

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CENTRAL MINNESOTA
COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 700 public pension funds; and

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

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

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**CENTRAL MINNESOTA
COMMUNITY CORRECTIONS
BRainerd, MINNESOTA**

Year Ended December 31, 2015



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

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**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

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**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

ORGANIZATION SCHEDULE
2015

	<u>Position</u>	<u>County</u>
Joint Powers Board		
J. Mark Wedel	Member	Aitkin County
Anne Marcotte	Member	Aitkin County
Laurie Westerlund	Member	Aitkin County
Donald Niemi	Member	Aitkin County
Brian Napstad	Member	Aitkin County
Paul Koering	Member	Crow Wing County
Paul Thiede	Chair	Crow Wing County
Rachel Nystrom	Vice Chair	Crow Wing County
Rosemary Franzen	Member	Crow Wing County
Doug Houge	Member	Crow Wing County
Kevin Maurer	Member	Morrison County
Jeffrey Jelinski	Member	Morrison County
Randy Winscher	Member	Morrison County
Mike Wilson	Member	Morrison County
Duane Johnson	Member	Morrison County
Executive Committee		
J. Mark Wedel	Member	Aitkin County
Duane Johnson	Vice Chair	Morrison County
Mike Wilson	Member	Morrison County
Laurie Westerlund	Chair	Aitkin County
Paul Thiede	Member	Crow Wing County
Rachel Nystrom	Member	Crow Wing County
Jerry Negen	Member	Advisory Board
CMCC		
Tom Rosenthal	Director	
Elizabeth DeRuyck	Co-Director	
Nicole Kern	Co-Director	

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Joint Powers Board
Central Minnesota Community Corrections
Brainerd, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Central Minnesota Community Corrections as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Community Corrections' 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 Community Corrections' 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 Community Corrections' 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Central Minnesota Community Corrections as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(Unaudited)**

This section of the annual financial report presents our discussion and analysis of Central Minnesota Community Corrections' financial performance during the fiscal year that ended December 31, 2015. The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999. Certain comparative information between the current year, 2015, and the prior year, 2014, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

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

- Government-wide net position decreased by 12.3 percent from the prior year's restated net position.
- Overall fund level revenues totaled \$3,031,925 and were \$63,962 less than expenditures.
- The General Fund's fund balance decreased \$63,962 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts--Independent Auditor's Report; the MD&A (this section), which is required supplementary information; the basic financial statements; and a budgetary comparison schedule, which is also required supplementary information. The basic financial statements include the General Fund Balance Sheet and Governmental Activities Statement of Net Position and the General Fund Revenues, Expenditures, and Changes in Fund Balance and Governmental Activities Statement of Activities.

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

Figure A-1 summarizes the major features of the Community Corrections’ financial statements, including the portion of the Community Corrections’ 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-1
Major Features of the Government-Wide
and Fund Financial Statements**

Type of Statements	Government-Wide	Governmental Fund
Scope	Entire government	The activities of the government that are not proprietary or fiduciary
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included

Government-Wide and Fund Financial Statements

The financial statements included in this report combine the governmental fund and government-wide activities into two statements.

The governmental, or General Fund, activity includes the Community Corrections’ basic services which generally focus on (1) how cash and other financial assets can be readily converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Community Corrections’ programs.

The government-wide statements report information about the Community Corrections as a whole using accounting methods similar to those used by private-sector companies. These statements include all of the assets and deferred outflows of resources along with the liabilities and deferred inflows of resources of the Community Corrections, including long-term activity. 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.

FINANCIAL ANALYSIS OF THE COMMUNITY CORRECTIONS AS A WHOLE

Net Position

The Community Corrections' net position was (\$2,992,969) on December 31, 2015.

