STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

STEVENS COUNTY
MORRIS, MINNESOTA

YEAR ENDED DECEMBER 31, 2013

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 160 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 730 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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STEVENS COUNTY
MORRIS, MINNESOTA

Year Ended December 31, 2013

Audit Practice Division
Office of the State Auditor
State of Minnesota

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MORRIS, MINNESOTA

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Introductory Section

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STEVENS COUNTY
MORRIS, MINNESOTA

ORGANIZATION
DECEMBER 31, 2013

			Term Expires
Elected			
Commissioners			
Board Member	Bob Kopitzke	District 1	January 2017
Board Member	Jeanne Ennen	District 2	January 2015
Board Member	Ron Staples	District 3	January 2017
Board Member	Donny Wohlers	District 4	January 2017
Chair	Phil Gausman	District 5	January 2015
Attorney	Aaron Jordan		January 2015
Auditor/Treasurer	Neil Wiese		January 2015
County Recorder	Virginia Mahoney		January 2015
Registrar of Titles	Virginia Mahoney		January 2015
County Sheriff	Jason Dingman		January 2015
Appointed			
Assessor	Judy Thorstad		December 2016
County Coordinator	Brian Giese		Indefinite
Coroner	Michael Busian, M.D.		Indefinite
Highway Engineer	Brian Giese		Indefinite
Human Services Director	Joanie Murphy		Indefinite
Veterans Service Officer	Hugh Reimers		Indefinite

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Stevens County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stevens County, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Stevens County Housing and Redevelopment Authority (HRA), which represents the amounts shown as the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Stevens County HRA, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An Equal Opportunity Employer

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

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

Opinions

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stevens County as of December 31, 2013, 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 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of Matter - Change in Reporting Entity

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, clarified certain requirements for inclusion of component units in the financial reporting entity. As a result, a financial benefit or burden relationship has been determined to exist between Stevens County and the Stevens County HRA because Stevens County is obligated in some manner for certain debts of the Stevens County HRA. The Stevens County HRA is now presented as a discretely presented component unit of Stevens County. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2014, on our consideration of Stevens County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stevens County's internal control over financial reporting and compliance. It does not include the Stevens County HRA which was audited by other auditors.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 28, 2014

MANAGEMENT’S DISCUSSION AND ANALYSIS

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STEVENS COUNTY
MORRIS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(Unaudited)

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2013. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $40,224,382, of which $32,041,875 is the net investment in capital assets, and $1,209,709 is restricted to specific purposes. The $6,972,798 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's net position increased by $194,645 for the year ended December 31, 2013. A large part of the increase is attributable to the County's net investment in capital assets.

- The net cost of governmental activities for the current fiscal year was $6,569,904. The net cost was funded by general revenues totaling $6,764,549.

- Fund balances of the governmental funds decreased by $50,388. Most of the decrease was due to an increase in expenditures in the General Fund compared to the budgeted amounts.

- For the year ended December 31, 2013, the unrestricted fund balance of the General Fund was $2,608,254, or 46.8 percent, of the total General Fund expenditures for the year, a decrease of 1.1 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities of the County using the accrual basis of accounting, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. It is important to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

The Statement of Activities presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities. The County has no business-type activities for which the County is legally accountable.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

Fund level financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Solid Waste Special Revenue Fund, and Debt Service Fund. Budgetary comparison schedules have been provided as either required or other supplementary information for each of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements are Exhibits 3 through 6 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in a separate Statement of Fiduciary Net Position shown as Exhibit 7.

The County presents the Stevens County Housing and Redevelopment Authority as a discretely presented component unit.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27 through 74 of this report.

Other Information

Other information is provided as supplementary information regarding Stevens County's intergovernmental revenue and federal awards programs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by $40,224,382 at the close of 2013. The largest portion of the net position 79.7 percent) reflects the net investment in capital assets (for example: land, buildings, equipment, and infrastructure such as roads and bridges), less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

Governmental Activities
Net Position

	2013	2012 (Restated)
Assets		
Current and other assets	$ 9,379,202	$ 9,496,764
Capital assets	38,962,235	38,673,335
Total Assets	$ 48,341,437	$ 48,170,099
Liabilities		
Long-term liabilities	$ 7,379,535	$ 7,323,533
Other liabilities	737,520	816,829
Total Liabilities	$ 8,117,055	$ 8,140,362
Net Position		
Net investment in capital assets	$ 32,041,875	$ 31,967,879
Restricted	1,209,709	1,419,933
Unrestricted	6,972,798	6,641,925
Total Net Position	$ 40,224,382	$ 40,029,737

Unrestricted net position--the part of net position that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--was 17.3 percent of net position.

Governmental Activities

The County's activities increased net position by 0.49 percent ($40,029,737 for 2012 compared to $40,224,382 for 2013). Key elements in this increase in net position are as follows for 2013, with comparative data for 2012:

Governmental Activities
Changes in Net Position

	2013	2012 (Restated)
Revenues		
Program revenues		
Charges for services	$ 1,908,427	$ 1,827,476
Operating grants and contributions	4,795,482	4,736,791
Capital grants and contributions	-	274,477
General revenues		
Property taxes	6,249,419	5,821,557
Other	515,130	1,176,857
Total Revenues	$ 13,468,458	$ 13,837,158

		2013		2012 (Restated)
Expenses				
General government	$	3,057,665	$	2,852,824
Public safety		1,849,100		2,055,991
Highways and streets		3,769,186		3,410,282
Sanitation		402,573		265,937
Human services		2,846,932		2,584,450
Health		129,664		118,169
Culture and recreation		179,567		183,801
Conservation of natural resources		531,012		438,306
Economic development		66,150		64,850
Interest		441,964		325,719
Total Expenses	$	13,273,813	$	12,300,329
Change in Net Position	$	194,645	$	1,536,829
Net Position - January 1, as restated		40,029,737		38,492,908
Net Position - December 31	$	40,224,382	$	40,029,737

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and the balances left at year-end that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, governmental funds reported combined ending fund balances of $8,229,902, a decrease of $50,388 in comparison with the prior year. Of the combined ending fund balances, $6,632,490 represents unrestricted fund balance which is available for spending at the County's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, or bond covenants, or is nonspendable.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of $2,608,254. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 46.8 percent of total General Fund expenditures. During 2013, the ending fund balance decreased by $275,898.

The Road and Bridge Special Revenue Fund had an assigned fund balance of $2,044,673 at fiscal year-end, representing 46.2 percent of its annual expenditures. The ending fund balance increased by $650,189 during 2013.

The Human Services Special Revenue Fund had an assigned fund balance of $1,979,563 at fiscal year-end, representing 69.1 percent of its annual expenditures. The ending fund balance decreased by $289,606 during 2013.

The Solid Waste Special Revenue Fund had a restricted fund balance of $231,488 at fiscal year-end, representing 101.4 percent of its annual expenditures, and the fund also transferred $106,809 to the SCORE Department in the General Fund for SCORE use. The ending fund balance decreased by $118,885 during 2013.

The Ditch Special Revenue Fund had a restricted fund balance of $215,564 at fiscal year-end, representing 99.0 percent of its annual expenditures. The ending fund balance decreased by $15,159 during 2013.

The Debt Service Fund had a restricted fund balance of $143,179 at fiscal year-end. The Debt Service Fund was created in 2011 due to the issuance of bonds by the Stevens County Housing and Redevelopment Authority (HRA) for the renovation of the courthouse and the addition of a Law Enforcement Center which the County leases from the HRA. The ending fund balance decreased by $1,029 during 2013.

Governmental Activities

The County's total revenues were $13,468,458. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2013.

Table 1
Total County Revenues

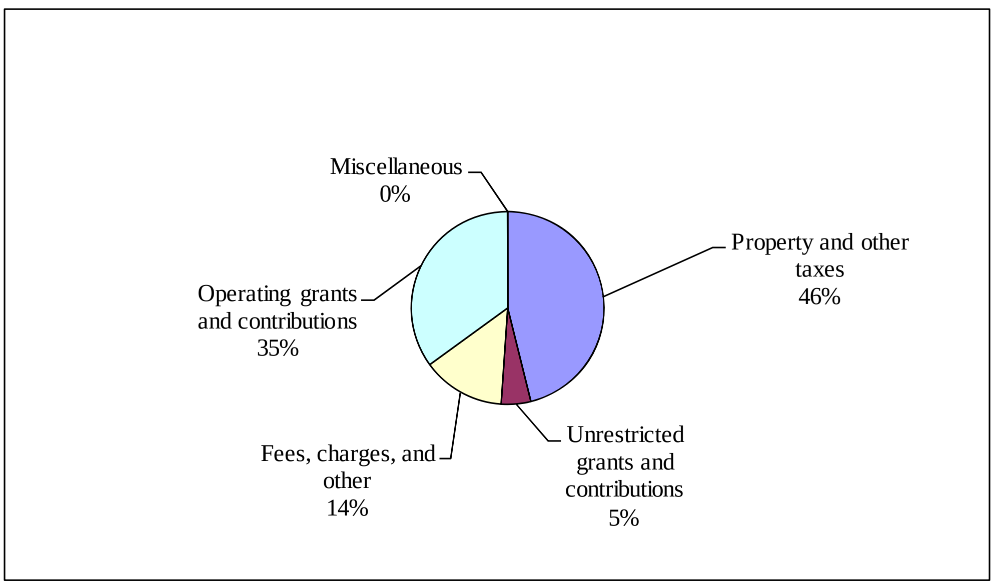
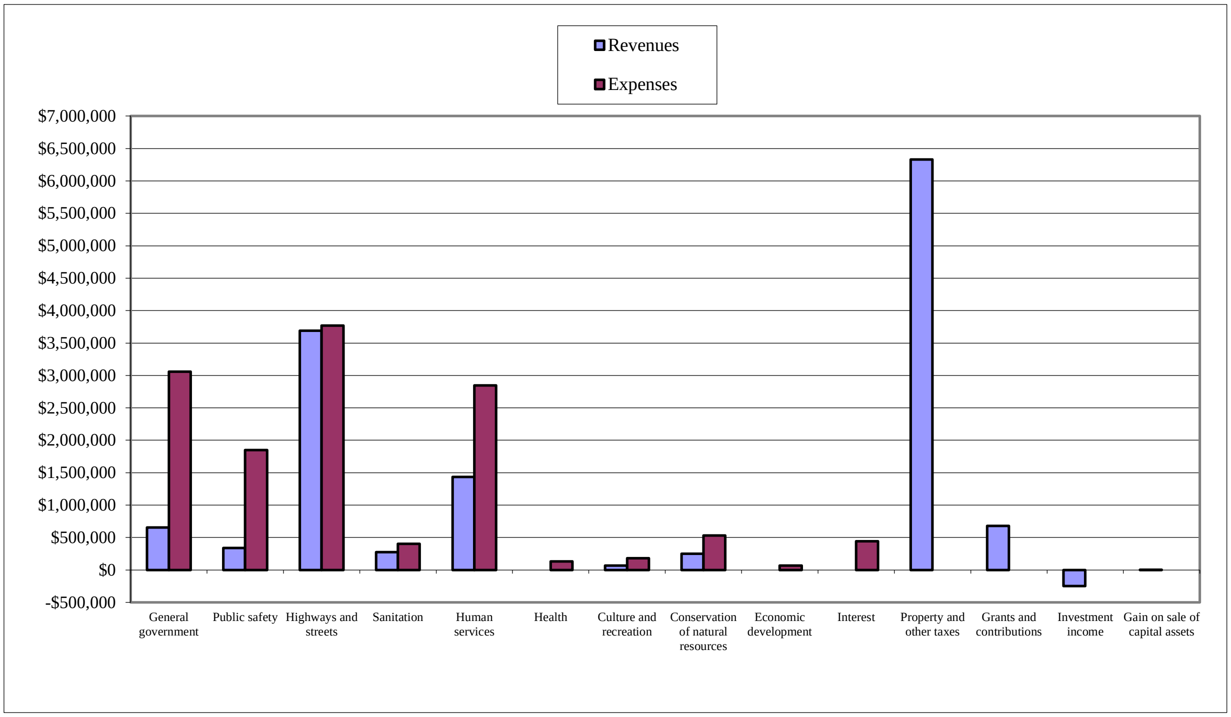


Table 2 presents the cost and revenue of each program, as well as the County's general revenues.

