

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

MANAGEMENT AND COMPLIANCE REPORT
PREPARED AS A RESULT OF THE AUDIT OF

MORRISON COUNTY
LITTLE FALLS, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2004

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

For the Year Ended December 31, 2004



Management and Compliance Report

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

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**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of Morrison County.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of Morrison County and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." It is not a material weakness.
- C. No instances of noncompliance material to the financial statements of Morrison County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Morrison County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Low-Income Home Energy Assistance	CFDA #93.568
Social Services Block Grant - Title XX	CFDA #93.667
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Morrison County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-2 Departmental Internal Accounting Control

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

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

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

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

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

- Department heads should monitor operations within their office to determine that reports are submitted properly and are in agreement with cash balances and grant expenditures.
- When an office has only a department head and one other employee, the department head should perform some of the accounting functions.

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

Client's Response:

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

03-1 Administrative Offense Procedures

The Morrison County Board created Administrative Offense Procedures through the adoption of several ordinances. Pursuant to these ordinances, sheriff department deputies issue administrative civil penalty tickets (hereinafter "administrative tickets") for various State traffic offenses including speeding, failure to obey traffic signals, and improper turns. Eleven of the County ordinance violations define the offense by referring to the appropriate section of Minn. Stat. ch. 169.

Minn. Stat. ch. 169 clearly states, and a Minnesota Attorney General's opinion concluded, that local public entities do not have authority to issue administrative tickets for State traffic offenses. When State law has already defined a traffic violation and penalty, the sheriff department's only decision and authority is whether to issue a ticket or not. There is no discretion allowed for the County to re-define the amount to be collected for such a penalty.

At Morrison County, however, deputies decide whether to give motorists a warning, issue a State ticket, or issue a County administrative ticket for violations that are traffic offenses for both State law and County ordinance purposes. If a County administrative ticket is issued, the amount to be paid does not include the surcharges for court costs that would have been included with a state ticket, and Morrison County keeps all the revenue without forwarding any portion to the State. In addition, State traffic violations committed in Morrison County are kept off the State's driving records leaving them unknown to insurance companies, law enforcement officers in other agencies, and the Minnesota Department of Public Safety. For the year ended December 31, 2004, Morrison County has deposited over \$67,000 into its General Fund from these County administrative civil penalties.

In December 2003, the Minnesota Attorney General addressed the issue of cities using similar "administrative fines" for State traffic offenses. The Minnesota Attorney General quoted Minn. Stat. § 169.022:

The provisions of this chapter shall be applicable and uniform throughout this State and in all political subdivisions and municipalities therein, and no local authority shall enact or enforce any rule or regulation in conflict with the provisions of this chapter unless expressly authorized herein. Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense.

Since the Morrison County administrative civil penalties are not provided for in Minn. Stat. ch. 169, they violate Minn. Stat. § 169.022. The Minnesota Attorney General went on to comment that law enforcement officers should make law enforcement decisions based on culpability and evidence, not on "the offender's willingness to make a payment directly to the city." The Minnesota Attorney General concluded that, by enacting Minn.

Schedule 1
(Continued)

Stat. ch. 169, the State has pre-empted the field with respect to these traffic offenses. The Minnesota Attorney General stated, “It is not consistent with State public policy for a public official to direct or urge that city police officers not enforce the law of the State to the best of their judgment and ability.” Consequently, cities are not authorized to change the nature of penalties for criminal offenses specified by chapter 169.

Further, Minn. Stat. § 169.99 prescribes a uniform ticket to be used for “violations of this chapter and ordinances in conformity thereto.” The administrative ticket designed and used in Morrison County does not comply with this statute. Therefore, the use of the County’s administrative ticket for Minn. Stat. ch. 169 offenses violates the express requirements of Minn. Stat. § 169.99.

Counties are subordinate agencies of the State. It is a function of counties to implement State policy. They do not exist exclusively for the benefit of their citizens. Kasch v. Clearwater County, 289 N.W.2d 148, 151 (Minn. 1980). The adoption by Morrison County of the Administrative Offense Procedures as discussed represents not only failure on the part of the County and its Commissioners to fulfill their function and duty of enforcing and upholding State law, but also an intentional violation of State law.

We strongly recommend Morrison County comply with Minn. Stat. ch. 169. The County should immediately discontinue its practice of providing administrative tickets for traffic violations that are different than those provided by State law. Tickets used by the County for State traffic violations must be in the form prescribed by law. Administrative Offense Procedures and ordinances adopted by the County must be consistent with statutory provisions. The County should notify and work with the Minnesota Department of Finance to determine if the County owes any amounts to the State for fines collected.