**Table A-2
Net Position**

	2015	2014*
Assets		
Current	\$ 1,010,089	\$ 1,077,499
Capital assets	-	495
Total Assets	\$ 1,010,089	\$ 1,077,994
Deferred Outflows	\$ 242,517	\$ 74,951
Liabilities		
Long-term	\$ 3,654,769	\$ 3,445,836
Other	364,632	373,432
Total Liabilities	\$ 4,019,401	\$ 3,819,268
Deferred Inflows	\$ 226,174	\$ -
Net Position		
Net investment in capital assets	\$ -	\$ 495
Unrestricted	(2,992,969)	(2,666,818)
Total Net Position	\$ (2,992,969)	\$ (2,666,323)

**Table A-3
Change in Net Position**

	2015	2014*
Revenues		
Intergovernmental	\$ 2,714,887	\$ 2,550,681
Charges for services	304,952	301,349
Miscellaneous	12,086	11,309
Total Revenues	\$ 3,031,925	\$ 2,863,339
Expenses		
Public safety	3,358,571	4,843,304
Change in Net Position	\$ (326,646)	\$ (1,979,965)
Net Position - January 1	(2,666,323)	(686,358)
Net Position - December 31	\$ (2,992,969)	\$ (2,666,323)

*For 2015, a restatement of prior year net position was required because of a change in accounting principles. The change is reflected in the 2014 column (see Note 1.F.).

FINANCIAL ANALYSIS OF THE COMMUNITY CORRECTIONS AT THE FUND LEVEL

The financial performance of the Community Corrections as a whole is reflected in its governmental fund as well. The General Fund, which is the only governmental fund of the Community Corrections, includes the primary operations of the Community Corrections in providing corrections services to local governments in central Minnesota. As the Community Corrections completed the year, the General Fund reported a fund balance of \$926,323.

The following schedule presents a comparative summary of General Fund revenues:

**Table A-4
General Fund Revenues**

Function	Year Ended		Change	
	December 31, 2015	December 31, 2014	Increase/ (Decrease)	Percent (%)
Intergovernmental	\$ 2,714,887	\$ 2,550,681	\$ 164,206	6.44
Charges for services	304,952	301,349	3,603	1.20
Miscellaneous	12,086	11,309	777	6.87
Total General Fund Revenues	\$ 3,031,925	\$ 2,863,339	\$ 168,586	5.89

The following schedule presents a summary of General Fund expenditures:

**Table A-5
General Fund Expenditures**

Function	Year Ended		Change	
	December 31, 2015	December 31, 2014	Increase/ (Decrease)	Percent (%)
Public safety	\$ 3,095,887	\$ 2,921,628	\$ 174,259	5.96

The Community Corrections adopts an annual budget for the General Fund on the modified accrual basis of accounting. Budgets may be amended during the year with proper approval. The Community Corrections' budget did have revenue and expenditure amendments for the year ended December 31, 2015.

CAPITAL ASSETS

The Community Corrections' investment in capital assets at December 31, 2015, was \$0, net of accumulated depreciation. Depreciation expense for the year was \$495.

Table A-6
Capital Assets, Net of Depreciation

	<u>2015</u>	<u>2014</u>
Office furniture and equipment	<u>\$ -</u>	<u>\$ 495</u>

FACTORS BEARING ON THE COMMUNITY CORRECTIONS' FUTURE

Central Minnesota Community Corrections is dependent on the State of Minnesota for a significant portion of its revenue. The State of Minnesota, through the Department of Corrections, provides both an operational subsidy and targeted grants for specific components of Community Corrections' services. The organization anticipates some degree of reserve spending in the coming year. Central Minnesota Community Corrections will dissolve on June 30, 2016, as approved by the County Boards of each member entity. Pursuant to the joint powers agreement, in the event of dissolution, the unexpended balance of monies and assets held at June 30, 2016, will be divided between the member counties in proportion to their contributions.

CONTACTING THE COMMUNITY CORRECTIONS' FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Community Corrections' finances and to demonstrate the Community Corrections' accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Elizabeth DeRuyck, Co-Director, at 218-927-7281.