Total program and general revenues for the County were $13,468,458, while total expenses were $13,273,813. This reflects a $194,645 increase in net position for the year ended December 31, 2013.

Table 2
Program Revenues, General Revenues, and Expenses



The cost of all governmental activities this year was $13,273,813. However, as shown on the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was $6,328,897 because some of the cost was paid by those who directly benefited from the programs ($1,908,427) or by other governments and organizations that subsidized certain programs with grants and contributions ($4,795,482). The County paid for the remaining "public benefit" portion of governmental activities with general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as grants and contributions not restricted to specific programs, and investment income.

Table 3 presents the cost of each of the County's four largest program functions, as well as each function's net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013
Human services	$ 2,846,932	$ 1,414,874
Highways and streets	3,769,186	80,848
Public safety	1,849,100	1,511,658
General government	3,057,665	2,404,043
All others	1,750,930	1,158,481
Totals	$ 13,273,813	$ 6,569,904

General Fund Budgetary Highlights

Actual revenues were $65,711 lower than budgeted, mostly due to fair market value adjustments to investments, and actual expenditures were $194,522 higher than budgeted. Human Resource expenditures exceeded budgeted totals by $78,869. This was primarily because the budget for Human Resources was originally a part of the Coordinator's budget. After the budget was approved however, Human Resources was set up as a separate department. Emergency Management expenditures were $68,302 higher than budgeted due to purchases made with an EOC Grant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2013, totaled $38,962,235 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, and infrastructure. The investment in capital assets increased $288,900, or 0.75 percent, from the previous year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	2013	2012
Land	$ 250,018	$ 250,018
Right-of-way	792,161	792,161
Infrastructure	25,660,888	24,703,866
Building improvements	7,296	8,494
Buildings	10,220,910	10,535,423
Improvements other than buildings	45,973	51,271
Machinery, furniture, and equipment	1,945,182	2,309,602
Construction in progress	39,807	22,500
Totals	$ 38,962,235	$ 38,673,335

Additional information about the County's capital assets can be found in Note 3.A.3. to the financial statements.

Long-Term Debt

Stevens County has a lease arrangement with the Stevens County Housing and Redevelopment Authority resulting from the issuance of Public Project Revenue Bonds, which funds were used to renovate the Courthouse and for the addition of a Law Enforcement Center, which were completed in 2010. The lease is based on the bond payments, with a balance at the end of 2013 of $6,340,833, and maturity and lease payments will end in 2031. Payments of the principal and interest are made from the Debt Service Fund.

The County also has a generator lease maturing in 2018, with a balance at the end of 2013 of $76,402.

Additional information on the County's lease payments can be found in Note 3.C.2. to the financial statements.

The County has no long-term bonded debt as of December 31, 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2014 budget, tax rates, and fees that will be charged for the year.

- The average unemployment rate for Stevens County at the end of 2013 was 3.1 percent and shows a decrease from the County's 3.7 percent rate of one year ago. The state unemployment rate was 4.7 percent. The 2010 County population was 9,749, a decrease of 304, or 3.02 percent, from the 2000 census of 10,053.

- At the end of 2013, Stevens County set its 2014 revenue and expenditure budgets with a property tax levy increase of 4.56 percent as compared to a 7.3 percent increase in 2013.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Stevens County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Stevens County Auditor/Treasurer, Stevens County Courthouse, 400 Colorado Avenue, Suite 303, Morris, Minnesota 56267.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government Governmental Activities	Component Unit Stevens County Housing and Redevelopment Authority
Assets		
Cash and pooled investments	$ 8,196,075	$ 533,251
Cash - restricted	-	34,896
Investments	-	301,013
Taxes receivable		
Prior	28,076	-
Special assessments receivable		
Noncurrent	262,869	-
Prior	6,238	-
Accounts receivable	35,414	-
Accrued interest receivable	19,197	-
Due from other governments	448,022	-
Lease receivable	-	6,843,987
Inventories	383,311	-
Capital assets		
Non-depreciable	1,081,986	5,000
Depreciable - net of accumulated depreciation	37,880,249	285,540
Total Assets	**$ 48,341,437**	**$ 8,003,687**
Liabilities		
Current liabilities		
Bank overdraft	$ -	$ 42,777
Accounts payable	152,270	-
Salaries payable	109,994	-
Contracts payable	14,294	-
Due to other governments	79,659	-
Customer deposits	106,762	-
Tenant security deposits	-	7,765
Advance from other governments	86,839	-
Accrued interest payable	128,212	-
Unearned revenue	59,490	-
Compensated absences payable - current	76,722	-
Capital leases payable - current	293,531	-
Mortgages payable - current	-	18,695
Revenue bond payable - current	-	280,000
Noncurrent liabilities		
Compensated absences payable	382,424	6,394
Capital leases payable	6,626,858	-
Mortgages payable	-	232,518
Revenue bond payable	-	6,802,126
Total Liabilities	**$ 8,117,055**	**$ 7,390,275**

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

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government Governmental Activities	Component Unit Stevens County Housing and Redevelopment Authority
Net Position		
Net investment in capital assets	$ 32,041,875	$ 39,327
Restricted for		
Public safety	284,382	-
Highways and streets	220,257	-
Conservation	300,060	-
Human services	7,300	-
Debt service	11,530	-
Sanitation	231,488	-
Held in trust for other purposes	892	-
Other purposes	153,800	34,896
Unrestricted	6,972,798	539,189
Total Net Position	**$ 40,224,382**	**$ 613,412**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
					Primary Government	Component Unit
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Stevens County Housing and Redevelopment Authority
Functions/Programs						
Primary Government						
Governmental activities						
General government	$ 3,057,665	$ 491,566	$ 162,056	$ -	$ (2,404,043)	
Public safety	1,849,100	128,249	209,193	-	(1,511,658)	
Highways and streets	3,769,186	578,122	3,110,216	-	(80,848)	
Sanitation	402,573	219,113	55,950	-	(127,510)	
Human services	2,846,932	239,383	1,192,675	-	(1,414,874)	
Health	129,664	-	-	-	(129,664)	
Culture and recreation	179,567	-	65,392	-	(114,175)	
Conservation of natural resources	531,012	251,994	-	-	(279,018)	
Economic development	66,150	-	-	-	(66,150)	
Interest	441,964	-	-	-	(441,964)	
Total Primary Government	**$ 13,273,813**	**$ 1,908,427**	**$ 4,795,482**	**$ -**	**$ (6,569,904)**	
Component Unit						
Stevens County Housing and Redevelopment Authority	**$ 1,233,639**	**$ 828,289**	**$ 843,788**	**$ -**		**$ 438,438**
General Revenues						
Property taxes					$ 6,249,419	$ -
Other taxes					7,936	-
Payments in lieu of tax					71,542	-
Grants and contributions not restricted to specific programs					680,308	-
Investment income					(250,010)	4,100
Gain on sale of capital assets					5,354	-
Total general revenues					**$ 6,764,549**	**$ 4,100**
Change in net position					**$ 194,645**	**$ 442,538**
Net Position - Beginning, as restated (Note 1.D.12)					**40,029,737**	**170,874**
Net Position - Ending					**$ 40,224,382**	**$ 613,412**

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

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

STEVENS COUNTY
MORRIS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 3,177,069	$ 2,079,628
Petty cash and change funds	5,750	50
Undistributed cash in agency funds	48,641	13,664
Cash with fiscal agent	40,000	-
Taxes receivable		
Delinquent	15,922	4,906
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable	11,036	464
Accrued interest receivable	19,197	-
Due from other funds	1,642	7,808
Due from other governments	26,286	330,098
Advance to other funds	93,000	-
Inventories	-	383,311
Total Assets	**$ 3,438,543**	**$ 2,819,929**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 37,764	$ 17,041
Salaries payable	55,373	25,915
Contracts payable	-	14,294
Due to other funds	975	-
Due to other governments	61,036	141
Customer deposits	-	-
Unearned revenue	35,349	-
Advance from other funds	-	-
Advance from other governments	-	86,839
Total Liabilities	**$ 190,497**	**$ 144,230**
Deferred Inflows of Resources		
Unavailable revenue	**$ 15,922**	**$ 247,715**

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

EXHIBIT 3

Human Services		Solid Waste		Ditch		Debt Service		Total	
$	2,008,121	$	224,881	$	436,731	$	136,238	$	8,062,668
	-		-		-		-		5,800
	12,805		2,658		2,633		7,206		87,607
	-		-		-		-		40,000
	4,786		-		-		2,462		28,076
	-		4,223		2,015		-		6,238
	-		-		262,869		-		262,869
	9,884		14,030		-		-		35,414
	-		-		-		-		19,197
	-		-		-		-		9,450
	91,638		-		-		-		448,022
	-		-		-		-		93,000
	-		-		-		-		383,311
$	**2,127,234**	**$**	**245,792**	**$**	**704,248**	**$**	**145,906**	**$**	**9,481,652**
$	69,989	$	9,927	$	17,549	$	-	$	152,270
	28,706		-		-		-		109,994
	-		-		-		-		14,294
	1,872		154		6,449		-		9,450
	18,177		-		40		265		79,659
	-		-		106,762		-		106,762
	24,141		-		-		-		59,490
	-		-		93,000		-		93,000
	-		-		-		-		86,839
$	**142,885**	**$**	**10,081**	**$**	**223,800**	**$**	**265**	**$**	**711,758**
$	**4,786**	**$**	**4,223**	**$**	**264,884**	**$**	**2,462**	**$**	**539,992**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable		
Inventories	$ -	$ 383,311
Trust Fund Conservation US F&W	84,496	-
Advance to other funds	93,000	-
Restriced for		
Law library	3,162	-
Recorder's technology equipment	62,858	-
E-911	237,732	-
Recorder's compliance	58,261	-
DARE	13,762	-
Gun permit fees	23,060	-
Attorney forfeitures	5,210	-
Social services youth	7,300	-
Veterans van	23,502	-
Missing heirs	892	-
Deputy uniform allowance	1,795	-
Sheriff's forfeited property	700	-
Sheriff's contingency	7,333	-
Extension publication	807	-
Solid waste	-	-
Ditch maintenance, repair, and other	-	-
Debt service	-	-
Assigned for		
Next year's expenditures	42,728	30,000
Highways and streets	-	2,014,673
Human services	-	-
Unassigned	2,565,526	-
Total Fund Balances	**$ 3,232,124**	**$ 2,427,984**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 3,438,543**	**$ 2,819,929**