Client’s Response:

Morrison County respectfully disagrees with the State Auditor’s determination that the County’s Administrative Offense Procedures Ordinance violates Minnesota law. County officials, including the County Board, have carefully reviewed the written opinions of the State Auditor and Attorney General, the proposed comment to the 2003 audit, and applicable State law.

The County believes:

- 1) *The Administrative Offense Procedure Ordinance adopted by Morrison County in September 2003 establishes an economical, speedy, and fair method of imposing penalties on individuals guilty of violating the Morrison County Traffic and Criminal Code. The County's traffic and criminal code covers minor, nuisance-type offenses. Before the advent of administrative tickets, deputies often gave verbal or written warnings to individuals committing these offenses. The Administrative Offense Procedures Ordinance holds individuals who violate the traffic or criminal code accountable by requiring them to pay a modest fine.*
- 2) *Violator's due process rights are adequately protected under the Morrison County ordinances. An individual given an administrative citation is entitled to an administrative hearing where the violator, law enforcement officer, and other witnesses will all have an opportunity to testify and be subject to cross-examination before a hearing officer. In addition, the violator can ask that the offense be removed from the administrative procedure; and a State court citation will be issued.*
- 3) *The administrative process relieves some of the pressure on the State court system. The use of administrative procedures for nuisance offenses reserves scarce court resources for more important criminal and civil matters. The State Legislature has identified a strong public policy of reducing the burden on State courts. This policy is evident through the requirement that every county establish diversion programs for juveniles and adults and the Court's insistence on alternative dispute resolution. Prosecution of nuisance offenses through an administrative procedure would be identified as a "best practice" if the State were not concerned about a potential loss of revenue. Fair, inexpensive, and speedy resolutions of minor offenses should be encouraged.*
- 4) *The Morrison County administrative ordinances are complimentary to, not incompatible with, State law. To be incompatible, an ordinance must be irreconcilable when read together with State law. That is, it must permit what the State prohibits or prohibit what the State allows. The ordinances adopted by Morrison County clearly are not incompatible; in fact, the majority of offenses are defined by reference to state law.*

Schedule 1
(Continued)

- 5) *The field of traffic law is not preempted by Minnesota Statute 169. Minn. Stat. § 169.022 specifically states, “Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense.” Had the legislature intended to preempt the field of traffic regulation, it would certainly not have specifically allowed local ordinances.*
- 6) *Minnesota Statute § 169.022 does require penalties established by local ordinances be identical to those established by State law. Morrison County adopted a resolution setting penalties for traffic offenses between \$25 and \$60. State law sets the penalty for these same offenses as petty misdemeanors that carry a maximum penalty of \$300. The exact amount of the penalty for each offense is dependent by the uniform fine schedule prepared by the chief judges of the district courts. This fine schedule can be adjusted from year to year and is occasionally adjusted by local courts. As long as the County’s fine schedule is within the petty misdemeanor limit, i.e., \$300 or less, the County has conformed the requirements of § 169.022.*
- 7) *Minnesota Statute § 169.99 requires a uniform traffic ticket. This is a procedural, not a substantive law. A full reading of the statute makes it clear that uniformity is required for the benefit of the court system. Because administrative tickets are not handled by the court system, this statute has no bearing on the form of ticket used by the County.*
- 8) *Morrison County is only one of a number of municipalities that use administrative procedures for minor offenses. The system has proven to be an effective law enforcement tool.*

The County believes that this issue should be resolved by the Legislature. To that end and at the County’s urging, local legislators introduced a bill in the 2005 legislative session to specifically allow local authorities to issue administrative citations. That bill, Senate File 1042, and a bill to prohibit administrative tickets, S.F. 1713, were both heard by the Senate Transportation Committee on March 31, 2005. Police chiefs and city administrators from around the state, along with representatives from Morrison County, testified at the hearing. The committee approved the bill authorizing administrative tickets and rejected the bill prohibiting them. To the best of our knowledge, no further action was taken by the Legislature last session. Morrison County will continue to pursue legislative authority for administrative tickets in the coming legislative sessions.

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PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Morrison County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the remaining fund information of Morrison County as of and for the year ended December 31, 2004, and have issued our report thereon dated October 7, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Morrison County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 96-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition indicated above is not a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Morrison County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 03-1.

This report is intended solely for the information and use of the Board and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: October 7, 2005



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PATRICIA ANDERSON
STATE AUDITOR

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners
Morrison County

Compliance

We have audited the compliance of Morrison County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Morrison County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Morrison County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Morrison County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Morrison County as of and for the year ended December 31, 2004, and have issued our report thereon dated October 7, 2005. Our audit was performed 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 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: October 7, 2005

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 2

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

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

**MORRISON COUNTY
LITTLE FALLS, MINNESOTA**

Schedule 2
(Continued)

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

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

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Morrison County. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. During 2004, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.