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BASIC FINANCIAL STATEMENTS

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**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

EXHIBIT 1

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

	General Fund	Adjustments	Governmental Activities
<u>Assets and Deferred Outflows of Resources</u>			
Current assets			
Cash and pooled investments with Crow Wing County	\$ 933,431	\$ -	\$ 933,431
Due from other governments	76,658	-	76,658
Total Assets	\$ 1,010,089	\$ -	\$ 1,010,089
Deferred Outflows of Resources			
Deferred pension obligations outflows	-	242,517	242,517
Total Assets and Deferred Outflows of Resources	\$ 1,010,089	\$ 242,517	\$ 1,252,606
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u>			
Liabilities			
Current liabilities			
Accounts payable	\$ 778	\$ -	\$ 778
Salaries payable	70,172	-	70,172
Compensated absences payable	-	280,866	280,866
Due to other governments	12,816	-	12,816
Long-term liabilities			
Compensated absences payable due after one year	-	31,210	31,210
Net other postemployment benefits (OPEB) obligations	-	1,871,856	1,871,856
Net pension liability	-	1,751,703	1,751,703
Total Liabilities	\$ 83,766	\$ 3,935,635	\$ 4,019,401
Deferred Inflows of Resources			
Deferred pension obligations inflows	-	226,174	226,174
Fund Balance			
Unassigned	926,323	(926,323)	
Net Position			
Unrestricted		(2,992,969)	(2,992,969)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 1,010,089	\$ 242,517	\$ 1,252,606

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

***EXHIBIT 1
(Continued)***

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

Reconciliation of the General Fund Balance to Net Position

Fund Balance - General Fund	\$	926,323
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the governmental fund.		242,517
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental fund.		
Compensated absences payable	\$	(312,076)
Net OPEB obligation		(1,871,856)
Net pension liability		<u>(1,751,703)</u>
		(3,935,635)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund.		<u>(226,174)</u>
Net Position - Governmental Activities	\$	<u><u>(2,992,969)</u></u>

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

EXHIBIT 2

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

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 2,714,887	\$ -	\$ 2,714,887
Charges for services	304,952	-	304,952
Miscellaneous	12,086	-	12,086
Total Revenues	\$ 3,031,925	\$ -	\$ 3,031,925
Expenditures/Expenses			
Public safety	3,095,887	262,684	3,358,571
Change in Fund Balance/Net Position	\$ (63,962)	\$ (262,684)	\$ (326,646)
Fund Balance/Net Position - January 1, as restated (See Note 1.F.)	990,285	(3,656,608)	(2,666,323)
Fund Balance/Net Position - December 31	\$ 926,323	\$ (3,919,292)	\$ (2,992,969)
 Reconciliation of the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Governmental Activities Statement of Activities			
Change in Fund Balance			\$ (63,962)
 Governmental funds report capital outlays 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.			
Current year depreciation			(495)
 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 compensated absences payable			5,941
Change in net pension liability, as restated			19,874
Change in other postemployment benefits payable			(229,396)
Change in deferred outflows of resources, as restated			167,566
Change in deferred inflows of resources			(226,174)
Change in Net Position of Governmental Activities			\$ (326,646)

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**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

1. Summary of Significant Accounting Policies

The Central Minnesota Community Corrections' financial statements are prepared in accordance with generally accepted accounting principles (GAAP). 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 Community Corrections are discussed below.

A. Financial Reporting Entity

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

The management of Central Minnesota Community Corrections is vested in a Joint Powers Board, composed of the five Commissioners from each participating county. No single member county retains control over the operations or has oversight responsibility for the Community Corrections. The Joint Powers Board appoints an Executive Committee, which has been delegated by the Joint Powers Board all powers and duties necessary for the day-to-day operations.

The Joint Powers Board has contracted with Crow Wing County to act as its fiscal agent.

B. Basic Financial Statements

Basic financial statements include information on the Community Corrections' activities as a whole and information on the individual fund of the Community Corrections. These separate presentations are reported in different columns. Each of the statements starts with a column of information based on activities of the General Fund and reconciles it to a column that reports the "governmental activities" of the Community Corrections. The governmental activities columns are reported on the full accrual, economic resources

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Community Corrections' net position is unrestricted. The statement of activities demonstrates the degree to which the expenses of the Community Corrections are offset by revenues. The balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund are presented on the modified accrual basis and report current financial resources.