EXHIBIT 3
(Continued)

Human Services	Solid Waste	Ditch	Debt Service	Total
$ -	$ -	$ -	$ -	$ 383,311
-	-	-	-	84,496
-	-	-	-	93,000
-	-	-	-	3,162
-	-	-	-	62,858
-	-	-	-	237,732
-	-	-	-	58,261
-	-	-	-	13,762
-	-	-	-	23,060
-	-	-	-	5,210
-	-	-	-	7,300
-	-	-	-	23,502
-	-	-	-	892
-	-	-	-	1,795
-	-	-	-	700
-	-	-	-	7,333
-	-	-	-	807
-	231,488	-	-	231,488
-	-	215,564	-	215,564
-	-	-	143,179	143,179
275,000	-	-	-	347,728
-	-	-	-	2,014,673
1,704,563	-	-	-	1,704,563
-	-	-	-	2,565,526
$ 1,979,563	**$ 231,488**	**$ 215,564**	**$ 143,179**	**$ 8,229,902**
$ 2,127,234	**$ 245,792**	**$ 704,248**	**$ 145,906**	**$ 9,481,652**

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013

Fund balance - total governmental funds (Exhibit 3)		**$ 8,229,902**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		38,962,235
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		539,992
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Capital leases	$ (6,920,389)	
Compensated absences	(459,146)	
Accrued interest payable	(128,212)	(7,507,747)
Net Position of Governmental Activities (Exhibit 1)		**$ 40,224,382**

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

STEVENS COUNTY
MORRIS, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Road and Bridge
Revenues		
Taxes	$ 3,568,383	$ 1,086,409
Special assessments	-	-
Licenses and permits	18,100	-
Intergovernmental	1,241,711	3,259,668
Charges for services	391,149	378,765
Investment earnings	(250,627)	-
Miscellaneous	215,909	199,357
Total Revenues	**$ 5,184,625**	**$ 4,924,199**
Expenditures		
Current		
General government	$ 2,695,463	$ -
Public safety	1,731,437	-
Highways and streets	-	4,428,820
Sanitation	174,317	-
Human services	3,795	-
Health	129,664	-
Culture and recreation	179,567	-
Conservation of natural resources	311,693	-
Economic development	66,150	-
Intergovernmental	265,432	-
Debt service		
Principal	13,221	-
Interest	1,947	-
Total Expenditures	**$ 5,572,686**	**$ 4,428,820**
Excess of Revenues Over (Under) Expenditures	**$ (388,061)**	**$ 495,379**
Other Financing Sources (Uses)		
Transfers in	$ 106,809	$ -
Transfers out	-	-
Proceeds from the sale of capital assets	5,354	-
Total Other Financing Sources (Uses)	**$ 112,163**	**$ -**
Net Change in Fund Balance	**$ (275,898)**	**$ 495,379**
Fund Balance - January 1	**3,508,022**	**1,777,795**
Increase (decrease) in inventories	**-**	**154,810**
Fund Balance - December 31	**$ 3,232,124**	**$ 2,427,984**

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

EXHIBIT 5

Human Services	Solid Waste	Ditch	Debt Service	Total
$ 1,018,304	$ -	$ -	$ 572,840	$ 6,245,936
-	202,150	200,579	-	402,729
-	-	-	-	18,100
1,319,425	-	-	13,201	5,834,005
132,446	-	-	-	902,360
-	-	617	-	(250,010)
103,534	14,030	1,408	-	534,238
$ 2,573,709	**$ 216,180**	**$ 202,604**	**$ 586,041**	**$ 13,687,358**
$ -	$ -	$ -	$ 265	$ 2,695,728
-	-	-	-	1,731,437
-	-	-	-	4,428,820
-	228,256	-	-	402,573
2,863,315	-	-	-	2,867,110
-	-	-	-	129,664
-	-	-	-	179,567
-	-	217,763	-	529,456
-	-	-	-	66,150
-	-	-	-	265,432
-	-	-	275,000	288,221
-	-	-	311,805	313,752
$ 2,863,315	**$ 228,256**	**$ 217,763**	**$ 587,070**	**$ 13,897,910**
$ (289,606)	**$ (12,076)**	**$ (15,159)**	**$ (1,029)**	**$ (210,552)**
$ -	$ -	$ -	$ -	$ 106,809
-	(106,809)	-	-	(106,809)
-	-	-	-	5,354
$ -	**$ (106,809)**	**$ -**	**$ -**	**$ 5,354**
$ (289,606)	**$ (118,885)**	**$ (15,159)**	**$ (1,029)**	**$ (205,198)**
2,269,169	**350,373**	**230,723**	**144,208**	**8,280,290**
-	-	-	-	**154,810**
$ 1,979,563	**$ 231,488**	**$ 215,564**	**$ 143,179**	**$ 8,229,902**

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balance - total governmental funds (Exhibit 5)		**$ (205,198)**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Deferred inflows of resources - December 31	$ 539,992	
Deferred inflows of resources - January 1	(764,246)	(224,254)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.		
Expenditures for general capital assets and infrastructure	$ 2,190,944	
Net book value of assets disposed of	(10,316)	
Current year depreciation and depletion	(1,891,728)	288,900
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repayments		
Leases payable		288,221
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	$ (128,212)	
Change in compensated absences	20,378	
Change in inventories	154,810	46,976
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 194,645**

FIDUCIARY FUNDS

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2013

Assets		
Cash and pooled investments	**$**	777,700
Accounts receivable		969
Due from other governments		87,195
Total Assets	**$**	**865,864**
Liabilities		
Accounts payable	$	11,704
Advance taxes		21,286
Due to other governments		810,460
Salaries payable		22,414
Total Liabilities	**$**	**865,864**

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

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of GASB Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.7. in the notes to the financial statements for additional information regarding the County's deferred outflows/inflows of resources.

Restatements of December 31, 2012, net position or fund balance were not required as a result of adopting these changes in accounting principles.

A. Financial Reporting Entity

Stevens County was established February 20, 1862, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Stevens County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component unit of Stevens County is discretely presented:

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
Stevens County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-469.047.	The County Board appoints a voting majority of the HRA. A financial benefit/ burden relationship exists as Stevens County entered into a lease arrangement with the HRA whereby the HRA agreed to issue bonds to finance the construction/ remodel of the Courthouse.	Separate financial statements can be obtained at: 400 Colorado Avenue, Suite 102 Morris, Minnesota 56267

Significant accounting policies of the component unit do not differ significantly from those of the County.

Joint Ventures

The County participates in several joint ventures described in Note 6.B. The County also participates in jointly-governed organizations described in Note 6.C.

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

         The County reports the following major governmental funds:

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

         - The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as committed property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

         - The Human Services Special Revenue Fund accounts for restricted revenue resources from the federal, state, and other oversight agencies, as well as committed property tax revenues used for economic assistance and community social services programs.

         - The Solid Waste Special Revenue Fund accounts for restricted special assessment revenues, miscellaneous revenues, revenue resources from the state, and through an appropriation from the General Fund for the costs relating to disposal of the County's solid waste.

         - The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.

         - The Debt Service Fund is used to account for the accumulation of restricted resources used for, and the payment of principal, interest, and related costs.

         Additionally, the County reports the following fund type:

         - Fiduciary funds - Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Stevens County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2013 were $84,957.

1. Summary of Significant Accounting Policies

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

      1. Deposits and Investments (Continued)

         Stevens County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). The investment in the pool is measured at the net asset value per share provided by the pool.

      2. Receivables and Payables

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

         Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

         All receivables are shown net of an allowance for uncollectibles.

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

      3. Inventories and Prepaid Items

         All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings	25 - 40
Improvements other than buildings	20 - 35
Public domain infrastructure	15 - 70
Furniture, equipment, and vehicles	3 - 15

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation, vested sick leave, and comp time. The noncurrent portion consists of the remaining amount of vacation, vested sick leave, and comp time.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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. Currently, the County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Classification of Net Position

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

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

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

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

1. Summary of Significant Accounting Policies

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

9. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which Stevens County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

  Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

  Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor/Treasurer, who has been delegated that authority by Board resolution.

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

1. Summary of Significant Accounting Policies

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

      9. Classification of Fund Balances (Continued)

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

      10. Minimum Fund Balance

         Stevens County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined they need to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than $1,500,000.

      11. Use of Estimates

         The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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.

1. Summary of Significant Accounting Policies

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

12. Restatement of Lease Payable and Net Position in the Statement of Activities

The January 1, 2013, balance of the lease payable was increased by $503,154 and net position was decreased by the same amount to correct a prior year understatement of the Courthouse lease payable.

	Balance at January 1, 2013	Adjustment	Balance at January 1, 2013, as restated
Lease payable	$ 6,615,833	$ 503,154	$ 7,118,987
Net position	40,532,891	(503,154)	40,029,737

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2013.

	Expenditures	Final Budget	Excess
General Fund	$ 5,572,686	$ 5,378,164	$ 194,522
Special Revenue Funds			
Human Services	2,863,315	2,545,854	317,461
Solid Waste	228,256	105,320	122,936
Debt Service Fund	587,070	586,834	236

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	$ 8,196,075
Statement of fiduciary net position	
Cash and pooled investments	777,700
Total Cash and Investments	$ 8,973,775

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2013, the County's deposits were not exposed to custodial credit risk.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

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

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

(4) bankers’ acceptances of United States banks;

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

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2013, $1,691,263 of repurchase agreements and $1,462,168 of government securities were exposed to custodial credit risk because they were held by the counterparty.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. Typically, the County invests in U.S. Treasury securities, U.S. agency securities, and obligations backed by the U.S. Treasury and/or U.S. agency securities which may be held without limit.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table represents the County's cash and investment balances at December 31, 2013, and information relating to potential investment risks:

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
U.S. government agency securities					
Federal National Mortgage Association Bonds	AA+	S&P		11/29/2022	$ 89,303
Federal National Mortgage Association Bonds	AA+	S&P		05/10/2027	44,136
Federal National Mortgage Association Bonds	AA+	S&P		05/22/2028	228,020
Total Federal National Mortgage Association Bonds			>5%		$ 361,459
Federal Home Loan Mortgage Corporation Notes	Aaa	Moody's		05/01/2014	$ 1,321
Federal Home Loan Mortgage Corporation Notes	Aaa	Moody's		09/01/2018	9,501
Federal Home Loan Mortgage Corporation Notes	AA+	S&P		10/30/2023	245,640
Total Federal Home Loan Mortgage Corporation Notes			<5%		$ 256,462
Federal Home Loan Bank Bonds	AA+	S&P		05/21/2027	$ 236,597
Federal Home Loan Bank Bonds	AA+	S&P		06/28/2027	226,720
Federal Home Loan Bank Bonds	AA+	S&P		05/22/2023	230,965
Federal Home Loan Bank Bonds	AA+	S&P		05/23/2028	413,350
Federal Home Loan Bank Bonds	AA+	S&P		12/28/2022	238,555
Federal Home Loan Bank Bonds	AA+	S&P		06/20/2023	240,995
Federal Home Loan Bank Bonds	AA+	S&P		05/08/2023	229,790
Federal Home Loan Bank Bonds	AA+	S&P		05/16/2023	234,558
Federal Home Loan Bank Bonds	AA+	S&P		06/20/2023	218,724
Total Federal Home Loan Bank Bonds			>5%		$ 2,270,254
Federal Farm Credit Bank	AA+	S&P		06/19/2023	$ 962,480
Federal Farm Credit Bank	AA+	S&P		03/07/2022	227,720
Federal Farm Credit Bank	AA+	S&P		03/07/2022	227,720
Total Federal Farm Credit Bank			>5%		$ 1,417,920
Small Business Administration Loan Pool	N/R	N/A		06/25/2020	$ 44,174
Small Business Administration Loan Pool	N/R	N/A		07/25/2020	11,446
Small Business Administration Loan Pool	N/R	N/A		07/25/2023	55,476
Small Business Administration Loan Pool	N/R	N/A		04/25/2024	4,726
Small Business Administration Loan Pool	N/R	N/A		04/25/2024	64,784
Small Business Administration Loan Pool	N/R	N/A		10/25/2024	36,570
Small Business Administration Loan Pool	N/R	N/A		11/25/2025	15,260
Total Small Business Administration Loan Pool			<5%		$ 232,436

