

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

STEVENS COUNTY
MORRIS, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

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, 2014



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

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**STEVENS COUNTY
MORRIS, MINNESOTA**

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**STEVENS COUNTY
MORRIS, MINNESOTA**

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**STEVENS COUNTY
MORRIS, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2014**

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Bob Kopitzke	District 1	January 2017
Chair	Jeanne Ennen	District 2	January 2015
Board Member	Ron Staples	District 3	January 2017
Board Member	Donny Wohlers	District 4	January 2017
Board Member	Phil Gausman	District 5	January 2015
Attorney	Aaron Jordan		January 2015
Auditor/Treasurer	Amanda Barsness ¹		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	Rebecca Young ²		Indefinite
Coroner	John F. Stock, M.D. ³		Indefinite
Highway Engineer	Todd Larson ⁴		Indefinite
Human Services Director	Joanie Murphy		Indefinite
Veterans Service Officer	Hugh Reimers		Indefinite

¹Amanda Barsness was appointed as Auditor/Treasurer effective September 2, 2014, to fill the remaining term of Neil Weise, who resigned effective July 25, 2014.

²Rebecca Young was appointed as County Coordinator effective October 7, 2014, to fill the remaining term of Brian Giese, who resigned effective July 1, 2014.

³John F. Stock, M.D. was appointed as County Coroner effective August 5, 2014, to fill the vacancy that occurred upon the death of Michael R. Busian, M.D.

⁴Todd Larson was appointed as County Engineer effective September 16, 2014, to fill the remaining term of Brian Giese, who resigned effective July 1, 2014.

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REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Stevens County
Morris, Minnesota

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, 2014, 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), the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, 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 of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stevens County as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 27, 2015, 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 27, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**STEVENS COUNTY
MORRIS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(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, 2014. 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 \$42,190,735, of which \$32,388,186 is the net investment in capital assets, and \$2,505,302 is restricted to specific purposes. The \$7,297,247 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$1,966,353 for the year ended December 31, 2014. A portion of the increase is attributable to County Ditch No. 30's improvement project and the prepayments of special assessments levied for it.
- The net cost of governmental activities for the current fiscal year was \$5,800,230. The net cost was funded by general revenues totaling \$7,766,583.
- Fund balances of the governmental funds increased by \$2,327,093. Most of the increase is due to the bond issuance for County Ditch No. 30.
- For the year ended December 31, 2014, the unrestricted fund balance of the General Fund was \$3,211,837, or 55.5 percent of the total General Fund expenditures for the year, an increase of 8.7 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 76 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 \$42,190,735 at the close of 2014. The largest portion of the net position (76.8 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**

	2014	2013
Assets		
Current and other assets	\$ 12,934,055	\$ 9,379,202
Capital assets	39,013,798	38,962,235
Total Assets	\$ 51,947,853	\$ 48,341,437
Liabilities		
Long-term liabilities	\$ 9,097,711	\$ 7,379,535
Other liabilities	659,407	737,520
Total Liabilities	\$ 9,757,118	\$ 8,117,055
Net Position		
Net investment in capital assets	\$ 32,388,186	\$ 32,041,875
Restricted	2,505,302	1,209,709
Unrestricted	7,297,247	6,972,798
Total Net Position	\$ 42,190,735	\$ 40,224,382

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 4.9 percent (\$40,224,382 for 2013 compared to \$42,190,735 for 2014). Key elements in this increase in net position are as follows for 2014, with comparative data for 2013:

**Governmental Activities
Changes in Net Position**

	2014	2013
Revenues		
Program revenues		
Charges for services	\$ 3,820,310	\$ 1,908,427
Operating grants and contributions	5,184,189	4,795,482
General revenues		
Property taxes	6,536,276	6,249,419
Other	1,230,307	515,130
Total Revenues	\$ 16,771,082	\$ 13,468,458

	<u>2014</u>	<u>2013</u>
Expenses		
General government	\$ 3,222,993	\$ 3,057,665
Public safety	1,876,520	1,849,100
Highways and streets	4,013,070	3,769,186
Sanitation	371,725	402,573
Human services	2,589,506	2,846,932
Health	129,664	129,664
Culture and recreation	184,662	179,567
Conservation of natural resources	2,023,413	531,012
Economic development	66,812	66,150
Interest	326,364	441,964
	<u>\$ 14,804,729</u>	<u>\$ 13,273,813</u>
Change in Net Position	\$ 1,966,353	\$ 194,645
Net Position - January 1	<u>40,224,382</u>	<u>40,029,737</u>
Net Position - December 31	<u>\$ 42,190,735</u>	<u>\$ 40,224,382</u>

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 \$10,556,995, an increase of \$2,327,093 in comparison with the prior year. Of the combined ending fund balances, \$7,688,796 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 \$3,211,837. 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 55.5 percent of total General Fund expenditures. During 2014, the ending fund balance increased by \$573,660.

The Road and Bridge Special Revenue Fund had an assigned fund balance of \$2,277,628 at fiscal year-end, representing 54.0 percent of its annual expenditures. The ending fund balance increased by \$115,898 during 2014.

The Human Services Special Revenue Fund had an assigned fund balance of \$2,199,331 at fiscal year-end, representing 85.3 percent of its annual expenditures. The ending fund balance increased by \$219,768 during 2014.

The Solid Waste Special Revenue Fund had a restricted fund balance of \$241,755 at fiscal year-end, representing 187.8 percent of its annual expenditures, and the fund also transferred \$187,050 to the SCORE Department in the General Fund for SCORE use. The ending fund balance increased by \$10,267 during 2014.

The Ditch Special Revenue Fund had a restricted fund balance of \$1,617,060 at fiscal year-end, representing 94.6 percent of its annual expenditures. The ending fund balance increased by \$1,401,496 during 2014.

The Debt Service Fund had a restricted fund balance of \$149,183 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 increased by \$6,004 during 2014.

Governmental Activities

The County's total revenues were \$16,771,082. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2014.