C. Measurement Focus and Basis of Accounting

The governmental activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund (General 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. Central Minnesota Community Corrections considers all revenues as available if collected within 60 days after the end of the current period. Charges for services and interest are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent that they have matured.

D. Budgetary Data

The Joint Powers Board of Central Minnesota Community Corrections adopts estimated expenditure budgets for the General Fund on the modified accrual basis of accounting.

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

1. Assets

The Community Corrections' cash and pooled investments include cash deposits with Crow Wing County. Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits will not be returned to it. To cover its custodial risk, the County obtains collateral or a letter of credit to cover deposits in excess of insurance coverage.

The amounts due from other governments, totaling \$76,658, are grants receivable from the State of Minnesota.

All capital assets are valued at their historical cost or estimated historical cost. On the fund level financial statements, capital assets are recorded as expenditures at the time of their purchase. Capital assets are defined by the Community Corrections as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Depreciation has been recorded on the government-wide financial statements relating to capital assets.

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

Capital assets are depreciated using the straight-line method to allocate the cost on an annual basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office furniture and equipment	3 - 20

2. Long-Term Liabilities

Long-term liabilities are not reported in the fund. The General Fund reports only liabilities expected to be financed with available, spendable financial resources. The Statement of Net Position reports long-term liabilities of the governmental activities.

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Deferred Outflows/Inflows of Resources

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 (expenditure/expense) until then. The Community Corrections has one item, deferred pension obligations outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Community Corrections has one item, deferred pension obligations inflows, that qualifies for reporting in this category. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

4. Equity

For the governmental fund, the Community Corrections reports an unassigned fund balance account to indicate the portion of equity available for budgeting and expending in future periods. The net position on the government-wide financial statements is unrestricted (the amount of net position that does not meet the definition of restricted or investment in capital assets).

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Equity (Continued)

The Community Corrections has adopted a minimum fund balance policy. At the end of each fiscal year, the Community Corrections will maintain spendable - unassigned portions of the fund balance in a range equal to 25 to 50 percent of the annual operating expenditures. This unassigned fund balance target range as of December 31, 2015, is \$773,972 to \$1,547,944. In addition to working capital needs, this accommodates emergency concerns. In the event that the fund balance level falls below the desired range, the Management Team will report such amounts to the Executive Committee as soon as practical. If the actual amount does fall below the desired range, the Management Team will propose a plan to present to the Executive Committee to restore the appropriate level.

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable or assets that will never be converted to cash or converted to cash soon enough to affect the current period. Restricted fund balance represents amounts available for appropriation but intended for a specific use and are legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the governmental body itself or some person or body delegated to exercise such authority in accordance with policy established by the Board. Unassigned fund balance is the residual classification for the Community Corrections' General Fund and includes all spendable amounts not contained in the other classifications.

5. Use of Estimates

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

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. 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.

F. Change in Accounting Principles

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

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

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

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

F. Change in Accounting Principles (Continued)

GASB Statements 68, 71, and 82 require Central Minnesota Community Corrections to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record Central Minnesota Community Correction's net pension liability and related deferred outflows of resources.

	Governmental Activities
Net Position, January 1, 2015, as previously reported	\$ (969,697)
Change in accounting principles	(1,696,626)
Net Position, January 1, 2015, as restated	\$ (2,666,323)

G. Revenues and Expenditures

1. Revenues

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. Under the modified accrual basis of accounting, revenue is not recognized in the financial statements unless it is available to finance current expenditures.

Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the Community Corrections perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditure is incurred.

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

G. Revenues and Expenditures

1. Revenues

Intergovernmental (Continued)

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Other gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

Exchange Transactions

Charges for services and miscellaneous revenues are recognized when earned.

2. Expenditures

Expenditure recognition for governmental funds includes only amounts represented by current liabilities. Since noncurrent liabilities do not affect net current assets, they are not recognized as governmental fund expenditures or fund liabilities. They are reported as liabilities on the government-wide financial statements.

Compensated absences are considered expenditures when paid to employees. Earned but unpaid personal time off is shown as a liability on the government-wide financial statements.