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Investment pools/mutual funds					
MAGIC Fund	N/A	N/A	>5%		$ 500,178
Repurchase agreements	N/A	N/A	>5%		$ 1,691,122
Total investments					$ 6,729,831
Checking					(60,754)
Savings					11,425
Certificates of deposit					2,287,473
Petty cash and change funds					5,800
Total Cash and Investments					$ 8,973,775

N/A - Not Applicable
N/R - Not Rated
<5% - Concentration is less than 5% of investments
>5% - Concentration is more than 5% of investments

2. Receivables

Receivables as of December 31, 2013, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 28,076	$ -
Special assessments	269,107	6,238
Accounts receivable	35,414	-
Accrued interest receivable	19,197	-
Due from other governments	448,022	-
Total Governmental Activities	$ 799,816	$ 6,238

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 250,018	$ -	$ -	$ 250,018
Right-of-way	792,161	-	-	792,161
Construction in progress	22,500	27,623	10,316	39,807
Total capital assets not depreciated	$ 1,064,679	$ 27,623	$ 10,316	$ 1,081,986
Capital assets depreciated				
Improvements other than buildings	$ 115,086	$ -	$ -	$ 115,086
Building improvements	14,945	-	-	14,945
Buildings	13,133,882	-	-	13,133,882
Machinery, furniture, and equipment	5,764,918	161,438	262,116	5,664,240
Infrastructure	39,701,840	2,001,883	-	41,703,723
Total capital assets depreciated	$ 58,730,671	$ 2,163,321	$ 262,116	$ 60,631,876
Less: accumulated depreciation for				
Improvements other than buildings	$ 63,815	$ 5,298	$ -	$ 69,113
Building improvements	6,451	1,198	-	7,649
Buildings	2,598,459	314,513	-	2,912,972
Machinery, furniture, and equipment	3,455,316	525,858	262,116	3,719,058
Infrastructure	14,997,974	1,044,861	-	16,042,835
Total accumulated depreciation	$ 21,122,015	$ 1,891,728	$ 262,116	$ 22,751,627
Total capital assets depreciated, net	$ 37,608,656	$ 271,593	$ -	$ 37,880,249
Governmental Activities Capital Assets, Net	$ 38,673,335	$ 299,216	$ 10,316	$ 38,962,235

Construction in progress consists of amounts completed on an open road project.

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	$	385,216
Public safety		261,634
Highways and streets, including depreciation of infrastructure assets		1,241,735
Human services		1,711
Conservation of natural resources		1,432
Total Depreciation Expense - Governmental Activities	$	1,891,728

B. Interfund Receivables, Payables, and Transfers

1. Advance From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch Special Revenue	$ 93,000

The purpose of the advances from the General Fund to the Ditch Special Revenue Fund is to provide cash flow for various drainage systems. The advances will be repaid in future years through the use of special assessments levied on the benefited parcels.

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Due To/From Other Funds

The composition of interfund balances as of December 31, 2013, is as follows:

Receivable Fund	Payable Fund	Amount
General	Human Services Special Revenue	$ 1,642
Road and Bridge Special Revenue	General	$ 975
	Human Services Special Revenue	230
	Ditch Special Revenue	6,449
	Solid Waste Special Revenue	154
Total due to Road and Bridge Special Revenue		$ 7,808
Total Due To/From Other Funds		$ 9,450

The outstanding balances between funds result mainly from the time lag between the dates the interfund goods and services are provided or reimbursable expenditures occurred, and when transactions are recorded in the accounting system, and when funds are repaid.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

Transfer to General Fund from Solid Waste Special Revenue Fund	$ 106,809	Provide funding for recycling Activities.

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables of governmental activities at December 31, 2013, were as follows:

Accounts payable	$	152,270
Salaries payable		109,994
Contracts payable		14,294
Due to other governments		79,659
Customer deposits		106,762
Advance from other governments		86,839
Accrued interest payable		128,212
Total Payables	$	678,030

2. Capital Leases

Stevens County has two lease agreements that qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The two capital leases are a generator lease and the Courthouse lease.

Stevens County has entered into a lease arrangement with the Housing and Redevelopment Authority (HRA) of Stevens County. The HRA agreed to issue $7,685,000 in Public Project Revenue Bonds, Series 2009A, in order to finance the construction/remodel of the Courthouse. The building was completed in 2010.

The proceeds of the sale of these bonds were placed into an escrow account. As the County requested construction reimbursements, the funds were transferred from escrow to the HRA, which subsequently transferred the funds to the County. The County's lease payment is essentially equal to the principal and interest on the bonds for the year. The County's original lease obligation consists of $7,685,000 Public Project Revenue Bonds, Series 2009A, less a $301,013 deposit held by the Stevens County HRA for future principal payments on this bond.

3. Detailed Notes on All Funds

C. Liabilities

2. Capital Leases (Continued)

Capital leases consist of the following at December 31, 2013:

Type of Indebtedness	Maturity	Installment Amounts	Interest Rate (%)	Original	Balance
Courthouse lease	2031	$265,000 - $575,000	3.00 - 4.70	$ 7,383,987	$ 6,843,987
Generator lease	2018	$12,005 - $16,321	2.54	119,675	76,402
Total Capital Leases					$ 6,920,389

Payments on the Courthouse capital lease are made from the Debt Service Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

Year Ending December 31	Governmental Activities
2014	$ 583,509
2015	578,609
2016	577,009
2017	575,009
2018	572,609
2019 - 2023	2,861,170
2024 - 2028	2,893,082
2029 - 2031	1,456,997
Total future minimum lease payments	$ 10,097,994
Less: amount representing interest	(3,254,007)
Present Value of Minimum Lease Payments to be Paid by Stevens County	$ 6,843,987

3. Detailed Notes on All Funds

C. Liabilities

2. Capital Leases (Continued)

Payments on the generator capital lease are made from the General Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

Year Ending December 31	Governmental Activities
2014	$ 15,168
2015	16,547
2016	16,546
2017	16,547
2018	16,546
Total future minimum lease payments	$ 81,354
Less: amount representing interest	(4,952)
Present Value of Minimum Lease Payments	$ 76,402

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

Governmental Activities

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease - courthouse	$ 7,118,987	$ -	$ 275,000	$ 6,843,987	$ 280,000
Capital lease - generator	89,623	-	13,221	76,402	13,531
Total capital leases	$ 7,208,610	$ -	$ 288,221	$ 6,920,389	$ 293,531
Compensated absences	479,524	498,950	519,328	459,146	76,722
Total Long-Term Liabilities	$ 7,688,134	$ 498,950	$ 807,549	$ 7,379,535	$ 370,253

3. Detailed Notes on All Funds

C. Liabilities

3. Changes in Long-Term Liabilities (Continued)

For the governmental activities, compensated absences are liquidated by the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund.

4. Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Stevens County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund and the Public Employees Police and Fire Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

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. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement 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.

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90.

Normal retirement age is 55 for Public Employees Police and Fire Fund members and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs 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 public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

4. Pension Plans

A. Defined Benefit Plans (Continued)

Funding Policy

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. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent.

The County is required to contribute the following percentages of annual covered payroll in 2013:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40

The County's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2013	2012	2011
General Employees Retirement Fund	$ 335,494	$ 315,443	$ 317,208
Public Employees Police and Fire Fund	52,632	55,536	54,314

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

4. Pension Plans (Continued)

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2013, were:

	Employee	Employer
Contribution amount	$ 7,760	$ 7,760
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The

5. Risk Management (Continued)

County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $470,000 per claim in 2013 and $480,000 in 2014. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

Alliance Pipeline L.P. has challenged the assessments on the tracts of land on which it is building a natural gas pipeline through Stevens County (and twelve other counties). If approved by the County Board, a refund on assessments of $262,305 will be payable to Alliance Pipeline L.P. This amount includes principle and interest of 4 percent compounded annually. It has not yet been determined if the Board will approve the settlement. If it is not approved by the Board, it is possible that litigation will result.

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities (Continued)

The County, in conjunction with the normal conduct of its affairs, is involved in various other claims, judgments, and litigation. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

B. Joint Ventures

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1992, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. In 2005, the Area Agency on Aging became part of a larger planning and service area covering 21 counties. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. The combined area on aging, known as the Land of the Dancing Sky Area on Aging, was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards continue to meet monthly to make decisions affecting their local counties.

Control is vested in the West Central Board on Aging. The Board consists of one Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county represented.

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the beginning of the fiscal year. The chair shall forward a copy to each of the counties. Withdrawal shall not act to discharge any liability incurred or chargeable to any county before the effective date of withdrawal.

6. Summary of Significant Contingencies and Other Items

   B. Joint Ventures

   West Central Area Agency on Aging (Continued)

   Complete financial information can be obtained from:

   West Central Area Agency on Aging
   P. O. Box 726
   Fergus Falls, Minnesota 56537

   Land of the Dancing Sky Area Agency on Aging

   The Land of the Dancing Sky Area Agency on Aging provides services to a 21-county service area. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. This combined area on aging was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area.

   The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards of the two areas on aging continue to meet monthly to make decisions affecting their local counties.

   Horizon Community Health Board

   Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating the Mid-State Community Health Services, pursuant to Minn. Stat. § 471.59 (following a budget approved by the five-county Board). During 1994, Stevens Traverse Grant Public Health Nursing Service began receiving and administering the grant money for Stevens, Traverse, and Grant Counties. Mid-State Community Health Services was renamed to Horizon Community Health Board when Douglas County was added as a member on January 1, 2011. The budget is now approved by the six-county Board.

   Control is vested in Horizon’s Board, which consists of 11 members comprised of 8 County Commissioners and 3 community representatives. Each member of the Board is appointed by the County Commissioners of the county represented.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Horizon Community Health Board (Continued)

Financing is provided by state and federal grants and contributions from the member parties. Pope County, in an agent capacity, reports the cash transactions of Horizon as an agency fund on its financial statements. During 2013, Stevens County did not contribute funds to Horizon.

Complete financial statements for the Horizon Community Health Board can be obtained from:

Horizon Community Health Board
211 East Minnesota Avenue, Suite 100
Glenwood, Minnesota 56334

Stevens Traverse Grant Public Health Service

Stevens County entered into a joint powers agreement creating and operating the Stevens Traverse Grant Public Health Service, pursuant to Minn. Stat. § 471.59. The Health Service is headquartered in Morris, Minnesota, and has other offices in Wheaton and Elbow Lake, Minnesota.