Table 1
Total County Revenues

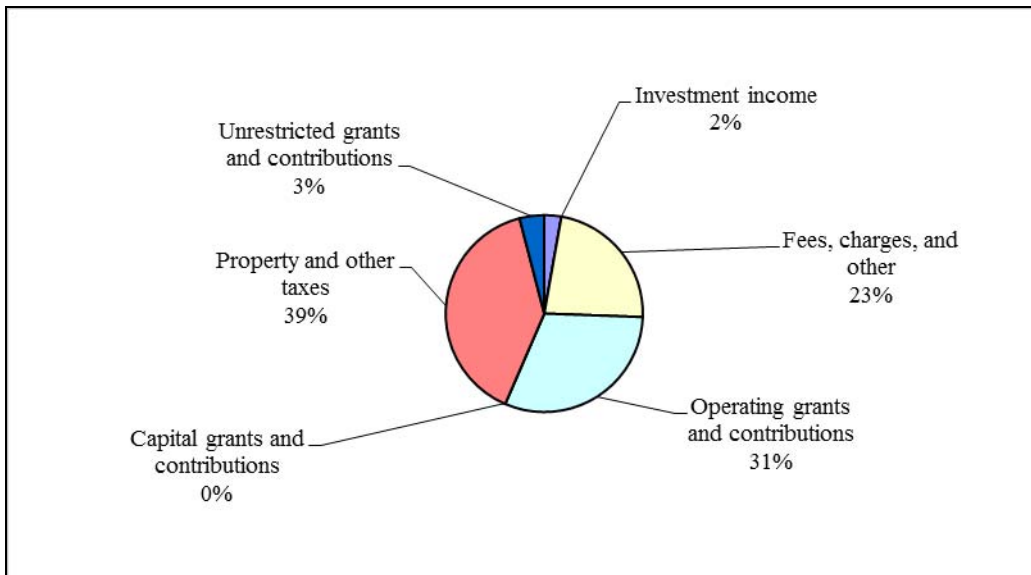
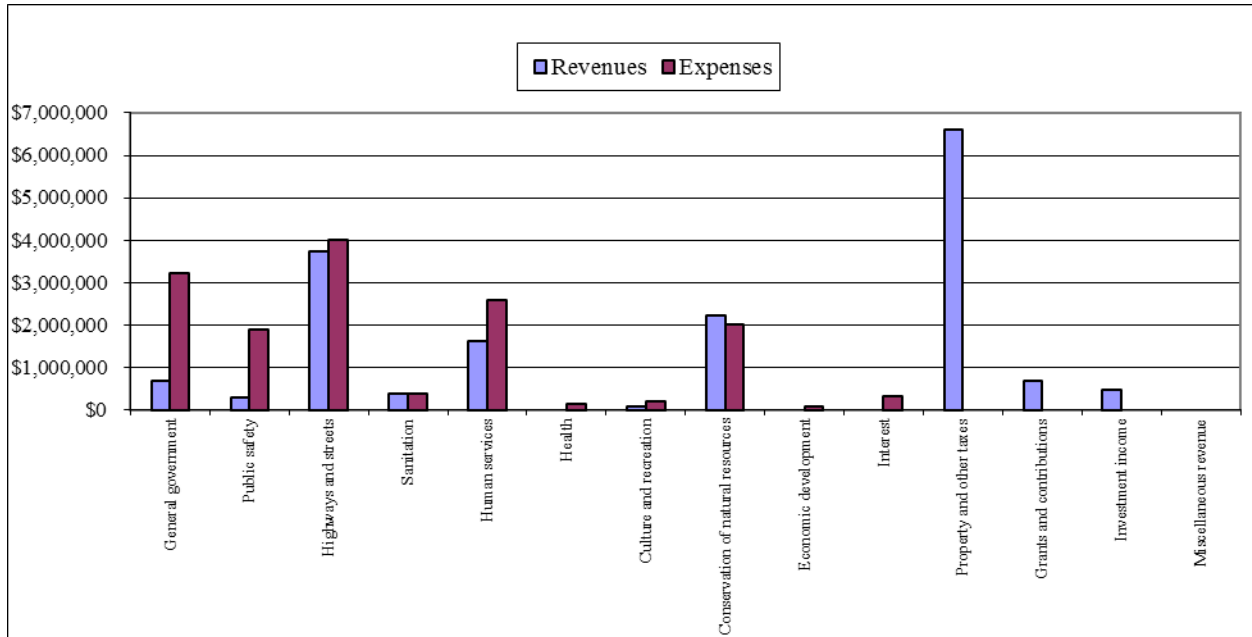


Table 2 presents the cost and revenue of each program of the County.

Total program and general revenues for the County were \$16,771,082, while total expenses were \$14,804,729. This reflects a \$1,966,353 increase in net position for the year ended December 31, 2014.

**Table 2
Program Revenues, General Revenues, and Expenses**



The cost of all governmental activities this year was \$14,804,729. 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 \$5,800,230 because some of the cost was paid by those who directly benefited from the programs (\$3,820,310) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,184,189). 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 five 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 2014	Net Cost (Revenue) of Services 2014
Highways and streets	\$ 4,013,070	\$ 283,596
General government	3,222,993	2,555,390
Human services	2,589,506	960,526
Conservation of natural resources	2,023,413	(200,269)
Public safety	1,876,520	1,577,352
All others	1,079,227	623,635
Totals	<u>\$ 14,804,729</u>	<u>\$ 5,800,230</u>

General Fund Budgetary Highlights

Actual revenues were \$630,292 greater than budgeted mainly due to an unanticipated increase in investment income and intergovernmental revenues. Actual expenditures were \$131,283 higher than budgeted. This is the result of a tax refund to Alliance Pipeline and snowmobile trails expenditures not being budgeted for.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2014, totaled \$39,013,798 (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 \$51,563, or 0.13 percent, from the previous year.

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

	2014	2013
Land	\$ 250,018	\$ 250,018
Right-of-way	792,161	792,161
Infrastructure	25,836,472	25,660,888
Building improvements	6,098	7,296
Buildings	9,926,022	10,220,910
Improvements other than buildings	45,924	45,973
Machinery, furniture, and equipment	1,900,940	1,945,182
Construction in progress	256,163	39,807
Totals	<u>\$ 39,013,798</u>	<u>\$ 38,962,235</u>

Additional information about the County’s capital assets can be found in Note 2.A.3. to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had total net outstanding debt of \$8,633,390, which was backed by the full faith and credit of the government.

**Table 5
Outstanding Debt**

	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 1,995,603	\$ -
Capital leases	6,625,612	6,920,389
Loans payable	<u>12,175</u>	<u>-</u>
Total Outstanding Debt	<u>\$ 8,633,390</u>	<u>\$ 6,920,389</u>

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 2014 of \$6,563,987, 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 2014 of \$61,625.

In 2014, the County issued \$1,980,000 General Obligation Drainage Bonds, Series 2014A, to finance a drainage improvement project for County Ditch No. 30.

Additional information on the County’s long-term debt can be found beginning in Note 2.C.4. to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

The County’s elected and appointed officials considered many factors when setting the 2015 budget, tax rates, and fees that will be charged for the year.

- The average unemployment rate for Stevens County at the end of 2014 was 3.1 percent, which shows no significant decrease from the County’s 3.1 percent rate of one year ago. The state unemployment rate was 3.6 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 2014, Stevens County set its 2015 revenue and expenditure budgets with a property tax levy increase of 4.10 percent as compared to a 4.56 percent increase in 2014.

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.

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, 2014**

	Primary Government Governmental Activities	Component Unit Stevens County Housing and Redevelopment Authority
<u>Assets</u>		
Cash and pooled investments	\$ 10,431,453	\$ 512,502
Cash - restricted	-	35,587
Investments	-	301,013
Taxes receivable		
Delinquent	38,750	-
Special assessments receivable		
Current	302,271	-
Noncurrent	1,074,368	-
Delinquent	9,898	-
Accounts receivable	77,741	-
Accrued interest receivable	17,359	-
Due from other governments	715,961	-
Lease receivable - net	-	6,504,606
Inventories	266,254	-
Capital assets		
Non-depreciable	1,298,342	5,000
Depreciable - net of accumulated depreciation	37,715,456	281,195
Total Assets	\$ 51,947,853	\$ 7,639,903
<u>Liabilities</u>		
Current liabilities		
Bank overdraft	\$ -	\$ 46,244
Accounts payable	169,007	-
Salaries payable	138,360	-
Contracts payable	-	-
Due to other governments	89,719	-
Tenant security deposits	-	5,246
Advance from other governments	-	-
Accrued interest payable	156,196	-
Unearned revenue	106,125	-
Compensated absences payable - current	69,739	-
Capital leases payable - current	301,437	-
Mortgages payable - current	-	18,695
Revenue bond payable - current	-	281,507

