicaid Cluster for the year ended December 31, 2017.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Morrison County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002. Our opinion on the major federal program is not modified with respect to these matters.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 significant deficiencies.

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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002 to be significant deficiencies.

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 20, 2018

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 major federal programs: **Unmodified for all major programs, except for the Medicaid Cluster, which is qualified.**

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

The major federal programs are:

Child Support Enforcement	CFDA No. 93.563
Medicaid Cluster	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? **No**

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 County departments that collect fees lack proper segregation of duties, including the Sheriff, Jail, and Public Health Departments. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts, as well as reconciling bank accounts.

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

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

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

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

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' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

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.

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. In the case files tested for compliance with eligibility requirements, not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in the sample of 40 cases tested:

- One case file had insufficient verification for the specific eligibility group used.
- Three case files had insufficient documentation supporting the amount of income input into MAXIS.
- Six case files had assets that were either not properly verified or the incorrect amount was input into MAXIS.

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

<u>ITEMS ARISING THIS YEAR</u>

Finding Number 2017-001

<u>Uniform Guidance Written Procurement Policies and Procedures</u>

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation. The Uniform Guidance provides for a grace period for implementation of the new procurement standards provided that election is documented with the choice to use previous procurement standards.

Condition: The County's written procurement policies contain most of the components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations*. However, the language pertaining to §§ 180.300, 200.318, and 200.323 are missing. The County did not enact the extension of the waiver offered by the Uniform Guidance for implementation of the new procurement standards.

Questioned Costs: Not applicable.

Context: This issue was discovered during the audit of the Medicaid Cluster; however, it impacts federal programs entity-wide. Written policies and procedures that reflect the specific components of federal regulations improve controls to ensure compliance with federal award requirements. The County approved and implemented procurement policies and procedures on January 1, 2017, which include many of the Uniform Guidance components.

Effect: Noncompliance with federal program requirements. Additionally, written policies and procedures that reference the Uniform Guidance procurement requirements, but do not include all the requirements, could increase the risk of noncompliance with other federal program requirements.

Cause: Specific procurement policy language required by the Uniform Guidance was missed when drafting the County's policy.

Recommendation: We recommend the County implement and adhere to written procurement policies and procedures addressing the specific components of the Uniform Guidance requirements.

View of Responsible Official: Acknowledged

Finding Number 2017-002

Procurement, Suspension, and Debarment

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) states that the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Non-federal entities must follow further federal guidance over verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h).

Condition: Of two procurement transactions over $3,500 tested for compliance with federal regulations, one instance was noted where the County had no documentation to meet the requirements of the history of procurement or full and open competition. Additionally, there was no verification performed by the County to determine whether vendors were debarred or suspended or whether other exclusions existed.

Questioned Costs: None

Context: The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*. Two procurement transactions over $3,500 were tested for compliance with federal regulations; both contracts were over $25,000.

Effect: The County is not in compliance with federal regulations.

Cause: The County was unaware of these requirements.

Recommendation: We recommend the County document the history of procurement transactions, including contract selection and full and open competition, in accordance with federal regulations. We further recommend the County verify that vendors are not debarred or suspended, or that other exclusions apply.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEMS ARISING THIS YEAR

Finding Number 2017-003

Collateral Assignments

Criteria: Minnesota Statutes, section 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. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged."

Condition: The County could not provide documentation to verify that the language pertaining to pledged collateral required by Minn. Stat. § 118A.03 was included in the original pledge agreements for 15 of the 22 securities pledged as collateral by Farmers and Merchants Bank as of December 31, 2017.

Context: The depository has pledged securities from its investment portfolio as collateral to secure the County's deposits in excess of the available federal deposit insurance. However, a written assignment of the collateral to the County is not included with the pledging documents.

Effect: Without an approved written assignment of the pledged collateral, the County does not have a perfected security interest in the pledged collateral. Deposits held in excess of federal deposit insurance are at risk of loss should the depository fail.

Cause: The County indicated the pledge agreements could not be located because they date back to original agreements that have been substituted over time, and new agreements were not put in place during the substitution.

Recommendation: We recommend the County require that its depositories provide written assignments for all collateral pledged. The assignments should include the statutory language required by Minn. Stat. § 118A.03, subd. 4, and should be approved by each bank's board of directors or loan committee, with the County receiving documentation of that approval.

View of Responsible Official: Acknowledged

Finding Number 2017-004

<u>Sale of Personal Property - Advertising for Bids</u>

Criteria: Pursuant to Minn. Stat. § 373.01, subd. 1(c), the sale of personal property estimated to be $15,000 or more must be made only after advertising for the bid or proposal in the County's official newspaper, on the County's website, or in a recognized trade journal. Furthermore, if the County advertises a sale via the electronic selling process on its website or in a trade journal, the County must also publish a summary of all requests for bids or proposals in the official newspaper.