The management of the Health Service is vested in the Joint Public Health Board, which consists of nine members, three Commissioners each from Stevens County, Traverse County, and Grant County.

The primary functions of the Health Service are to prevent illness and to promote efficiency and economy in the delivery of community health services. Financing is provided by federal and state grants; appropriations from Stevens, Traverse, and Grant Counties; and charges for services. Stevens County, as an agent, reports the cash transactions of Stevens Traverse Grant Public Health in an agency fund on its annual financial statements. Stevens County's contribution for 2013 was $129,664.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Stevens Traverse Grant Public Health Service (Continued)

Complete financial statements for the Stevens Traverse Grant Public Health Service can be obtained from:

Stevens Traverse Grant Public Health Service
10 East Highway 28
Morris, Minnesota 56267

Rainbow Rider Transit Board

Douglas, Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement to establish the West Central Multi-County Joint Powers Transit Board effective December 1, 1994, and empowered under Minn. Stat. § 471.59. Effective January 13, 2000, the Board changed its name from West Central Multi-County Joint Powers Transit Board to Rainbow Rider Transit Board. The purpose of the Board is to provide coordinated service delivery and a funding source for public transportation. Grant County terminated its membership in Rainbow Rider on May 31, 1999. Grant County rejoined and Todd County became a member county effective January 1, 2011 and 2012, respectively.

The Board consists of two members appointed by each member county from its County Board for terms of one year each. Rainbow Rider is a joint venture with no county having control over the Board. Each county has an ongoing responsibility to provide funding for the operating costs of the Board allocated in accordance with the actual expenses incurred by representatives of the respective counties on the Board.

The joint powers agreement remains in force until any single county notifies the other parties of its intentions to withdraw, at least 90 days before the termination takes effect. The remaining counties may agree to continue the agreement with the remaining counties as members.

Complete financial information can be obtained from:

Rainbow Rider
P. O. Box 136
Lowry, Minnesota 56349

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Prime West Health System

In December 1998, Stevens County became a member of the Prime West Central County-Based Purchasing Initiative Joint Powers Board (since renamed Prime West Health System) with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, and Traverse Counties under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to the Prime West Health System. Stevens County, in partnership with these twelve counties, is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

Control of the Prime West Health System is vested in a Joint Powers Board, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board is appointed by the County Commissioners of the county represented.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

Douglas County acts as fiscal agent for the Prime West Health System and reports the cash transactions as an investment trust fund on its financial statements. Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Prime West Health System (Continued)

Complete financial information can be obtained from its administrative office at:

Prime West Health System
2209 Jefferson Street, Suite 101
Alexandria, Minnesota 56308

Regional Fitness Center

Stevens County, along with the University of Minnesota, the City of Morris, and Independent School District 769, entered into a joint powers agreement under the authority of Minn. Stat. § 471.59 to establish and construct a Regional Fitness Center.

Control of the Regional Fitness Center is vested in a Joint Powers Board, composed of one member of the Stevens County Board of Commissioners, four members from the University of Minnesota, one member of the Morris City Council, one member of the School Board, and one member from the community at large.

In the event of termination of the joint powers agreement, any surplus monies generated by the operation of the Regional Fitness Center and any movable equipment shall be returned to the parties in proportion to their original contribution. The building, property, and all non-movable equipment and fixtures shall belong to the University of Minnesota.

Financing is provided by the 1998 Minnesota legislative appropriation of $2,500,000 to the University of Minnesota and contributions in the amount of $2,500,000 from the other parties to this agreement. Stevens County's share, $200,000, was paid over a period of five years. Operational and maintenance expenses will be covered by membership fees and other income generated by the Regional Fitness Center. During 2013, Stevens County did not contribute any funds to the Regional Fitness Center.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Regional Fitness Center (Continued)

Complete financial information can be obtained from:

Morris Area Schools
201 South Columbia Avenue
Morris, Minnesota 56267

Pomme de Terre River Association

The Pomme de Terre River Association Joint Powers Board was established August 11, 1981, by an agreement between Stevens County and five other counties and their respective soil and water conservation districts. The agreement was made to develop and implement plans to protect property from damage of flooding; control erosion of land; protect streams and lakes from sedimentation and pollution; and maintain or improve the quality of water in the streams, lakes, and ground water lying within the boundaries of the watershed of the Pomme de Terre River. Administrative costs are apportioned equally to the soil and water conservation districts based on actual costs. An amended and restated Joint Powers Agreement was approved on March 19, 2013.

Control is vested in a Joint Powers Board, comprised of one representative of each County Board of Commissioners and one representative from each soil and water conservation district board of supervisors included within the agreement.

During 2013, Stevens County did not contribute to the Joint Powers Board.

Complete financial information can be obtained from:

Pomme de Terre River Association Joint Powers Board
900 Roberts Street, Suite 104
Alexandria, Minnesota 56308

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Supporting Hands Nurse Family Partnership Board

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, La qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Stevens, Swift, Traverse, and Yellow Medicine. The purpose of this agreement is to organize, govern, plan, and administer a multi-county based Nurse Family Partnership Program specifically within the jurisdictional boundaries of the counties involved.

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2013, Stevens County made $24,696 in contributions to the partnership.

McLeod County acts as fiscal agent for Supporting Hands Nurse Family Partnership. A complete financial report of the Supporting Hands Nurse Family Partnership can be obtained from McLeod County at:

Supporting Hands Nurse Family Partnership
McLeod County
830 - 11th Street East
Glencoe, Minnesota 55336

Central Minnesota Emergency Services Board

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

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

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

The Central Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2013, Stevens County did not contribute to the Joint Powers Board.

Complete financial information can be obtained from:

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Stevens County Family Services Collaborative

The Stevens County Family Services Collaborative was established in 1997 under the authority of Minn. Stat. § 124D.23. The Collaborative includes Stevens County, Independent School District 771, the Stevens Traverse Grant Public Health Service, the Stevens Community Medical Center, and Rural Minnesota CEP, Inc. The purpose of the Collaborative is to provide coordinated family services and to commit resources to an integrated fund.

Control of the Stevens County Family Services Collaborative is vested in a Board of Directors, which is composed of one member appointed by each member party. The persons so appointed shall appoint two consumer representatives by the majority vote of the Board.

In the event of withdrawal from the Stevens County Family Services Collaborative, the withdrawing party shall give a 90-day notice. The withdrawing party shall not be entitled to a refund of monies contributed to the Collaborative prior to the effective date of withdrawal. The Board shall continue to exist if the Collaborative is terminated for the limited purpose of discharging the Board's debts and liabilities, settling its affairs, and disposing of its property, if any.

Financing is provided by state and federal grants and contributions from its member parties. Stevens County, in an agent capacity, reports the cash transactions of the Stevens County Family Services Collaborative as an agency fund on its financial statements. During 2013, the County did not contribute any funds to the Collaborative.

Separate financial information can be obtained from:

Stevens County Courthouse
400 Colorado Avenue
Morris, Minnesota 56267

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Region 4 South Adult Mental Health Consortium

Pope, Douglas, Grant, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating Region 4 South Adult Mental Health Consortium, pursuant to Minn. Stat. § 471.59, to provide a system of care that will serve the needs of adults with serious and persistent mental illness for the mutual benefit of each of the joint participants.

Control of the Consortium is vested in a Governing Board, which consists of each participating County's Director of Social Services, Family Services, or Human Services, as the case may be. The Governing Board operates under the ultimate authority of the Executive Commissioner Board. The Executive Commissioner Board is composed of one Commissioner of each county appointed by the respective County Board.

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the date of the proposed withdrawal. Withdrawal does not act to discharge any liability incurred or chargeable to any county before the effective date of the withdrawal.

Dissolution of the Consortium shall occur by unanimous vote of the counties, or when the membership in the Consortium is reduced to less than two counties. Upon dissolution of the Consortium, the member counties shall share in the current liabilities and current financial assets, including real property, of the Consortium equally if no county has contributed during the term of the Consortium or based upon their percentage of contribution to the Consortium's budget during the period applicable to such liabilities and assets.

Financing is predominantly provided by state grants. Grant County, in a fiscal host capacity, reports the cash transactions of the Consortium as an agency fund on its financial statements.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Rural MN Concentrated Employment Programs, Inc. (WIA - Rural MN Workforce Service Area 2)

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

Stevens County provided $43,910 to this organization in 2013.

C. Jointly-Governed Organizations

Western Area City/County Co-Op

Stevens County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-Op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. Stat. § 471.59. The purpose of WACCO is to establish a resource network that identifies common needs of the individual governmental units and reduce the financial burden on each of its members through the cooperative sharing of existing resources. The management and control of WACCO is vested in a Board of Directors composed of a representative appointed by each member city and county. During 2013, the County contributed $3,950 to WACCO.

Minnesota River Board

The Minnesota River Board (formerly the Minnesota River Basin Joint Powers Board) was established July 12, 1995, by an agreement between Stevens County and 37 other counties. According to the latest information available, 38 counties are members under this agreement. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

In the event of termination of the agreement, all property, real and personal, held by the Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Minnesota River Board (Continued)

Control is vested in an executive committee of one executive director and four officers elected from the membership of the Minnesota River Powers Board, consisting of one representative from one of the member County Board of Commissioners included in this agreement. During 2013, Stevens County did not make any payments to the Project.

Complete financial statements for the Minnesota River Board can be obtained from its administrative office at:

Minnesota River Board
Administrative Building No. 14
600 East 4th Street
Chaska, Minnesota 55318

District IV Transportation Planning

Stevens County and 13 other cities and counties entered into a joint powers agreement to establish the District IV Transportation Planning Joint Powers Board, effective December 11, 1996, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to develop a multi-model transportation plan for the geographical jurisdiction of the member cities and counties. The Board is composed of 14 members, with one member appointed by each member city and county.

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

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

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

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

Minnesota Red River Basin of the North Joint Powers Agreement

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Stevens County and 17 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget.

Control is vested in a Joint Powers Board comprised of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county represented.

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2013, the County did not contribute any funding to the Joint Powers Board.

Complete financial statements can be obtained from the offices of the International Coalition.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Beltrami, Clay, Clearwater, Cook, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Roseau, Stevens, Todd, and Traverse Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. The County's responsibility does not extend beyond making this appointment.

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Sentence to Service

Stevens County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Minnesota Department of Corrections and Natural Resources, provide the funds needed to operate the STS program. Stevens County has no operational or financial control over the STS program and does not budget for this program.

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SW-MIIC during 2013.

West Central S.W.A.T. Team

West Central S.W.A.T. Team is comprised of five county Sheriff's Offices and seven Police Departments including Big Stone, Pope, Stevens, Swift, and Traverse Counties along with the Appleton, Benson, Glenwood, Morris, Starbuck, University of Minnesota Morris, and Wheaton Police Departments. The purpose of the team is to create a feasible economical way, by sharing the costs, to protect the citizens of the cities and counties involved. During the year, the County did not contribute to the Team.

D. Subsequent Event

On April 1, 2014, Stevens County adopted a resolution for the issuance of $1,980,000 General Obligation Drainage Bonds, Series 2014A, to finance the County Ditch #30 improvement project.

7. Stevens County Housing and Redevelopment Authority (HRA)

The Stevens County Housing and Redevelopment Authority (HRA) operates as a local government unit for the purpose of providing housing and redevelopment services of the local area. The governing body consists of a five-member board appointed by the Stevens County Board.