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

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**STEVENS COUNTY
MORRIS, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Stevens County Housing and Redevelopment Authority</u>
<u>Liabilities (Continued)</u>		
Noncurrent liabilities		
Compensated absences payable	394,582	11,329
Capital leases payable	6,324,175	-
General obligation bonds payable - net	1,995,603	-
Loans payable	12,175	-
Mortgages payable	-	203,746
Revenue bond payable	-	6,524,112
	\$ 9,757,118	\$ 7,090,879
<u>Net Position</u>		
Net investment in capital assets	\$ 32,388,186	\$ 63,754
Restricted for		
Public safety	303,528	-
Highways and streets	427,179	-
Sanitation	233,319	-
Human services	5,694	-
Conservation of natural resources	1,372,000	-
Debt service	19,353	-
Held in trust for other purposes	892	-
Other purposes	143,337	35,587
Unrestricted	7,297,247	449,683
	\$ 42,190,735	\$ 549,024

**STEVENS COUNTY
MORRIS, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Primary Government Governmental Activities	Component Unit Stevens County Housing and Redevelopment Authority
Primary Government					
Governmental activities					
General government	\$ 3,222,993	\$ 496,458	\$ 171,145	\$ (2,555,390)	
Public safety	1,876,520	109,043	190,125	(1,577,352)	
Highways and streets	4,013,070	455,692	3,273,782	(283,596)	
Sanitation	371,725	323,271	63,803	15,349	
Human services	2,589,506	219,287	1,409,693	(960,526)	
Health	129,664	-	-	(129,664)	
Culture and recreation	184,662	-	68,518	(116,144)	
Conservation of natural resources	2,023,413	2,216,559	7,123	200,269	
Economic development	66,812	-	-	(66,812)	
Interest	326,364	-	-	(326,364)	
Total Primary Government	\$ 14,804,729	\$ 3,820,310	\$ 5,184,189	\$ (5,800,230)	
Component Unit					
Stevens County Housing and Redevelopment Authority	\$ 1,046,098	\$ 369,124	\$ 614,984		\$ (61,990)
General Revenues					
Property taxes			\$ 6,536,276	\$ -	
Other taxes			6,952	-	
Payments in lieu of tax			75,185	-	
Grants and contributions not restricted to specific programs			678,672	-	
Investment income			469,498	53	
Total general revenues			\$ 7,766,583	\$ 53	
Change in net position			\$ 1,966,353	\$ (61,937)	
Net Position - Beginning, as restated (Note 5.A.4.)			40,224,382	610,961	
Net Position - Ending			\$ 42,190,735	\$ 549,024	

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**STEVENS COUNTY
MORRIS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 3,853,644	\$ 2,285,273
Petty cash and change funds	5,750	50
Undistributed cash in agency funds	31,173	7,734
Cash with fiscal agent	40,000	-
Taxes receivable		
Delinquent	22,378	6,556
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable	9,372	167
Accrued interest receivable	17,359	-
Due from other funds	1,024	3,549
Due from other governments	46,398	464,313
Advance to other funds	56,000	-
Inventories	-	266,254
	\$ 4,083,098	\$ 3,033,896
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 37,873	\$ -
Salaries payable	66,273	34,896
Due to other funds	649	-
Due to other governments	60,951	-
Unearned revenue	89,190	-
Advance from other funds	-	-
	\$ 254,936	\$ 34,896
Deferred Inflows of Resources		
Unavailable revenue	\$ 22,378	\$ 455,118

EXHIBIT 3

<u>Human Services</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ 2,115,796	\$ 245,220	\$ 1,683,719	\$ 145,126	\$ 10,328,778
-	-	-	-	5,800
7,535	2,836	3,540	4,057	56,875
-	-	-	-	40,000
6,468	-	-	3,348	38,750
-	6,054	3,844	-	9,898
-	12,175	1,364,464	-	1,376,639
7,023	2,811	58,368	-	77,741
-	-	-	-	17,359
-	-	-	-	4,573
205,250	-	-	-	715,961
-	-	-	-	56,000
-	-	-	-	266,254
<u>\$ 2,342,072</u>	<u>\$ 269,096</u>	<u>\$ 3,113,935</u>	<u>\$ 152,531</u>	<u>\$ 12,994,628</u>
\$ 52,355	\$ 8,915	\$ 69,864	\$ -	\$ 169,007
37,191	-	-	-	138,360
1,024	197	2,703	-	4,573
28,768	-	-	-	89,719
16,935	-	-	-	106,125
-	-	56,000	-	56,000
<u>\$ 136,273</u>	<u>\$ 9,112</u>	<u>\$ 128,567</u>	<u>\$ -</u>	<u>\$ 563,784</u>
<u>\$ 6,468</u>	<u>\$ 18,229</u>	<u>\$ 1,368,308</u>	<u>\$ 3,348</u>	<u>\$ 1,873,849</u>

**STEVENS COUNTY
MORRIS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
(Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 266,254
Trust Fund Conservation US F&W	84,496	-
Advance to other funds	56,000	-
Missing heirs	892	-
Restricted for		
Law library	2,509	-
Recorder's technology equipment	54,104	-
E-911	257,301	-
Recorder's compliance	55,789	-
DARE	12,734	-
Gun permit fees	28,740	-
Attorney forfeitures	5,408	-
Social services youth	5,694	-
Veterans van	24,497	-
Sheriff's contingency	4,753	-
Extension publication	1,030	-
Solid waste	-	-
Ditch maintenance, repair, and other	-	-
Debt service	-	-
Assigned for		
Next year's expenditures	-	-
Highways and streets	-	2,277,628
Human services	-	-
Unassigned	3,211,837	-
Total Fund Balances	\$ 3,805,784	\$ 2,543,882
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,083,098	\$ 3,033,896

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 266,254
-	-	-	-	84,496
-	-	-	-	56,000
-	-	-	-	892
-	-	-	-	2,509
-	-	-	-	54,104
-	-	-	-	257,301
-	-	-	-	55,789
-	-	-	-	12,734
-	-	-	-	28,740
-	-	-	-	5,408
-	-	-	-	5,694
-	-	-	-	24,497
-	-	-	-	4,753
-	-	-	-	1,030
-	241,755	-	-	241,755
-	-	1,617,060	-	1,617,060
-	-	-	149,183	149,183
40,000	-	-	-	40,000
-	-	-	-	2,277,628
2,159,331	-	-	-	2,159,331
-	-	-	-	3,211,837
\$ 2,199,331	\$ 241,755	\$ 1,617,060	\$ 149,183	\$ 10,556,995
\$ 2,342,072	\$ 269,096	\$ 3,113,935	\$ 152,531	\$ 12,994,628

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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, 2014

Fund balance - total governmental funds (Exhibit 3)		\$ 10,556,995
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.		39,013,798
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.		1,873,849
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (1,995,603)	
Capital leases	(6,625,612)	
Loans payable	(12,175)	
Compensated absences	(464,321)	
Accrued interest payable	(156,196)	(9,253,907)
Net Position of Governmental Activities (Exhibit 1)		\$ 42,190,735

**STEVENS COUNTY
MORRIS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Road and Bridge
Revenues		
Taxes	\$ 3,814,929	\$ 1,087,614
Special assessments	-	-
Licenses and permits	20,645	-
Intergovernmental	1,289,910	2,907,149
Charges for services	366,380	321,197
Fines and forfeitures	50	-
Investment earnings	467,287	-
Gifts and contributions	1,500	-
Miscellaneous	221,542	134,495
	\$ 6,182,243	\$ 4,450,455
Expenditures		
Current		
General government	\$ 2,877,977	\$ -
Public safety	1,674,372	-
Highways and streets	-	4,217,500
Sanitation	247,622	-
Human services	4,731	-
Health	129,664	-
Culture and recreation	184,662	-
Conservation of natural resources	312,125	-
Economic development	66,812	-
Intergovernmental	274,911	-
Debt service		
Principal	14,777	-
Interest	1,769	-
Bond issuance costs	-	-
	\$ 5,789,422	\$ 4,217,500
Excess of Revenues Over (Under) Expenditures	\$ 392,821	\$ 232,955
Other Financing Sources (Uses)		
Transfers in	\$ 187,050	\$ -
Transfers out	(6,211)	-
Loans issued	-	-
Bonds issued	-	-
Premium on bonds sold	-	-
	\$ 180,839	\$ -
Net Change in Fund Balance	\$ 573,660	\$ 232,955
Fund Balance - January 1	3,232,124	2,427,984
Increase (decrease) in inventories	-	(117,057)
	\$ 3,805,784	\$ 2,543,882
	\$ 3,805,784	\$ 2,543,882