2. Detailed Notes

A. Assets

Cash on Deposit with Crow Wing County

The Community Corrections is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Crow Wing County Board of Commissioners and the Community Corrections Board. Minnesota statutes require that all deposits be covered by insurance, surety bond, or collateral.

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

2. Detailed Notes

A. Assets

Cash on Deposit with Crow Wing County (Continued)

The types of securities available to the Community Corrections for investment are authorized by Minn. Stat. §§ 118A.04 and 118A.05.

Additional disclosures, as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, are disclosed on an entity-wide basis in the Crow Wing County Comprehensive Annual Financial Report.

Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2015, are:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Capital assets depreciated				
Office furniture and equipment	\$ 59,499	\$ -	\$ -	\$ 59,499
Less: accumulated depreciation for				
Office furniture and equipment	59,004	495	-	59,499
Total Capital Assets, Net	<u>\$ 495</u>	<u>\$ (495)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense of \$495 for 2015 was charged to the public safety function of the governmental activities.

B. Liabilities

Compensated Absences

Under the Community Corrections' personnel policies and union contracts, employees are granted Personal Time Off (PTO) leave in varying amounts based on their length of service.

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

2. Detailed Notes

B. Liabilities

Compensated Absences (Continued)

The Community Corrections pays unused, accumulated PTO to employees upon termination. Extended leave bank is available to some employees in case of illness-related absences. Extended leave bank is not paid to employees at termination. Unused, accumulated PTO is accrued as compensated absences payable on the government-wide financial statements. Changes in compensated absences during 2015 were:

Payable at January 1	\$ 318,017
Additions	266,711
Deductions	<u>(272,652)</u>
Payable at December 31	<u>\$ 312,076</u>

Of the total compensated absences of \$312,076, the amount due within one year is \$280,866.

3. Pension Plans

Defined Benefit Plans

A. Plan Description

All full-time and certain part-time employees of Central Minnesota Community Corrections are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

3. Pension Plans

Defined Benefit Plans (Continued)

B. Benefits Provided

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

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

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

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

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

3. Pension Plans

Defined Benefit Plans (Continued)

C. 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. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015.

In 2015, Central Minnesota Community Corrections was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50

The Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014.

Central Minnesota Community Corrections' contributions for the General Employees Retirement Fund for the year ended December 31, 2015, were \$152,545. The contributions are equal to the contractually required contributions as set by state statute.

D. Pension Costs

At December 31, 2015, Central Minnesota Community Corrections reported a liability of \$1,751,703 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Central Minnesota Community Corrections' proportion of the net pension liability was based on Central Minnesota Community Corrections' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, Central Minnesota Community Corrections' proportion was 0.0338 percent. It was 0.0377 percent measured as of June 30, 2014. Central Minnesota Community Corrections recognized pension expense of \$191,280 for its proportionate share of the General Employees Retirement Fund's pension expense.

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

3. Pension Plans

Defined Benefit Plans

D. Pension Costs (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 88,316
Difference between projected and actual investment earnings	165,826	-
Changes in proportion	-	137,858
Contributions paid to PERA subsequent to the measurement date	<u>76,691</u>	<u>-</u>
Total	<u>\$ 242,517</u>	<u>\$ 226,174</u>

A total of \$76,691 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ (33,935)
2017	(33,935)
2018	(33,935)
2019	41,453

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

3. Pension Plans

Defined Benefit Plans (Continued)

E. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. The cost of living benefit increases for retirees was assumed to be 1.0 percent effective every January 1 through 2035, and 2.5 percent thereafter.

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

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

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

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

3. Pension Plans

Defined Benefit Plans

E. Actuarial Assumptions (Continued)

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

F. Discount Rate

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

G. Pension Liability Sensitivity

The following presents Central Minnesota Community Corrections' proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what Central Minnesota Community Corrections' 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:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 2,754,300	\$ 1,751,703	\$ 923,712

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

3. Pension Plans

Defined Benefit Plans (Continued)

H. 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.

4. Risk Management

Central Minnesota Community Corrections 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. The Community Corrections has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to cover its workers' compensation and property and casualty liabilities. There were no significant reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

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

The Property and Casualty Division of MCIT is self-sustaining, and the Community Corrections 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 Community Corrections in a method and amount to be determined by MCIT.