Condition: During the year, the County sold three equipment items with estimated values greater than $15,000 using an electronic selling process without publishing a notice in the County's official newspaper.

Context: All three items were sold through an online auction process used by the County to sell old or obsolete items.

Effect: By failing to publish an advertisement for bids, the County may have excluded potential bidders and was not in compliance with Minn. Stat. § 373.01, subd. 1(c).

Cause: County staff was unaware of the requirement to advertise for bids when personal property sold was estimated to be greater than $15,000. In the past, these types of items would have been traded in rather than sold. However, the County has found that it can sell items at a higher price through the online auction process.

Recommendation: We recommend that, when selling any personal property with an estimated value of $15,000 or more, the County advertise for bids in a manner that meets the requirements of Minn. Stat. § 373.01, subd. 1(c).

View of Responsible Official: Acknowledged

B. <u>MANAGEMENT PRACTICES</u>

<u>PREVIOUSLY REPORTED ITEM NOT RESOLVED</u>

Finding Number 2015-003

<u>Property and Evidence Room</u>

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: The following issues were noted during review of the County's property and evidence room procedures:

- 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 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 ITEM RESOLVED

2016-001 Allowable Costs/Cost Principles

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REPRESENTATION OF MORRISON COUNTY
LITTLE FALLS, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Name of Contact Person Responsible for Corrective Action:

Deb Lowe, County 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:

Ongoing

Finding Number: 2015-001
Finding Title: Eligibility
Program: Medicaid Cluster (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 2017 Medical Assistance Program with staff at unit meeting. (To be completed at August 30, 2018 unit meeting.)

- Retrain staff on federal requirements pertaining to assets. (To be completed at August 30, 2018 unit meeting.)

- Review CAP at August 30, 2018 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:

August 30, 2018

Finding Number: 2017-001
Finding Title: Uniform Guidance Written Procurement Policies and Procedures
Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Steve Messerschmidt, Financial Risk Manager - Deputy Auditor

Corrective Action Planned:

The Policy was changed to reflect the changes that were required.

Anticipated Completion Date:

The Policy was approved by the County Board on August 7, 2018, with the revisions required.

Finding Number: 2017-002
Finding Title: Procurement, Suspension, and Debarment
Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Brad Vold, Director of Social Services

Corrective Action Planned:

Morrison County has contracted with Tri-CAP of St. Cloud for at least 15 years. Current staff are not aware of the procurement process that occurred when Tri-CAP was selected for public transportation and volunteer driver administration when selected as a vendor. At the time this service was initiated, the procurement process was different than it is today. These services have not been procured for on an annual basis as Tri-CAP is the recognized vendor for public transportation by the state and federal government and receives funds to provide public transit in Morrison County. As a provider recognized by the federal government, they are required to provide a 15 percent match to receive these funds and Morrison County Social Services supports public transportation as a service this community needs and values, which is why we contract with Tri-CAP. Even though there are neighboring providers, we believe since the federal government supports public transportation in Morrison County by providing grants to Tri-CAP, this should allow Morrison County to negotiate with Tri-CAP and not procure on an annual basis for this service. As a part of the contracting process, we also ask providers to sign an excluded provider form that indicates we cannot contract with a provider who has been suspended or debarred by the state or federal government and certify that principals or their employees have not been suspended or disbarred.

Anticipated Completion Date:

Given the explanation above, we believe that we are compliant under the law and so corrective action should not be needed. If the answer above is not sufficient and Auditors are going to require procurement, we would procure for 2020, given the development of the RFP, budget planning, and implementation.

Finding Number: 2017-003
Finding Title: Collateral Assignments

Name of Contact Person Responsible for Corrective Action:

Deb Lowe, County Auditor-Treasurer

Corrective Action Planned:

Because Farmers and Merchants Bank is only required by law to keep collateral records on hand for two years, it was impossible to obtain the records from them. Because some of the collateral may have been substituted many, many times over the past several years that we have done business with the bank, there are just too many records to review to produce the documents the Auditors requested. We plan to put a Collateral Control Agreement in place with the bank that will contain the needed language.

Anticipated Completion Date:

September 2018

Finding Number: 2017-004
Finding Title: Sale of Personal Property - Advertising for Bids

Name of Contact Person Responsible for Corrective Action:

Steven C. Backowski, Director, Public Works Department
Sherry Welinski, Finance Officer, Public Works Department

Corrective Action Planned:

The Morrison County Public Works Department with regards to the "Sale of Personal Property - Advertising for Bids" has implemented and currently uses the following criteria: Any sale of personal property estimated to be $15,000 or more will be made only after advertising for the bid or proposal in the County's official newspaper for two weeks.