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

EXHIBIT 5

<u>Human Services</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ 1,059,501	\$ -	\$ -	\$ 570,510	\$ 6,532,554
-	290,538	1,110,784	-	1,401,322
-	-	-	-	20,645
1,523,129	-	-	12,105	5,732,293
95,497	-	-	-	783,074
-	-	-	-	50
-	-	2,659	-	469,946
-	-	-	-	1,500
120,666	17,156	1,982	-	495,841
\$ 2,798,793	\$ 307,694	\$ 1,115,425	\$ 582,615	\$ 15,437,225
\$ -	\$ -	\$ -	\$ -	\$ 2,877,977
-	-	-	-	1,674,372
-	-	-	-	4,217,500
-	128,763	-	-	376,385
2,579,025	-	-	-	2,583,756
-	-	-	-	129,664
-	-	-	-	184,662
-	-	1,681,032	-	1,993,157
-	-	-	-	66,812
-	-	-	-	274,911
-	-	-	280,000	294,777
-	-	-	296,611	298,380
-	-	28,500	-	28,500
\$ 2,579,025	\$ 128,763	\$ 1,709,532	\$ 576,611	\$ 15,000,853
\$ 219,768	\$ 178,931	\$ (594,107)	\$ 6,004	\$ 436,372
\$ -	\$ 6,211	\$ -	\$ -	\$ 193,261
-	(187,050)	-	-	(193,261)
-	12,175	-	-	12,175
-	-	1,980,000	-	1,980,000
-	-	15,603	-	15,603
\$ -	\$ (168,664)	\$ 1,995,603	\$ -	\$ 2,007,778
\$ 219,768	\$ 10,267	\$ 1,401,496	\$ 6,004	\$ 2,444,150
1,979,563	231,488	215,564	143,179	8,229,902
-	-	-	-	(117,057)
\$ 2,199,331	\$ 241,755	\$ 1,617,060	\$ 149,183	\$ 10,556,995

**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, 2014**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 2,444,150

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	\$ 1,873,849	
Deferred inflows of resources - January 1	<u>(539,992)</u>	1,333,857

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	\$ 1,972,136	
Current year depreciation	<u>(1,920,573)</u>	51,563

Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:

Debt issued		
General obligation bonds, net of premium	\$ (1,995,603)	
Loans	<u>(12,175)</u>	(2,007,778)

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		294,777

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	\$ (27,984)	
Change in compensated absences	(5,175)	
Change in inventories	<u>(117,057)</u>	<u>(150,216)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,966,353

FIDUCIARY FUNDS

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2014

Assets

Cash and pooled investments	\$	579,472
Accounts receivable		1,570
Due from other governments		68,805
		<hr/>
Total Assets	\$	649,847
		<hr/> <hr/>

Liabilities

Accounts payable	\$	3,867
Advance taxes		11,028
Due to other governments		607,692
Salaries payable		27,260
		<hr/>
Total Liabilities	\$	649,847
		<hr/> <hr/>

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**STEVENS COUNTY
MORRIS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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.

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:

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
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

**STEVENS COUNTY
MORRIS, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Unit (Continued)

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 4.C. The County also participates in jointly-governed organizations described in Note 4.D.

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 are normally supported by taxes and intergovernmental revenues.

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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

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.

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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fiduciary fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the 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. Issuances 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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, 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 2014 were \$131,255.

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. The investment in the pool is measured at the amortized cost per share provided by the pool, which would approximate fair value.

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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

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.

Special assessments receivable consist of delinquent special assessments payable in the years 2009 through 2014 and deferred special assessments payable in 2015 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

No allowance for uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

The County had no accounts receivables scheduled to be collected beyond one year.

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.

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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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:

<u>Assets</u>	<u>Years</u>
Buildings	5 - 40
Improvements other than buildings	5 - 40
Public domain infrastructure	20 - 80
Furniture, equipment, and vehicles	3 - 20

5. Unearned/Unavailable Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received but not yet earned. Governmental funds report unavailable revenue in connection with the receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**STEVENS COUNTY
MORRIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. 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.

7. 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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. 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.

9. Classification of Net Position

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

- Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

**STEVENS COUNTY
MORRIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. 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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

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.

11. 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.

12. 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.

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to

**STEVENS COUNTY
MORRIS, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Future Change in Accounting Standards (Continued)

recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

2. 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	\$ 10,431,453
Statement of fiduciary net position	
Cash and pooled investments	<u>579,472</u>
Total Cash and Investments	<u>\$ 11,010,925</u>

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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County’s policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2014, the County’s deposits in banks were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage are available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. At December 31, 2014, \$1,423,768 of repurchase agreements and \$1,805,878 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. The County's policy is to minimize the risk by diversifying the investment portfolio so the impact of potential losses from any one type of security or issuer will be minimized. 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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. 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, 2014, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association Bonds	AA+	S&P		11/29/2022	\$ 100,000
Federal National Mortgage Association Bonds	AA+	S&P		05/10/2027	41,950
Federal National Mortgage Association Bonds	AA+	S&P		05/22/2028	250,000
Total Federal National Mortgage Association Bonds			<5%		\$ 391,950
Federal Home Loan Mortgage Corporation Notes	Aaa	Moody's	<5%	09/01/2018	\$ 5,913
Federal Home Loan Bank Bonds					
Federal Home Loan Bank Bonds	AA+	S&P		06/26/2019	\$ 200,000
Federal Home Loan Bank Bonds	AA+	S&P		05/08/2023	250,000
Federal Home Loan Bank Bonds	AA+	S&P		05/16/2023	250,000
Federal Home Loan Bank Bonds	AA+	S&P		05/22/2023	250,000
Federal Home Loan Bank Bonds	AA+	S&P		06/20/2023	235,000
Federal Home Loan Bank Bonds	AA+	S&P		06/18/2024	250,000
Federal Home Loan Bank Bonds	AA+	S&P		05/23/2028	495,750
Total Federal Home Loan Bank Bonds			>5%		\$ 1,930,750
Federal Farm Credit Bank					
Federal Farm Credit Bank	AA+	S&P		03/07/2022	\$ 250,000
Federal Farm Credit Bank	AA+	S&P		03/07/2022	250,000
Federal Farm Credit Bank	AA+	S&P		06/19/2023	1,000,000
Total Federal Farm Credit Bank			>5%		\$ 1,500,000
Small Business Administration Loan Pool					
Small Business Administration Loan Pool	N/R	N/A		06/25/2020	\$ 37,237
Small Business Administration Loan Pool	N/R	N/A		07/25/2020	9,729
Small Business Administration Loan Pool	N/R	N/A		07/25/2023	49,160
Small Business Administration Loan Pool	N/R	N/A		04/25/2024	4,061
Small Business Administration Loan Pool	N/R	N/A		04/25/2024	58,440
Small Business Administration Loan Pool	N/R	N/A		10/25/2024	29,072
Small Business Administration Loan Pool	N/R	N/A		11/25/2025	13,431
Total Small Business Administration Loan Pool			<5%		\$ 201,130
Negotiable certificates of deposit					
Santander Bk, Wilmington, DE	N/R	N/A		04/08/2015	\$ 100,000
Bank of China, NYC, NY	N/R	N/A		10/08/2015	100,000
Ally Bk, Midvale, UT	N/R	N/A		10/11/2016	100,000
Sallie Mae Bk, SLC, UT	N/R	N/A		10/11/2016	100,000
BMW Bk, No. America	N/R	N/A		10/26/2016	248,000