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

5. Other Postemployment Benefits (OPEB) Other Than Pensions

OPEB Disclosure

Central Minnesota Community Corrections provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The Community Corrections provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees who retire from the Community Corrections when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described will be eligible to continue coverage with respect to both themselves and their spouse/partner under the Community Corrections' health benefits program.

Pursuant to the provisions on the plan, the schedule below shows the cost to the Community Corrections:

<u>Retiree and Spouse</u>	
7 years of service	1/3 of premium for life
15 years of service	2/3 of premium for life
25 years of service	100% of premium for life

The other postemployment benefit provided to employees is based on the employee's hire date and does not apply to all employees. For non-contract staff, the other postemployment benefits are only for eligible employees up to the age of 65 for anyone hired after April 1, 1996, and are not provided for anyone hired after January 1, 2004. For clerical contract staff, the other postemployment benefits are not provided for anyone hired after January 1, 2004. For field service contract staff, the other postemployment benefits are for eligible employees up to the age of 65 for anyone hired after April 1, 1996, and are not provided for employees hired after January 1, 2014. Only employees who were hired before April 1, 1996, are eligible for the lifetime benefits previously described. There are currently four retirees and three spouses receiving 100 percent of their benefits paid, one retiree and spouse receiving two-thirds of their benefits paid, and one retiree and spouse receiving one-third of their benefits paid.

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

5. Other Postemployment Benefits (OPEB) Other Than Pensions

OPEB Disclosure (Continued)

A. Annual OPEB Cost and Net OPEB Obligation

Central Minnesota Community Corrections' annual OPEB cost 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 cost 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 Community Corrections' annual OPEB cost of 2015, the amount actually contributed to the plan, and changes in the Community Corrections' net OPEB obligation.

ARC	\$	360,611
Interest on net OPEB obligation		65,698
Adjustment to ARC		(98,383)

Annual OPEB cost	\$	327,926
Contributions during the year		(98,530)

Increase in Net OPEB Obligation	\$	229,396
Net OPEB - Beginning of the Year		1,642,460

Net OPEB - End of the Year	\$	1,871,856

B. Funded Status and Funding Progress

Central Minnesota Community Corrections' annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for years ended 2013, 2014, and 2015 were as follows:

Year Ended December 31	Annual OPEB Cost	Employer Contribution	Percentage Contributed (%)	Net OPEB Obligation
2013	\$ 288,274	\$ 93,679	32.5	\$ 1,452,961
2014	283,976	94,477	33.3	1,642,460
2015	327,926	98,530	30.0	1,871,856

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

5. Other Postemployment Benefits (OPEB) Other Than Pensions

OPEB Disclosure

B. Funded Status and Funding Progress (Continued)

As of January 1, 2015, the most recent actuarial valuation date, the Community Corrections had no assets that have been irrevocably deposited in a trust for future health benefits to fund the plan. Therefore, the actuarial value of the assets is zero. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the basic 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.

The actuarial accrued liability for benefits was \$3,759,774, and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,759,774. The covered payroll (annual payroll of active employees covered by the plan) was \$2,090,755, and the ratio of the UAAL to the covered payroll was 179.8 percent.

C. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. 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.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

5. Other Postemployment Benefits (OPEB) Other Than Pensions

OPEB Disclosure

C. Actuarial Methods and Assumptions (Continued)

In the January 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00 percent discount rate, which is based on the estimated long-term investment yield on the general assets of the Community Corrections. The annual health care cost trend rate is 7.25 percent initially, reduced incrementally to an ultimate rate of 5.0 percent after nine years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30-year period. The remaining amortization period at December 31, 2015, was 22 years.

6. Subsequent Event

On June 30, 2016, Central Minnesota Community Corrections will cease to exist as a stand-alone entity. The closing of this organization has been approved by the County Boards of each member entity. Pursuant to the joint powers agreement, in the event of dissolution, the unexpended balance of monies and assets held at June 30, 2016, will be divided between the member counties in proportion to their contribution.