Anticipated Completion Date:

August 9, 2018

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 effective immediately. They will also be doing random checks for evidence. The Auditor advised the Chief Deputy that this would be fine until the remodel, which should be complete in 2019.

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, 2017

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

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

Summary of Corrective Action Previously Reported: 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.

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: 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 with staff at a unit meeting on July 20, 2017. Staff will be re-trained on federal requirements pertaining to assets (completed at July 20, 2017 unit meeting) and instructed that all documentation/verification received from participants are to be entered into MAXIS. Workers will review SPAN in MAXIS and use a cheat sheet. A peer review process will be implemented, and eligibility workers may be placed on a PIP if infractions continue.

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

Summary of Condition: During review of Morrison County's 2016 cost allocation plan (CAP), which is based on County data from 2014, auditors 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.

Summary of Corrective Action Previously Reported: The vendor who prepares the CAP for the County was contacted. In the future, any concerns, confusion, or questions that arise during the preparation of the CAP by the vendor will be brought to the County's attention. Because the error was minor, the CAP will not be corrected.

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: Only the Sheriff, Chief Deputy, and the two investigators have access effective immediately. They will also be doing random checks of evidence. The County is waiting until the Government Center remodel project is completed to implement new procedures.

Status: Not Corrected. The Government Center remodeling project is not scheduled for completion until 2019. Any changes to property and evidence room policies and procedures would not be made until then. Periodic checks are done to make sure evidence is properly maintained. 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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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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STATE AUDITOR

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

Independent Auditor's Report

Board of 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, 2017, 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 20, 2018.

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.

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. However, as described in the accompanying Schedule of Findings and Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and an item that we consider to be a significant deficiency.

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 Morrison County 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 attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2017-001 to be a material weakness and item 2011-001 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, and public indebtedness because the RDFA has no long-term debt.

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.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 20, 2018

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MORRISON COUNTY
RURAL DEVELOPMENT FINANCE AUTHORITY
LITTLE FALLS, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

<u>INTERNAL CONTROL</u>

<u>PREVIOUSLY REPORTED ITEM NOT RESOLVED</u>

Finding Number 2011-001

<u>Segregation of Duties</u>

Criteria: A good system of internal controls 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

ITEM ARISING THIS YEAR

Finding Number 2017-001

Audit Adjustment

Criteria: 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 of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: An audit adjustment was identified that resulted in significant changes to the RDFA's financial statements. This adjustment was reviewed and approved by the appropriate RDFA staff and is properly reflected in the financial statements.

Context: The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustment was found in the audit; however, independent external auditors cannot be considered part of the RDFA's internal control.

Effect: An audit adjustment was needed in the General Fund to reduce unavailable revenue and expenditures by $100,000 to properly account for the loans receivable allowance recorded for 2017. This adjustment also affected the governmental activities.

Cause: This activity was incorrectly recorded when financial statement information was prepared.

Recommendation: We recommend RDFA staff implement additional procedures over financial reporting that include a comprehensive review of balances, disclosures, and supporting documentation by a qualified individual to ensure the information is complete and accurate so the RDFA's financial statements are fairly presented in accordance with generally accepted accounting principles.

View of Responsible Official: Concur

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2016-001

Collateral Assignments

Criteria: Minnesota Statutes, section 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 U.S. Bank for deposits held at Pine Country Bank totaled $691,466 as of December 31, 2017. The depository has pledged securities from its investment portfolio as collateral to secure the RDFA's deposits in excess of the available federal deposit insurance. However, absent from the pledging documents is the depository's board of directors' 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

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

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Name of Contact Person Responsible for Corrective Action:

Deb Lowe, County 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:

Ongoing

Finding Number: 2017-001
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Deb Lowe, County Auditor-Treasurer

Corrective Action Planned:

The County Auditor was asked by the Financial Manager to remove the entry for uncollectable accounts to bring the books back to a cash basis. He indicated he would make the entry as a journal entry under the accrual basis. In the future, I will leave my entries as is and adjustments can be made afterwards.

Anticipated Completion Date:

August 8, 2018

Finding Number: 2016-001
Finding Title: Collateral Assignments

Name of Contact Person Responsible for Corrective Action:

Deb Lowe, County 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 am obtaining a separate resolution. The resolution for 2018 came with the wrong name on it. I will ensure this does not happen in the future.

Anticipated Completion Date:

December 2018

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

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: 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.

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___

Finding Number: 2016-001
Finding Title: Collateral Assignments

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

Summary of Corrective Action Previously Reported: The RDFA will obtain a separate bank board resolution.

Status: Partially Corrected. The RDFA obtained a separate bank resolution and Collateral Control Agreement. The bank forgot to change the name on the resolution but did do a separate resolution on a separate date. I will ensure that the name is changed for 2019.

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