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5 Percent of Portfolio	Rate Risk Maturity Date	
Negotiable certificates of deposit (continued)					
Comenity Capitol Bk	N/R	N/A		04/17/2017	125,000
State Bank of India, New York	N/R	N/A		06/22/2017	247,000
Discover, Greenwood, DE	N/R	N/A		07/18/2017	247,000
Sallie Mae Bk, SLC, UT	N/R	N/A		10/10/2027	100,000
American City Bk, Tullahoma, TN	N/R	N/A		12/11/2017	100,000
Sallie Mae Bk, SLC, Utah	N/R	N/A		12/11/2017	48,000
Washington Trust, RI, US	N/R	N/A		05/11/2018	200,000
Capitol One Bk USA	N/R	N/A		10/09/2018	100,000
American Express, UT	N/R	N/A		11/06/2018	200,000
Amer Exp Centurion BK	N/R	N/A		11/28/2018	100,000
American Exp Centurion, UT	N/R	N/A		12/04/2018	240,000
CIT Bank, Salt Lake City, UT	N/R	N/A		06/06/2019	245,000
Stearns Bank, St. Cloud, MN	N/R	N/A		06/25/2019	249,000
Comenity Bk, Wilmington, DE	N/R	N/A		08/27/2019	200,000
Amer Exp Centurion BK	N/R	N/A		11/28/2019	100,000
ConnectOne BK, Englewood Cliffs, NJ	N/R	N/A		12/12/2019	245,000
Comenity Cap SLC, Utah	N/R	N/A		06/08/2020	15,504
Citizens Alliance Bk. Clara City, MN	N/R	N/A		06/26/2020	76,000
First Southeast Bk, Harmony, MN	N/R	N/A		07/16/2020	207,000
Celtic Bk Corp. SLC, UT	N/R	N/A		11/22/2021	249,000
Goldman Sachs	N/R	N/A		02/22/2022	246,000
GE Cap Retail Bk, Draper, UT	N/R	N/A		06/08/2022	246,000
GE Cap Bk Inc.	N/R	N/A		07/13/2022	246,000
Total negotiable certificates of deposit			>5%		\$ 4,679,504
Investment pools/mutual funds					
MAGIC Fund	N/A	N/A	<5%		\$ 191
Repurchase agreements					
	N/A	N/A	>5%		\$ 1,423,768
Total investments					\$ 10,133,206
Checking					783,556
Savings					3,867
Certificates of deposit					84,496
Petty cash and change funds					5,800
Total Cash and Investments					\$ 11,010,925

N/A - Not Applicable

N/R - Not Rated

<5% - Concentration is less than 5% of investments

>5% - Concentration is more than 5% of investments

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2014, for the County's governmental activities are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes	\$ 38,750	\$ -
Special assessments	1,386,537	1,084,266
Accounts receivable	77,741	-
Accrued interest receivable	17,359	-
Due from other governments	715,961	-
	<u>2,236,348</u>	<u>1,084,266</u>
Total Governmental Activities	<u>\$ 2,236,348</u>	<u>\$ 1,084,266</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 250,018	\$ -	\$ -	\$ 250,018
Right-of-way	792,161	-	-	792,161
Construction in progress	39,807	223,851	7,495	256,163
	<u>1,081,986</u>	<u>223,851</u>	<u>7,495</u>	<u>1,298,342</u>
Total capital assets not depreciated	<u>\$ 1,081,986</u>	<u>\$ 223,851</u>	<u>\$ 7,495</u>	<u>\$ 1,298,342</u>
Capital assets depreciated				
Improvements other than buildings	\$ 115,086	\$ 5,015	\$ -	\$ 120,101
Building improvements	14,945	-	-	14,945
Buildings	13,133,882	17,775	-	13,151,657
Machinery, furniture, and equipment	5,664,240	445,149	124,237	5,985,152
Infrastructure	41,703,723	1,287,841	-	42,991,564
	<u>60,631,876</u>	<u>1,755,780</u>	<u>124,237</u>	<u>62,263,419</u>
Total capital assets depreciated	<u>\$ 60,631,876</u>	<u>\$ 1,755,780</u>	<u>\$ 124,237</u>	<u>\$ 62,263,419</u>

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Improvements other than buildings	\$ 69,113	\$ 5,064	\$ -	\$ 74,177
Building improvements	7,649	1,198	-	8,847
Buildings	2,912,972	312,663	-	3,225,635
Machinery, furniture, and equipment	3,719,058	489,391	124,237	4,084,212
Infrastructure	16,042,835	1,112,257	-	17,155,092
	<u>\$ 22,751,627</u>	<u>\$ 1,920,573</u>	<u>\$ 124,237</u>	<u>\$ 24,547,963</u>
Total accumulated depreciation				
Total capital assets depreciated, net	<u>\$ 37,880,249</u>	<u>\$ (164,793)</u>	<u>\$ -</u>	<u>\$ 37,715,456</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 38,962,235</u>	<u>\$ 59,058</u>	<u>\$ 7,495</u>	<u>\$ 39,013,798</u>

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

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

Governmental Activities	
General government	\$ 375,181
Public safety	243,797
Highways and streets, including depreciation of infrastructure assets	1,297,064
Sanitation	355
Human services	2,744
Conservation of natural resources	1,432
	<u>1,432</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,920,573</u>

B. Interfund Receivables, Payables, and Transfers

1. Advance From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch Special Revenue	<u>\$ 56,000</u>

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Advance From/To Other Funds (Continued)

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.

2. Due To/From Other Funds

The composition of interfund balances as of December 31, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
General	Human Services Special Revenue	\$ 1,024
Road and Bridge Special Revenue	General	\$ 649
	Ditch Special Revenue	2,703
	Solid Waste Special Revenue	197
Total due to Road and Bridge Special Revenue		\$ 3,549
Total Due To/From Other Funds		\$ 4,573

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, 2014, consisted of the following:

Transfer to General Fund from Solid Waste Special Revenue Fund	\$ 187,050	Provide funding for recycling activities.
Transfer to Solid Waste Special Revenue Fund from General Fund	\$ 6,211	Provide funding for recycling activities.

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables of governmental activities at December 31, 2014, were as follows:

Accounts payable	\$	169,007
Salaries payable		138,360
Due to other governments		89,719
Accrued interest payable		156,196
Total Payables	\$	553,282

2. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of special assessments, taxes and state grants not collected soon enough after year-end to pay liabilities of the current period, and state grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2014, are summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major governmental funds				
General	\$ -	\$ 22,378	\$ 89,190	\$ 111,568
Road and Bridge	-	6,556	448,562	455,118
Human Services	-	6,468	16,935	23,403
Solid Waste	18,229	-	-	18,229
Ditch	1,368,308	-	-	1,368,308
Debt Service	-	3,348	-	3,348
Total	\$ 1,386,537	\$ 38,750	\$ 554,687	\$ 1,979,974
Liability				
Unearned revenue	\$ -	\$ -	\$ 106,125	\$ 106,125
Deferred inflows of resources				
Unavailable revenue	1,386,537	38,750	448,562	1,873,849
Total	\$ 1,386,537	\$ 38,750	\$ 554,687	\$ 1,979,974

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Construction Commitments

The County has no active construction projects as of December 31, 2014.