A. Summary of Significant Accounting Policies

1. Basis of Presentation

The HRA has implemented Governmental Accounting Standards Board Statement 34 (GASB 34). The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the HRA.

2. Measurement Focus

The HRA reports as an enterprise fund. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the liability is incurred.

Revenues susceptible to accrual include rental income and capital grants earned but not received. Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is recognized when the corresponding expenditure is incurred. The HRA also receives an annual appropriation from the U.S. Department of Housing and Urban Development (HUD), which is recognized as revenue when received unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

Investment earnings and revenue from other sources are recognized when earned.

3. Use of Estimates

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

7. Stevens County Housing and Redevelopment Authority (HRA) (Continued)

B. Assets

1. Cash and Cash Equivalents

Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost. The HRA has defined cash and cash equivalents to include all checking, savings, certificates of deposit, and cash on hand.

Minnesota state statues and HUD regulations require that all HRA deposits be covered by insurance, surety bond, or collateral. At December 31, 2013, the HRA's deposits of $525,370 (carrying amount) were entirely insured or collateralized with securities held by the HRA or by its agent in the HRA's name.

2. Investments

Minnesota state statutes authorize the HRA to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days. At December 31, 2013, the HRA's investments of $301,013 (carrying amount and fair value) were entirely insured or registered, or securities were held by the HRA's agent in the HRA's name.

The investment balance of $301,013 reported at December 31, 2013, consists of amounts set aside to make future principal payments on the 2009A Public Project Revenue Bonds.

3. Prepaid Items

The HRA presents prepaid items consisting of the unexpired premium on insurance policies.

7. Stevens County Housing and Redevelopment Authority (HRA)

B. Assets (Continued)

4. Capital Assets

Capital assets, which include property, buildings, furniture, and equipment, are reported in the statement of net position. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

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

The HRA's capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 5,000	$ -	$ -	$ 5,000
Total capital assets not depreciated	$ 5,000	$ -	$ -	$ 5,000
Capital assets depreciated				
Buildings	$ 315,602	$ -	$ -	$ 315,602
Equipment and other	7,237	-	-	7,237
Total capital assets depreciated	$ 322,839	$ -	$ -	$ 322,839
Less: accumulated depreciation	$ 28,390	$ 8,909	$ -	$ 37,299
Total capital assets depreciated, net	$ 294,449	$ (8,909)	$ -	$ 285,540
Total Capital Assets, Net	$ 299,449	$ (8,909)	$ -	$ 290,540

5. Lease Receivable

The HRA has recorded a lease receivable for the amount due from Stevens County to make payment on the Series 2009A Public Project Revenue Bonds for the Courthouse lease. The balance due at December 31, 2013, was $6,843,987.

7. Stevens County Housing and Redevelopment Authority (HRA) (Continued)

C. Liabilities

1. Long-Term Debt

Long-term debt outstanding at December 31, 2013, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Outstanding Balance December 31, 2013
2009A Public Project Revenue Bonds	02/01/2031	$265,000 - $575,000	3.00 - 4.70	$ 7,145,000
MHFA Loan	-	-	-	49,000
Mortgage	10/01/2022	$2,105/month	4.375	182,743
Mortgage	08/01/2028	$123/month	1.50	19,470
Less: unamortized discount				(62,874)
Total Long-Term Debt				$ 7,333,339

2. Debt Service Requirements

Debt service requirements as of December 31, 2013, are as follows:

Future Payments	
2014	$ 303,175
2015	318,334
2016	334,251
2017	350,963
2018	368,512
Thereafter	5,658,104
Total	$ 7,333,339

7. Stevens County Housing and Redevelopment Authority (HRA)

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 7,420,000	$ -	$ 275,000	$ 7,145,000	$ 280,000
Discount/premium	(66,382)		(3,508)	(62,874)	-
MHFA Loan	49,000	-	-	49,000	-
Mortgages	220,295	-	18,082	202,213	18,695
Compensated absences	6,267	127	-	6,394	-
Long-Term Liabilities	$ 7,629,180	$ 127	$ 289,574	$ 7,339,733	$ 298,695

D. Pension Plan

The HRA provides pension benefits to all of its full-time employees through a defined benefit plan. In a defined benefit plan, benefits depend on amounts determined to be for retirement assistance. The HRA contributes 7.25 percent of the employees' base salary. The employees are also required to contribute 6.25 percent to the plan.

	2013	2012	2011
Wages	$ 137,562	$ 131,980	$ 155,789
Employer share	9,973	10,558	9,141
Employee share	8,598	9,107	7,881

E. Economic Dependency

The programs of the HRA are economically dependent on annual contributions and grants from HUD. Without these contributions and grants, the programs would operate at a loss.

REQUIRED SUPPLEMENTARY INFORMATION

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 3,640,736	$ 3,640,736	$ 3,568,383	$ (72,353)
Licenses and permits	18,800	18,800	18,100	(700)
Intergovernmental	933,900	933,900	1,241,711	307,811
Charges for services	365,300	365,300	391,149	25,849
Investment earnings	162,500	162,500	(250,627)	(413,127)
Miscellaneous	129,100	129,100	215,909	86,809
Total Revenues	**$ 5,250,336**	**$ 5,250,336**	**$ 5,184,625**	**$ (65,711)**
Expenditures				
Current				
General government				
Commissioners	237,485	237,485	229,377	8,108
Law library	9,250	9,250	7,743	1,507
Court coordinator	177,670	177,670	92,208	85,462
Human resources	-	-	78,869	(78,869)
Auditor-Treasurer	358,189	358,189	361,932	(3,743)
Accounting and auditing	70,000	70,000	52,040	17,960
Tax forfeiture	1,500	1,500	1,117	383
Information technology	329,367	329,367	339,946	(10,579)
GIS	64,208	64,208	50,077	14,131
Elections	6,350	6,350	8,505	(2,155)
Attorney	263,338	263,338	270,340	(7,002)
Recorder	249,826	249,826	243,091	6,735
Planning and zoning	67,755	67,755	114,877	(47,122)
Assessor	264,661	264,661	259,852	4,809
Courthouse operations	337,518	337,518	370,605	(33,087)
Safety coordinator	41,970	41,970	38,000	3,970
Veterans service officer	52,909	52,909	51,280	1,629
Other general government	136,915	136,915	125,604	11,311
Total general government	**$ 2,668,911**	**$ 2,668,911**	**$ 2,695,463**	**$ (26,552)**
Public safety				
Sheriff	$ 1,364,553	$ 1,364,553	$ 1,379,024	$ (14,471)
Coroner	30,000	30,000	15,222	14,778
Probation	100,922	100,922	85,569	15,353
Emergency management	87,500	87,500	155,802	(68,302)
E-911 system	87,000	87,000	95,820	(8,820)
Total public safety	**$ 1,669,975**	**$ 1,669,975**	**$ 1,731,437**	**$ (61,462)**

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

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Environmental services	**$ 162,859**	**$ 162,859**	**$ 174,317**	**$ (11,458)**
Human Services				
Social service youth activity	**$ -**	**$ -**	**$ 3,795**	**$ (3,795)**
Health				
Nursing services	**$ 129,664**	**$ 129,664**	**$ 129,664**	**$ -**
Culture and recreation				
Historical society	$ 59,400	$ 59,400	$ 59,400	$ -
Regional library	54,775	54,775	54,775	-
Snowmobile trails	-	-	65,392	(65,392)
Total culture and recreation	**$ 114,175**	**$ 114,175**	**$ 179,567**	**$ (65,392)**
Conservation of natural resources				
Extension	$ 139,230	$ 139,230	$ 133,410	$ 5,820
Agricultural society/County fair	35,200	35,200	35,275	(75)
Predator control	1,000	1,000	523	477
Soil and water conservation	136,000	136,000	142,485	(6,485)
Total conservation of natural resources	**$ 311,430**	**$ 311,430**	**$ 311,693**	**$ (263)**
Economic development				
Economic development	**$ 66,150**	**$ 66,150**	**$ 66,150**	**$ -**
Intergovernmental				
Highways and streets	**$ 255,000**	**$ 255,000**	**$ 265,432**	**$ (10,432)**
Debt service				
Principal	$ -	$ -	$ 13,221	$ (13,221)
Interest	-	-	1,947	(1,947)
Total debt service	**$ -**	**$ -**	**$ 15,168**	**$ (15,168)**
Total Expenditures	**$ 5,378,164**	**$ 5,378,164**	**$ 5,572,686**	**$ (194,522)**
Excess of Revenues Over (Under) Expenditures	**$ (127,828)**	**$ (127,828)**	**$ (388,061)**	**$ (260,233)**

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

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Other Financing Sources (Uses)				
Transfers in	$ 106,809	$ 106,809	$ 106,809	$ -
Proceeds from the sale of capital assets	8,000	8,000	5,354	(2,646)
Total Other Financing Sources (Uses)	**$ 114,809**	**$ 114,809**	**$ 112,163**	**$ (2,646)**
Net Change in Fund Balance	**$ (13,019)**	**$ (13,019)**	**$ (275,898)**	**$ (262,879)**
Fund Balance - January 1	**3,508,022**	**3,508,022**	**3,508,022**	**-**
Fund Balance - December 31	**$ 3,495,003**	**$ 3,495,003**	**$ 3,232,124**	**$ (262,879)**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,112,793	$ 1,112,793	$ 1,086,409	$ (26,384)
Intergovernmental	3,038,246	3,038,246	3,259,668	221,422
Charges for services	265,950	265,950	378,765	112,815
Miscellaneous	54,000	54,000	199,357	145,357
Total Revenues	**$ 4,470,989**	**$ 4,470,989**	**$ 4,924,199**	**$ 453,210**
Expenditures				
Current				
Highways and streets				
Administration	$ 229,835	$ 229,835	$ 237,897	$ (8,062)
Construction	2,266,504	2,266,504	2,430,527	(164,023)
Maintenance	1,200,710	1,200,710	903,622	297,088
Equipment and maintenance shops	693,940	693,940	776,961	(83,021)
Material and services for resale	80,000	80,000	79,813	187
Total Expenditures	**$ 4,470,989**	**$ 4,470,989**	**$ 4,428,820**	**$ 42,169**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 495,379**	**$ 495,379**
Fund Balance - January 1	**1,777,795**	**1,777,795**	**1,777,795**	**-**
Increase (decrease) in inventories	**-**	**-**	**154,810**	**154,810**
Fund Balance - December 31	**$ 1,777,795**	**$ 1,777,795**	**$ 2,427,984**	**$ 650,189**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,043,054	$ 1,043,054	$ 1,018,304	$ (24,750)
Intergovernmental	1,040,943	1,040,943	1,319,425	278,482
Charges for services	89,857	89,857	132,446	42,589
Miscellaneous	67,000	67,000	103,534	36,534
Total Revenues	**$ 2,240,854**	**$ 2,240,854**	**$ 2,573,709**	**$ 332,855**
Expenditures				
Current				
Human services				
Income maintenance	$ 512,508	$ 512,508	$ 604,625	$ (92,117)
Transitional housing	-	-	4,351	(4,351)
Mental health mobile crisis	-	-	123,997	(123,997)
Social services	2,033,346	2,033,346	2,130,342	(96,996)
Total Expenditures	**$ 2,545,854**	**$ 2,545,854**	**$ 2,863,315**	**$ (317,461)**
Net Change in Fund Balance	**$ (305,000)**	**$ (305,000)**	**$ (289,606)**	**$ 15,394**
Fund Balance - January 1	**2,269,169**	**2,269,169**	**2,269,169**	**-**
Fund Balance - December 31	**$ 1,964,169**	**$ 1,964,169**	**$ 1,979,563**	**$ 15,394**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Special assessments	$ 197,650	$ 197,650	$ 202,150	$ 4,500
Miscellaneous	-	-	14,030	14,030
Total Revenues	**$ 197,650**	**$ 197,650**	**$ 216,180**	**$ 18,530**
Expenditures				
Current				
Sanitation				
Solid waste	105,320	105,320	228,256	(122,936)
Excess of Revenues Over (Under) Expenditures	**$ 92,330**	**$ 92,330**	**$ (12,076)**	**$ (104,406)**
Other Financing Sources (Uses)				
Transfers out	(106,809)	(106,809)	(106,809)	-
Net Change in Fund Balance	**$ (14,479)**	**$ (14,479)**	**$ (118,885)**	**$ (104,406)**
Fund Balance - January 1	**350,373**	**350,373**	**350,373**	**-**
Fund Balance - December 31	**$ 335,894**	**$ 335,894**	**$ 231,488**	**$ (104,406)**

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

STEVENS COUNTY
MORRIS, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

1. General Budget Policies

   The County Board adopts estimated revenue and expenditure budgets for the General Fund and special revenue funds, except the Ditch Special Revenue Fund.