REQUIRED SUPPLEMENTARY INFORMATION

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**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

EXHIBIT A-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
State grants and aids				
PERA rate increase aid	\$ 5,992	\$ 5,992	\$ 5,992	\$ -
Minnesota Department of Corrections	1,630,099	1,663,422	1,663,773	351
Minnesota Trial Courts	360,211	306,782	306,341	(441)
Total state grants and aids	\$ 1,996,302	\$ 1,976,196	\$ 1,976,106	\$ (90)
Local apportionment				
Aitkin County	\$ 149,989	\$ 149,989	\$ 149,477	\$ (512)
Crow Wing County	350,677	350,677	350,677	-
Morrison County	203,505	203,505	203,505	-
Total local apportionment	\$ 704,171	\$ 704,171	\$ 703,659	\$ (512)
Specialty courts - local funding	\$ 43,924	\$ 43,924	\$ 35,122	\$ (8,802)
Total Intergovernmental	\$ 2,744,397	\$ 2,724,291	\$ 2,714,887	\$ (9,404)
Charges for services	328,000	338,000	304,952	(33,048)
Miscellaneous	30,000	30,000	12,086	(17,914)
Total Revenues	\$ 3,102,397	\$ 3,092,291	\$ 3,031,925	\$ (60,366)
Expenditures				
Current				
Public safety	3,199,558	3,197,856	3,095,887	101,969
Change in Fund Balance	\$ (97,161)	\$ (105,565)	\$ (63,962)	\$ 41,603
Fund Balance - January 1	990,285	990,285	990,285	-
Fund Balance - December 31	\$ 893,124	\$ 884,720	\$ 926,323	\$ 41,603

**CENTRAL MINNESOTA COMMUNITY CORECTIONS
BRAINERD, MINNESOTA**

EXHIBIT A-2

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2011	\$ -	\$ 3,201,042	\$ 3,201,042	0.0%	\$ 1,996,134	160.4%
January 1, 2013	-	3,177,078	3,177,078	0.0	1,709,916	185.8
January 1, 2015	-	3,759,774	3,759,774	0.0	2,090,755	179.8

The most recent actuarial valuation date was January 1, 2015.

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

EXHIBIT A-3

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0338%	\$ 1,751,703	\$ 2,045,194	85.65%	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.

**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

EXHIBIT A-4

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 152,545	\$ 152,545	\$ -	\$ 2,033,933	7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. Central Minnesota Community Corrections' year-end is December 31.

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**CENTRAL MINNESOTA COMMUNITY CORRECTIONS
BRAINERD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

Budgetary Information

Central Minnesota Community Corrections adopts an annual budget for the General Fund. The budget is prepared on the modified accrual basis of accounting.

Based on a process established by Central Minnesota Community Corrections, the Director prepares a budget for the Community Corrections' expected revenues and expenditures. After review, analysis, and discussions with the Executive Committee, the Director's proposed budget is presented to the Central Minnesota Community Corrections' Board for review. The Central Minnesota Community Corrections' Board holds a public hearing, 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 fund level. Budgets may be amended during the year with proper approval.

Other Postemployment Benefits

As discussed on the Schedule of Funding Progress, no assets have been irrevocably deposited in a trust to advance fund the employer's obligation. Therefore, the actuarial value of assets is zero.

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Joint Powers Board
Central Minnesota Community Corrections
Brainerd, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities and the General Fund of Central Minnesota Community Corrections as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Community Corrections' basic financial statements and have issued our report thereon dated June 15, 2016.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories; however, contracting and bidding, deposits and investments, and claims and disbursements were tested in conjunction with the audit of the financial statements of Crow Wing County. We did not test for compliance with provisions for tax increment financing because the Community Corrections does not administer any tax increment financing districts.

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

This report is intended solely for the information and use of the members of the Joint Powers Board and management of Central Minnesota Community Corrections and the State Auditor and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 15, 2016