4. 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.

Capital leases consist of the following at December 31, 2014:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original</u>	<u>Balance</u>
Courthouse lease	2031	\$265,000 - \$575,000	3.00 - 4.70	\$ 7,383,987	\$ 6,563,987
Generator lease	2018	\$12,005 - \$16,321	2.54	119,675	<u>61,625</u>
Total Capital Leases					<u>\$ 6,625,612</u>

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Capital Leases (Continued)

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, 2014, were as follows:

Year Ending December 31	Governmental Activities
2015	\$ 578,609
2016	577,009
2017	575,009
2018	572,609
2019	569,809
2020 - 2024	2,864,956
2025 - 2029	2,904,153
2030 - 2031	872,332
Total future minimum lease payments	\$ 9,514,486
Less: amount representing interest	(2,950,499)
Present Value of Minimum Lease Payments to be Paid by Stevens County	\$ 6,563,987

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, 2014, were as follows:

Year Ending December 31	Governmental Activities
2015	\$ 17,925
2016	16,546
2017	16,546
2018	13,789
Total future minimum lease payments	\$ 64,806
Less: amount representing interest	(3,181)
Present Value of Minimum Lease Payments	\$ 61,625

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Loans Payable

Beginning in 2014, the County entered into loan agreements with the Minnesota Pollution Control Agency for financing of clean water projects. The loans are secured by special assessments placed on the individual parcels requesting funding of a project. Loan payments will be reported in the Solid Waste Special Revenue Fund.

Type of Indebtedness	Final Maturity	Semi-Annual Installment Amount	Interest Rate (%)	Original Authorized Amount	Outstanding Balance December 31, 2014
Pomme de Terre River Watershed	-	\$ -	2.00	\$ 100,000	\$ 12,175

The clean water loans do not have a fixed amortization schedule.

6. Bonds Payable

In 2014, Stevens County issued \$1,980,000 General Obligation Drainage Bonds, Series 2014A, to finance a drainage improvement project for County Ditch No. 30.

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2013
General obligation bonds G.O. Drainage Bonds, Series 2014A	2030	\$115,000 - \$165,000	2.0 - 3.5	\$ 1,980,000	\$ 1,980,000
Plus: unamortized premium					15,603
General Obligation Bonds, Net					<u>\$ 1,995,603</u>

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Debt Service Requirements

Debt payments on the drainage bonds are made from the Ditch Special Revenue Fund. Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2015	\$ -	\$ 62,969
2016	115,000	49,225
2017	115,000	46,925
2018	115,000	44,625
2019	120,000	42,275
2020 - 2024	625,000	173,425
2025 - 2029	725,000	87,375
2030	165,000	2,887
Total	<u>\$ 1,980,000</u>	<u>\$ 509,706</u>

8. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ -	\$ 1,980,000	\$ -	\$ 1,980,000	\$ -
Plus: unamortized premium	-	15,603	-	15,603	-
Total bonds payable	<u>\$ -</u>	<u>\$ 1,995,603</u>	<u>\$ -</u>	<u>\$ 1,995,603</u>	<u>\$ -</u>
Capital lease - courthouse	\$ 6,843,987	\$ -	\$ 280,000	\$ 6,563,987	\$ 285,000
Capital lease - generator	76,402	-	14,777	61,625	16,437
Total capital leases	<u>\$ 6,920,389</u>	<u>\$ -</u>	<u>\$ 294,777</u>	<u>\$ 6,625,612</u>	<u>\$ 301,437</u>
Loans payable	-	12,175	-	12,175	-
Compensated absences	459,146	385,796	380,621	464,321	69,739
Total Long-Term Liabilities	<u>\$ 7,379,535</u>	<u>\$ 2,393,574</u>	<u>\$ 675,398</u>	<u>\$ 9,097,711</u>	<u>\$ 371,176</u>

**STEVENS COUNTY
MORRIS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

8. 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.

3. Pension Plans

A. Defined Benefit Plan

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.

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.

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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plan

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 for each year of service.

For all 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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plan (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 were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014.

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2014	2013	2012
General Employees Retirement Fund	\$ 333,894	\$ 335,494	\$ 315,443
Public Employees Police and Fire Fund	60,270	52,632	55,536

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

**STEVENS COUNTY
MORRIS, MINNESOTA**

3. 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, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,517	\$ 6,517
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

4. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters 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

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For all other risks, 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 \$480,000 per claim in 2014 and \$490,000 in 2015. 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.

B. Contingent Liabilities

Amounts received or receivable from grantor 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.

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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

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

C. 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.

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.

Complete financial information can be obtained from:

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

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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. 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 five-county Board.

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

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 2014, Stevens County contributed \$363,881 in funds to Horizon.

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Horizon Community Health Board (Continued)

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 Service in an agency fund on its annual financial statements. Stevens County's contribution for 2014 was \$129,664.

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

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

PrimeWest Health System

In December 1998, Stevens County became a member of the PrimeWest Central County-Based Purchasing Initiative Joint Powers Board (since renamed PrimeWest 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 PrimeWest Health System. Stevens County, in partnership with these 12 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 PrimeWest 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 PrimeWest 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.

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

PrimeWest Health System
2209 Jefferson Street, Suite 101
Alexandria, Minnesota 56308

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 2014, Stevens County did not contribute any funds to the Regional Fitness Center.

Complete financial information can be obtained from:

Morris Area Schools
201 South Columbia Avenue
Morris, Minnesota 56267

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 2014, Stevens County contributed \$17,228 in funds to the Joint Powers Board.

Complete financial information can be obtained from:

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

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 composed of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, Lac 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 Nurse Family Partnership Program specifically within the jurisdictional boundaries of the counties involved.

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Supporting Hands Nurse Family Partnership Board (Continued)

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 2014, Stevens County made \$37,225 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.

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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2014, 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

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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Stevens County Family Services Collaborative (Continued)

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 2014, 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

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 their respective County Board.

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Region 4 South Adult Mental Health Consortium (Continued)

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.

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

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

Stevens County provided \$51,468 to this organization in 2014.

**STEVENS COUNTY
MORRIS, MINNESOTA**

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

D. 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 2014, the County contributed \$1,975 to WACCO.

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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. 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 composed 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 2014, the County did not contribute any funding to the Joint Powers Board.

Complete financial statements can be obtained from:

International Coalition for Land - Water
Stewardship in the Red River Basin
119 - 5th Street South
Moorhead, Minnesota 56561

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Becker, Beltrami, Clay, Clearwater, Cottonwood, Cook, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Morrison, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Redwood, Roseau,

**STEVENS COUNTY
MORRIS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Minnesota Rural Counties Caucus (Continued)

Stevens, Todd, Traverse, and Wadena 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.

Sentence to Serve

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 2014.

West Central S.W.A.T. Team

The 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.

**STEVENS COUNTY
MORRIS, MINNESOTA**

5. Component Unit Disclosures - Stevens County Housing and Redevelopment Authority (HRA)

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

**STEVENS COUNTY
MORRIS, MINNESOTA**

5. Component Unit Disclosures - Stevens County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies (Continued)

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.

4. Restatement of Net Position in the Statement of Activities

The January 1, 2014, net position balance was adjusted by an immaterial amount for corrections in various HRA funds.