   On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

   The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

   Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund and applicable special revenue funds.

2. Budget Basis of Accounting

   Budgets are adopted on a basis consistent with generally accepted accounting principles.

3. Budget Amendments

   There were no budget amendments in 2013.

4. Excess of Expenditures Over Budget

The following is a summary of the General Fund and the special revenue funds with expenditures in excess of budgeted expenditures for the year ended December 31, 2013.

	Expenditures	Final Budget	Excess
General Fund	$ 5,572,686	$ 5,378,164	$ 194,522
Special Revenue Funds			
Human Services	2,863,315	2,545,854	317,461
Solid Waste	228,256	105,320	122,936

SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 586,834	$ 586,834	$ 572,840	$ (13,994)
Intergovernmental	-	-	13,201	13,201
Total Revenues	**$ 586,834**	**$ 586,834**	**$ 586,041**	**$ (793)**
Expenditures				
Current				
General government				
Accounting and auditing	$ -	$ -	$ 265	$ (265)
Debt service				
Principal	275,000	275,000	275,000	-
Interest	311,834	311,834	311,805	29
Total Expenditures	**$ 586,834**	**$ 586,834**	**$ 587,070**	**$ (236)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ (1,029)**	**$ (1,029)**
Fund Balance - January 1	**144,208**	**144,208**	**144,208**	**-**
Fund Balance - December 31	**$ 144,208**	**$ 144,208**	**$ 143,179**	**$ (1,029)**

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FIDUCIARY FUNDS

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AGENCY FUNDS

The Housing and Redevelopment Authority Fund is used to account for the payroll related collections and disbursements of the Housing and Redevelopment Authority.

The School Districts Fund is used to account for the collection and payment of funds due to school districts.

The Social Welfare Fund is used to account for the collection and disbursement of funds held on the behalf of individuals in the Social Welfare program.

The State Revenue Fund is used to account for the state's share of collections and the payment of those collections to the state.

The Stevens County Family Services Collaborative Fund is used to account for the collection and disbursement of funds used for prevention and early intervention services primarily provided by the schools and Public Health.

The Stevens Traverse Grant Public Health Service Fund is used to account for the receipt and payment of federal, state, and local grants and membership contributions for the Public Health Service Fund.

The Taxes and Penalties Fund is used to account for the collection and payment to the various taxing districts of taxes and penalties collected.

The Towns and Cities Fund is used to account for the collection and payment of funds due to towns and cities and special taxing districts.

The Watershed Fund is used to account for the collection and payments of funds due to the Watershed districts.

The West Central Special Weapons and Tactics Team Fund is used to account for the collection and payment of funds due to the West Central SWAT team.

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Balance January 1	Additions	Deductions	Balance December 31
HOUSING AND REDEVELOPMENT AUTHORITY				
Assets				
Cash and pooled investments	$ 5,510	$ 361,045	$ 361,252	$ 5,303
Liabilities				
Due to other governments	$ 5,510	$ 361,045	$ 361,252	$ 5,303
SCHOOL DISTRICTS				
Assets				
Cash and pooled investments	$ -	$ 4,227,462	$ 4,227,462	$ -
Liabilities				
Due to other governments	$ -	$ 4,227,462	$ 4,227,462	$ -
SOCIAL WELFARE				
Assets				
Cash and pooled investments	$ 19,157	$ 217,544	$ 224,997	$ 11,704
Liabilities				
Accounts payable	$ 19,157	$ 217,544	$ 224,997	$ 11,704

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Balance January 1	Additions	Deductions	Balance December 31
STATE REVENUE				
Assets				
Cash and pooled investments	**$ 20,047**	**$ 1,183,897**	**$ 1,150,770**	**$ 53,174**
Liabilities				
Due to other governments	**$ 20,047**	**$ 1,183,897**	**$ 1,150,770**	**$ 53,174**
STEVENS COUNTY FAMILY SERVICES COLLABORATIVE				
Assets				
Cash and pooled investments	**$ 55,121**	**$ 45,361**	**$ 45,914**	**$ 54,568**
Liabilities				
Due to other governments	**$ 55,121**	**$ 45,361**	**$ 45,914**	**$ 54,568**
STEVENS TRAVERSE GRANT PUBLIC HEALTH SERVICE				
Assets				
Cash and pooled investments	$ 499,957	$ 3,012,890	$ 2,972,276	$ 540,571
Accounts receivables	-	969	-	969
Due from other governments	-	87,195	-	87,195
Total Assets	**$ 499,957**	**$ 3,101,054**	**$ 2,972,276**	**$ 628,735**
Liabilities				
Salaries payable	$ -	$ 22,414	$ -	$ 22,414
Due to other governments	499,957	3,078,640	2,972,276	606,321
Total Liabilities	**$ 499,957**	**$ 3,101,054**	**$ 2,972,276**	**$ 628,735**

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Balance January 1	Additions	Deductions	Balance December 31
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 84,096**	**$ 15,342,404**	**$ 15,322,453**	**$ 104,047**
Liabilities				
Due to other governments	$ 70,004	$ 15,321,118	$ 15,308,361	$ 82,761
Advance taxes	14,092	21,286	14,092	21,286
Total Liabilities	**$ 84,096**	**$ 15,342,404**	**$ 15,322,453**	**$ 104,047**
TOWNS AND CITIES				
Assets				
Cash and pooled investments	**$ -**	**$ 3,119,038**	**$ 3,119,038**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 3,119,038**	**$ 3,119,038**	**$ -**
WATERSHED				
Assets				
Cash and pooled investments	**$ -**	**$ 135,380**	**$ 135,380**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 135,380**	**$ 135,380**	**$ -**

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Balance January 1	Additions	Deductions	Balance December 31
WEST CENTRAL SPECIAL WEAPONS AND TACTICS TEAM				
Assets				
Cash and pooled investments	**$ 8,368**	**$ 10,919**	**$ 10,954**	**$ 8,333**
Liabilities				
Due to other governments	**$ 8,368**	**$ 10,919**	**$ 10,954**	**$ 8,333**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 692,256	$ 27,655,940	$ 27,570,496	$ 777,700
Accounts receivable	-	969	-	969
Due from other governments	-	87,195	-	87,195
Total Assets	**$ 692,256**	**$ 27,744,104**	**$ 27,570,496**	**$ 865,864**
Liabilities				
Accounts payable	$ 19,157	$ 217,544	$ 224,997	$ 11,704
Advance taxes	14,092	21,286	14,092	21,286
Due to other governments	659,007	27,482,860	27,331,407	810,460
Salaries payable	-	22,414	-	22,414
Total Liabilities	**$ 692,256**	**$ 27,744,104**	**$ 27,570,496**	**$ 865,864**

OTHER SCHEDULES

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013

		Governmental Funds
Shared Revenue		
State		
Highway users tax	$	3,168,347
County program aid		516,231
PERA rate reimbursement		21,742
Disparity reduction aid		50,262
Police aid		43,431
Enhanced 911		80,848
Market value credit		92,073
Total shared revenue	**$**	**3,972,934**
Reimbursement for Services		
Road signage project	$	54,033
Minnesota Department of Human Services		239,387
Total reimbursement for services	**$**	**293,420**
Payments		
Local		
Payments in lieu of taxes	**$**	**71,542**
Grants		
State		
Minnesota Department/Board/Office of		
Public Safety	$	22,187
Corrections		16,673
Human Services		505,278
Natural Resources		65,392
Water and Soil Resources		86,109
Veterans Affairs		3,299
Pollution Control Agency		55,950
Total state	**$**	**754,888**
Federal		
Department of		
Agriculture	$	43,268
Health and Human Services		477,390
Homeland Security		59,077
Transportation		161,486
Total federal	**$**	**741,221**
Total state and federal grants	**$**	**1,496,109**
Total Intergovernmental Revenue	**$**	**5,834,005**

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	**$ 43,268**
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	$ **161,486**
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	$ 2,135
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families	93.558	46,578
Emergency Contingency Fund for TANF State Program - ARRA	93.714	410
Child Support Enforcement	93.563	117,132
Refugee and Entrant Assistance - State-Administered Programs	93.566	113
Child Care and Development Block Grant	93.575	4,274
Community-Based Child Abuse Prevention Grants	93.590	4,500
Stephanie Tubbs Jones Child Welfare Services Program	93.645	7,351
Foster Care - Title IV-E	93.658	27,239
Social Services Block Grant	93.667	85,394
Chafee Foster Care Independence Program	93.674	807
Children's Health Insurance Program	93.767	20
Medical Assistance Program	93.778	181,437
Total U.S. Department of Health and Human Services		**$ 477,390**
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	$ 11,078
Emergency Operations Center	97.052	47,999
Total U.S. Department of Homeland Security		**$ 59,077**
Total Federal Awards		**$ 741,221**

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

STEVENS COUNTY
MORRIS, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Stevens County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include $470,069 in federal awards expended by the Stevens County Housing and Redevelopment Authority component unit, which was audited by other auditors.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Stevens County under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Stevens County, it is not intended to and does not present the financial position or changes in the net position of Stevens County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Temporary Assistance for Needy Families Cluster	$	46,988

5. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2013.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.

Management and Compliance Section

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STEVENS COUNTY
MORRIS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

Highway Planning and Construction	CFDA #20.205
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778

The threshold for distinguishing between Types A and B programs was $300,000.

Stevens County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-004

Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Due to the limited number of personnel within several Stevens County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: This is not unusual in operations the size of Stevens County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that due to available resources, it would not be able to hire additional qualified accounting staff to segregate duties in every department.

Recommendation: We recommend Stevens County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

Finding 2006-002

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Clarified Auditing Standards AU-C Section 265 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements.

Context: The inability to make all necessary accrual adjustments or to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. Some of the adjustments required additional time by the auditors to determine the correct balances.

Effect: The following audit adjustments were necessary:

General Fund

- Decreased cash and pooled investments by $335,584 to report the County's investments at fair market value rather than book value, as required by Governmental Auditing Standards Board (GASB) Statement 31.

Road and Bridge Special Revenue Fund

- Decreased unavailable revenue and increased intergovernmental highway user tax shared revenues by $529,482 to recognize revenue that had been deferred as unavailable in the prior year.