	Balance at January 1, 2014, as Previously Reported	Adjustment	Balance at January 1, 2014, as Restated
Net position	\$ 613,412	\$ (2,451)	\$ 610,961

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 statutes and HUD regulations require that all HRA deposits be covered by insurance, surety bond, or collateral. At December 31, 2014, the HRA's deposits of \$501,845 (carrying amount) were entirely insured or collateralized with securities held by the HRA or by its agent in the HRA's name.

**STEVENS COUNTY
MORRIS, MINNESOTA**

5. Component Unit Disclosures - Stevens County Housing and Redevelopment Authority (HRA)

B. Assets (Continued)

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, 2014, 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, 2014, 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.

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 3 to 40 years.

**STEVENS COUNTY
MORRIS, MINNESOTA**

5. Component Unit Disclosures - Stevens County Housing and Redevelopment Authority (HRA)

B. Assets

4. Capital Assets (Continued)

The HRA's capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and improvements	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets depreciated				
Buildings	\$ 315,602	\$ -	\$ -	\$ 315,602
Equipment and other	7,237	4,564	-	11,801
Total capital assets depreciated	\$ 322,839	\$ 4,564	\$ -	\$ 327,403
Less: accumulated depreciation	37,299	8,909	-	46,208
Total capital assets depreciated, net	\$ 285,540	\$ (4,345)	\$ -	\$ 281,195
Total Capital Assets, Net	\$ 290,540	\$ (4,345)	\$ -	\$ 286,195

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, 2014, was \$6,563,987. Included in this balance is the \$59,381 unamortized discount on the Series 2009A Bonds for a net receivable amount of \$6,504,606.

**STEVENS COUNTY
MORRIS, MINNESOTA**

5. Component Unit Disclosures - Stevens County Housing and Redevelopment Authority (HRA) (Continued)

C. Liabilities

1. Long-Term Debt

Long-term debt outstanding at December 31, 2014, for the HRA consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Outstanding Balance December 31, 2014</u>
2009A Public Project Revenue Bonds	02/01/2031	\$265,000 - \$575,000	3.00 - 4.70	\$ 6,865,000
MHFA Loan	-	-	-	49,000
Mortgage	10/01/2022	\$2,105/month	4.375	155,448
Mortgage	08/01/2028	\$123/month	1.50	17,993
Less: unamortized discount				<u>(59,381)</u>
Total Long-Term Debt				<u>\$ 7,028,060</u>

2. Debt Service Requirements

Debt service requirements as of December 31, 2014, are as follows:

<u>Future Payments</u>	
2015	\$ 300,202
2016	315,212
2017	330,973
2018	347,521
2019	364,897
Thereafter	<u>5,369,255</u>
Total	<u>\$ 7,028,060</u>

**STEVENS COUNTY
MORRIS, MINNESOTA**

5. Component Unit Disclosures - 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, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 7,145,000	\$ -	\$ 280,000	\$ 6,865,000	\$ 285,000
Discount/premium	(62,874)	-	(3,493)	(59,381)	-
MHFA loan	49,000	-	-	49,000	-
Mortgages	202,213	-	28,772	173,441	15,202
Compensated absences	6,394	4,935	-	11,329	-
Long-Term Liabilities	<u>\$ 7,339,733</u>	<u>\$ 4,935</u>	<u>\$ 305,279</u>	<u>\$ 7,039,389</u>	<u>\$ 300,202</u>

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.

	2014	2013	2012
Wages	\$ 145,148	\$ 137,562	\$ 131,980
Employer share	10,523	9,973	9,569
Employee share	9,072	8,598	8,249

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,903,224	\$ 3,903,224	\$ 3,814,929	\$ (88,295)
Licenses and permits	18,300	18,300	20,645	2,345
Intergovernmental	918,857	918,857	1,289,910	371,053
Charges for services	432,570	452,570	366,380	(86,190)
Fines and forfeitures	-	-	50	50
Investment earnings	132,500	132,500	467,287	334,787
Gifts and contributions	-	-	1,500	1,500
Miscellaneous	126,500	126,500	221,542	95,042
Total Revenues	\$ 5,531,951	\$ 5,551,951	\$ 6,182,243	\$ 630,292
Expenditures				
Current				
General government				
Commissioners	\$ 240,585	\$ 235,585	\$ 219,866	\$ 15,719
Law library	8,500	8,500	9,373	(873)
County coordinator	34,235	34,235	41,607	(7,372)
Human resources	175,235	180,235	171,360	8,875
Auditor-Treasurer	361,952	361,952	371,440	(9,488)
Accounting and auditing	70,000	70,000	55,467	14,533
Tax forfeiture	1,500	1,500	-	1,500
Information technology	333,760	333,760	315,906	17,854
GIS	66,241	66,241	58,724	7,517
Elections	42,410	42,410	43,238	(828)
Attorney	290,704	290,704	298,113	(7,409)
Recorder	253,979	253,979	260,145	(6,166)
Planning and zoning	94,129	94,129	88,395	5,734
Assessor	267,712	267,712	267,048	664
Courthouse operations	346,245	346,245	355,982	(9,737)
Safety coordinator	40,630	40,630	38,851	1,779
Veterans service officer	53,484	53,484	54,590	(1,106)
Other general government	143,800	143,800	227,872	(84,072)
Total general government	\$ 2,825,101	\$ 2,825,101	\$ 2,877,977	\$ (52,876)

**STEVENS COUNTY
MORRIS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,429,960	\$ 1,429,960	\$ 1,417,275	\$ 12,685
Coroner	30,000	30,000	7,139	22,861
Probation	100,400	100,400	76,935	23,465
Emergency management	79,560	79,560	68,679	10,881
E-911 system	87,000	87,000	104,344	(17,344)
Total public safety	\$ 1,726,920	\$ 1,726,920	\$ 1,674,372	\$ 52,548
Sanitation				
Environmental services	\$ 243,100	\$ 243,100	\$ 247,622	\$ (4,522)
Human services				
Social service youth activity	\$ -	\$ -	\$ 4,731	\$ (4,731)
Health				
Nursing services	\$ 129,664	\$ 129,664	\$ 129,664	\$ -
Culture and recreation				
Historical society	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Regional library	56,144	56,144	56,144	-
Snowmobile trails	-	-	68,518	(68,518)
Total culture and recreation	\$ 116,144	\$ 116,144	\$ 184,662	\$ (68,518)
Conservation of natural resources				
Extension	\$ 139,198	\$ 139,198	\$ 134,925	\$ 4,273
Agricultural society/County fair	35,200	35,200	35,200	-
Predator control	1,000	1,000	413	587
Soil and water conservation	110,000	110,000	141,587	(31,587)
Total conservation of natural resources	\$ 285,398	\$ 285,398	\$ 312,125	\$ (26,727)
Economic development				
Economic development	\$ 66,812	\$ 66,812	\$ 66,812	\$ -
Intergovernmental				
Highways and streets	\$ 265,000	\$ 265,000	\$ 274,911	\$ (9,911)