Governmental Activities

- Increased revenue by $539,992 for receivables that were deferred on the modified accrual fund level statements but earned on the full accrual basis.

The adjustments were reviewed and approved by the appropriate County staff and are reflected in the financial statements.

Cause: Procedures were not in place to consider the full extent of all entries needed for financial reporting.

Recommendation: We recommend County staff review trial balances and journal entries in detail and establish internal controls necessary to determine that all adjusting entries are made to ensure the County's financial statements are reported in accordance with generally accepted accounting principles.

Finding 2012-001

Credit Card Purchases

Criteria: Sound internal controls should provide a system to ensure that all credit card purchases are supported by itemized receipts. Additionally, Stevens County's credit card policy requires such documentation, and Minn. Stat. § 471.38, subd. 1, requires claims presented for payment must be in writing and itemized. Monthly statements received from a credit card company lack sufficient detail to comply with these requirements.

Condition: During control testing, we noted the following deficiencies in our review of five credit card claims:

- Two credit card claims did not include itemized receipts for all purchases.

- The County Sheriff was appointed by the County Board effective January 1, 2013, and as of May 2014, has not received the County Board's authorization to use a credit card as required by the County's credit card policy. The credit card used during 2013 by the County Sheriff is still in the prior sheriff's name.

- In one instance, a hotel claim included valet parking. An employee paid the County $2 of the $19 parking fee, but the County could not provide support indicating the cost of parking had the valet service not been used.

- On one claim, the County paid a late charge of $39 because a department head did not provide an invoice to the Auditor/Treasurer's Office before the credit card claim was due. According to the County's credit card policy, receipts should be submitted within five business days of returning to work.

Context: Documentation of claims paid is a fundamental requirement of a sound accounting system; it is the primary evidence used to support and explain the nature of the County's cash outlays and expenditures recorded in the general ledger.

Effect: Billings received from a credit card company lack sufficient detail to permit the County Board to review and approve expenditures incurred by using credit cards. In order to pay these bills, the County must have itemized invoices or receipts to support items charged. According to the County's credit card policy, the County Sheriff is making unauthorized purchases on the credit card. In addition, the County is paying late fees without "a review of the circumstances by the Stevens County Board of Commissioners," as indicated in the County's credit card policy.

Cause: Internal controls do not require staff to provide itemized vendor invoices or receipts for all credit card purchases. Departmental personnel reviewing and authorizing payment of the credit card claims either did not request the required supporting documentation from staff timely, or did not ensure the documentation was in compliance with the County's credit card policy on a timely basis before paying the credit card claim. In addition, the County has not been successful in its attempts to change the name on the County Sheriff's credit card.

Recommendation: We recommend staff approving credit card claims adhere to Minn. Stat. § 471.38, subd. 1, to the County's credit card policy, and to the County's Employee Handbook regarding miscellaneous reimbursement. Departmental personnel reviewing the claim should ensure that credit card claims are accompanied with itemized vendor invoices or receipts that support all charges.

ITEM ARISING THIS YEAR

Finding 2013-001

Accounting Policies and Procedures Manual

Criteria: County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. All governments should document their accounting policies and procedures. Although other methods may suffice, this documentation is traditionally in the form of an accounting policies and procedures manual. This manual should document the accounting policies and procedures that make up the County's internal control system. These policies and procedures should be designed to help detect and deter fraud, and include monitoring procedures.

Condition: The County does not have approved guidelines or instructions to follow in the form of a current and comprehensive accounting policies and procedures manual.

Context: County management has not documented the significant internal controls in its accounting system or created a formal plan to monitor its internal control structure and to ensure that Board-approved practices are followed as intended.

Effect: In lieu of formal written accounting policies and procedures, informal practices and procedures can become unwritten standards that can have unintended consequences. Without a concisely written, comprehensive policies and procedures manual clearly identifying County policies and procedures required to be followed, potential misunderstandings or abusive practices may occur.

Cause: No formal action has been taken to provide County personnel with procedures to perform consistent treatment of accounting transactions.

Recommendation: We recommend the County Auditor/Treasurer establish an accounting policies and procedures manual. The accounting policies and procedures manual should be prepared by appropriate levels of management and be approved by the County Board to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support for controls.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2011-001

Supervisory Review Over Eligibility - Intake Function

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

Pass-Through Agency: Minnesota Department of Human Services

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During our testing of controls over Medical Assistance case files, we noted no documented review process of case files.

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

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

Effect: The lack of timely periodic reviews by a program supervisor or other person with knowledge of the program's case files increases the risk that clients will receive benefits when they are not eligible.

Cause: The County does not have a procedure in place to ensure that case files are reviewed. Prior to March 2013, the County had not hired an Income Maintenance Supervisor to conduct supervisory case reviews.

Recommendation: We recommend Stevens County establish a process for reviewing a sample of case files periodically by a program supervisor or other person with knowledge of the program to ensure that all the required information affecting eligibility is obtained, correctly entered into MAXIS, and is retained in the manual case file. We further recommend that those reviews be documented and retained.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Joanie Murphy, Director, Stevens County Human Services

Corrective Action Planned:

Stevens County Human Services contracted for an Income Maintenance Supervisor beginning March 10, 2013. The Supervisor conducts random case reviews on a monthly basis. The Supervisor maintains a file of completed reviews.

Anticipated Completion Date:

An Income Maintenance Supervisor was contracted with beginning March 10, 2013.

PREVIOUSLY REPORTED ITEMS RESOLVED

Eligibility Testing (CFDA No. 93.778) (2012-002)

The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During our previous audit, we noted not all documentation was available to support participant eligibility. In other circumstances, information was input into MAXIS incorrectly. We noted 12 deficiencies in the sample of 40 cases tested.

Resolution

During 2013, Stevens County implemented additional internal controls over case files that resulted in no significant deficiencies identified in the sample of 40 cases tested.

Social Services DHS 2556 Reporting (CFDA No. 93.778) (2012-003)

The Minnesota Department of Human Services (DHS) provides guidance on the completion of the Social Services DHS 2556 report through various bulletins. During our testing of the DHS 2556 quarterly reports in the previous audit, we noted payroll and related expenditures were overstated by $14,021 when compared to the general ledger for the quarter ending September 30, 2012.

Resolution

During 2013, Stevens County implemented additional internal control procedures over reporting, resulting in no notable variations in our testing of the DHS 2556 quarterly reports.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2004-001

Publishing Board Minutes and Claims Paid

Criteria: Minnesota Statutes § 375.12 requires that County Board minutes be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over $2,000. For claims $2,000 or less, the total number of claims and total amount shall be stated. The County can publish summaries of the minutes, meeting the requirement of Minn. Stat. § 331A.01. However, the County must still publish claims as required by Minn. Stat. § 375.12.

Condition: Stevens County does not publish an itemized list of County Board-approved payments over $2,000 with the total number of claims and total amount for payments under $2,000 as provided by Minn. Stat. § 375.12. The publication provides only a summary by fund of the County Board-approved payments.

Context: The County is concerned that publishing an itemized list of County Board-approved payments over $2,000 would add substantial cost and serve little public interest. It has encouraged the Association of Minnesota Counties to pursue a change of the statutes.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County Board does not wish to incur the additional cost of publication and continues to make the information physically available at the County Courthouse.

Recommendation: We recommend the County comply with the above-noted statute and publish an itemized list of County Board-approved payments over $2,000 with the total number of claims and total amount for payments under $2,000.

ITEM ARISING THIS YEAR

Finding 2013-002

Delegation to Pay Claims

Criteria: Minnesota Statutes § 375.18, subd. 1b, states:

> A county board, at its discretion, may delegate its authority to pay certain claims made against the county to a county administrative official. County boards opting to delegate their authority to review claims before payment pursuant to this subdivision shall have internal accounting and administrative control procedures to ensure the proper disbursement of public funds. The procedures shall include regular and frequent review of the county administrative officials' actions by the board. A list of all claims paid under the procedures established by the county board shall be presented to the board for informational purposes only at the next regularly scheduled meeting after payment of the claim. A county board that delegates its authority to pay certain claims made against the county must adopt a resolution authorizing a specified county administrative official to pay the claims that meet the standards and procedures established by the board.

Condition: The Stevens County Auditor/Treasurer's Office is processing claims as though delegation has been made to the Auditor/Treasurer; however, the County cannot provide a resolution supporting that such delegation was ever made by the County Board.

Context: The County Board approves claims only once a month. Claims are processed by the Auditor/Treasurer's Office throughout the month to prevent late fees.

Effect: Noncompliance with Minn. Stat. § 375.18.

Cause: The County Auditor/Treasurer was not aware the delegation to pay claims should be made with a formal Board resolution.

Recommendation: We recommend the County Board approve a delegation for paying certain claims by formal resolution. The formal resolution should specifically address the types of claims that can be paid with the delegation authority.

PREVIOUSLY REPORTED ITEM RESOLVED

Signed Broker Statements (2012-004)

Stevens County has repurchase agreement sweep accounts with Bremer Bank and Bank of the West. Under these account agreements, the banks choose and transfer securities to the County's account. However, neither bank had signed a broker certification form on file as required by Minn. Stat. § 118A.04.

Resolution

Stevens County received signed broker certification forms from both Bremer Bank and Bank of the West.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2012-005

Custodial Credit Risk Policy

Criteria: Public entities should include in their investment policy guidance as to the acceptable level of investment risks, including the acceptable level of custodial credit risk.

Condition: The County has investment custodial credit risk through two bank sweep account repurchase agreements. Under both agreements, the County's securities are held by the bank counterparty.

Context: These bank sweep repurchase agreement accounts are with Bremer Bank and Bank of the West and subject the County's investments to custodial credit risk in the amounts of $1,244,229 and $447,034, respectively, at December 31, 2013. Investments held by Morgan Keegen in the amount of $1,462,168 at December 31, 2013, are also subject to custodial credit risk, as the County has not obtained sufficient coverage over the $500,000 Securities Investor Protection Corporation (SIPC) coverage provided by the broker.

Effect: Increased risk that the County's investments would not be recovered in the case that the counter-party defaults.

Cause: The County's investment policy was drafted in 1995 and states that: "Safety of principal is the first priority in all Stevens County investments." However, it does not have any specific guidance on the level of custodial credit risk to which County investments should be subject.

Recommendation: We recommend the County address the acceptable level of custodial credit risk for County investments in its investment policy.

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

Independent Auditor's Report

Board of County Commissioners
Stevens County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stevens County, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 28, 2014. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Stevens County Housing and Redevelopment Authority, as described in our report on Stevens County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2006-002 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 1996-004, 2012-001, and 2013-001 to be significant deficiencies

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Stevens County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Schedule of Findings and Questioned Costs as items 2004-001 and 2013-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

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

Purpose of This Report

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

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

August 28, 2014

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

Independent Auditor's Report

Board of County Commissioners
Stevens County

Report on Compliance for Each Major Federal Program

We have audited Stevens County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. Stevens County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Steven County's basic financial statements include the operations of the Stevens County Housing and Redevelopment Authority (HRA) component unit, which expended $470,069 in federal awards during the year ended December 31, 2013, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Stevens County HRA because the HRA was audited by other auditors.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Stevens County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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

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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 Stevens County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Stevens County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Stevens County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-001, that we consider to be a significant deficiency.

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

August 28, 2014