**STEVENS COUNTY
MORRIS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Debt service				
Principal	\$ -	\$ -	\$ 14,777	\$ (14,777)
Interest	-	-	1,769	(1,769)
Total debt service	\$ -	\$ -	\$ 16,546	\$ (16,546)
Total Expenditures	\$ 5,658,139	\$ 5,658,139	\$ 5,789,422	\$ (131,283)
Excess of Revenues Over (Under)				
Expenditures	\$ (126,188)	\$ (106,188)	\$ 392,821	\$ 499,009
Other Financing Sources (Uses)				
Transfers in	\$ 187,050	\$ 187,050	\$ 187,050	\$ -
Transfers out	-	-	(6,211)	(6,211)
Total Other Financing Sources (Uses)	\$ 187,050	\$ 187,050	\$ 180,839	\$ (6,211)
Net Change in Fund Balance	\$ 60,862	\$ 80,862	\$ 573,660	\$ 492,798
Fund Balance - January 1	3,232,124	3,232,124	3,232,124	-
Fund Balance - December 31	\$ 3,292,986	\$ 3,312,986	\$ 3,805,784	\$ 492,798

**STEVENS COUNTY
MORRIS, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,112,541	\$ 1,112,541	\$ 1,087,614	\$ (24,927)
Intergovernmental	3,026,954	3,026,954	2,907,149	(119,805)
Charges for services	293,750	293,750	321,197	27,447
Miscellaneous	51,400	51,400	134,495	83,095
Total Revenues	\$ 4,484,645	\$ 4,484,645	\$ 4,450,455	\$ (34,190)
Expenditures				
Current				
Highways and streets				
Administration	\$ 235,630	\$ 235,630	\$ 267,996	\$ (32,366)
Construction	2,204,955	2,204,955	1,925,639	279,316
Maintenance	1,269,635	1,269,635	1,212,625	57,010
Equipment and maintenance shops	698,415	698,415	718,582	(20,167)
Material and services for resale	106,010	106,010	92,658	13,352
Total Expenditures	\$ 4,514,645	\$ 4,514,645	\$ 4,217,500	\$ 297,145
Net Change in Fund Balance	\$ (30,000)	\$ (30,000)	\$ 232,955	\$ 262,955
Fund Balance - January 1	2,427,984	2,427,984	2,427,984	-
Increase (decrease) in inventories	-	-	(117,057)	(117,057)
Fund Balance - December 31	\$ 2,397,984	\$ 2,397,984	\$ 2,543,882	\$ 145,898

**STEVENS COUNTY
MORRIS, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,083,862	\$ 1,083,862	\$ 1,059,501	\$ (24,361)
Intergovernmental	989,347	989,347	1,523,129	533,782
Charges for services	77,357	77,357	95,497	18,140
Miscellaneous	65,000	65,000	120,666	55,666
Total Revenues	\$ 2,215,566	\$ 2,215,566	\$ 2,798,793	\$ 583,227
Expenditures				
Current				
Human services				
Income maintenance	\$ 497,566	\$ 497,566	\$ 587,007	\$ (89,441)
Transitional housing	-	-	860	(860)
Mental health mobile crisis	-	-	122,754	(122,754)
Social services	1,993,001	1,993,001	1,868,404	124,597
Total Expenditures	\$ 2,490,567	\$ 2,490,567	\$ 2,579,025	\$ (88,458)
Net Change in Fund Balance	\$ (275,001)	\$ (275,001)	\$ 219,768	\$ 494,769
Fund Balance - January 1	1,979,563	1,979,563	1,979,563	-
Fund Balance - December 31	\$ 1,704,562	\$ 1,704,562	\$ 2,199,331	\$ 494,769

**STEVENS COUNTY
MORRIS, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 287,706	\$ 287,706	\$ 290,538	\$ 2,832
Miscellaneous	-	-	17,156	17,156
Total Revenues	\$ 287,706	\$ 287,706	\$ 307,694	\$ 19,988
Expenditures				
Current				
Sanitation				
Solid waste	97,835	97,835	128,763	(30,928)
Excess of Revenues Over (Under)				
Expenditures	\$ 189,871	\$ 189,871	\$ 178,931	\$ (10,940)
Other Financing Sources (Uses)				
Transfers out	-	-	6,211	6,211
Transfers out	(187,050)	(187,050)	(187,050)	-
Loans issued	-	-	12,175	12,175
Total Other Financing Sources (Uses)	\$ (187,050)	\$ (187,050)	\$ (168,664)	\$ 18,386
Net Change in Fund Balance	\$ 2,821	\$ 2,821	\$ 10,267	\$ 7,446
Fund Balance - January 1	231,488	231,488	231,488	-
Fund Balance - December 31	\$ 234,309	\$ 234,309	\$ 241,755	\$ 7,446

**STEVENS COUNTY
MORRIS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

Revenue budgets were amended in the following fund:

	<u>Original Budget</u>	<u>Increase (Decrease)</u>	<u>Final Budget</u>
General Fund	\$ 5,531,951	\$ 20,000	\$ 5,551,951

**STEVENS COUNTY
MORRIS, MINNESOTA**

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, 2014.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 5,789,422	\$ 5,658,139	\$ 131,283
Special Revenue Funds			
Human Services	2,579,025	2,490,567	88,458
Solid Waste	128,763	97,835	30,928

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 583,509	\$ 583,509	\$ 570,510	\$ (12,999)
Intergovernmental	-	-	12,105	12,105
Total Revenues	\$ 583,509	\$ 583,509	\$ 582,615	\$ (894)
Expenditures				
Debt service				
Principal	\$ 280,000	\$ 280,000	\$ 280,000	\$ -
Interest	303,509	303,509	296,611	6,898
Total Expenditures	\$ 583,509	\$ 583,509	\$ 576,611	\$ 6,898
Net Change in Fund Balance	\$ -	\$ -	\$ 6,004	\$ 6,004
Fund Balance - January 1	143,179	143,179	143,179	-
Fund Balance - December 31	\$ 143,179	\$ 143,179	\$ 149,183	\$ 6,004

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FIDUCIARY FUNDS

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**STEVENS COUNTY
MORRIS, MINNESOTA**

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, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>HOUSING AND REDEVELOPMENT AUTHORITY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 5,303	\$ 374,574	\$ 376,870	\$ 3,007
<u>Liabilities</u>				
Due to other governments	\$ 5,303	\$ 374,574	\$ 376,870	\$ 3,007
 <u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 4,550,176	\$ 4,550,176	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 4,550,176	\$ 4,550,176	\$ -
 <u>SOCIAL WELFARE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 11,704	\$ 185,450	\$ 193,287	\$ 3,867
<u>Liabilities</u>				
Accounts payable	\$ 11,704	\$ 185,450	\$ 193,287	\$ 3,867

**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, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 53,174</u>	<u>\$ 1,225,897</u>	<u>\$ 1,262,819</u>	<u>\$ 16,252</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 53,174</u>	<u>\$ 1,225,897</u>	<u>\$ 1,262,819</u>	<u>\$ 16,252</u>
 <u>STEVENS COUNTY FAMILY SERVICES COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 54,568</u>	<u>\$ 50,816</u>	<u>\$ 56,928</u>	<u>\$ 48,456</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 54,568</u>	<u>\$ 50,816</u>	<u>\$ 56,928</u>	<u>\$ 48,456</u>

**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, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STEVENS TRAVERSE GRANT PUBLIC HEALTH SERVICE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 540,571	\$ 1,916,306	\$ 2,035,965	\$ 420,912
Accounts receivable	969	1,954	1,353	1,570
Due from other governments	87,195	84,635	103,025	68,805
Total Assets	\$ 628,735	\$ 2,002,895	\$ 2,140,343	\$ 491,287
<u>Liabilities</u>				
Salaries payable	\$ 22,414	\$ 27,260	\$ 22,414	\$ 27,260
Due to other governments	606,321	1,975,635	2,117,929	464,027
Total Liabilities	\$ 628,735	\$ 2,002,895	\$ 2,140,343	\$ 491,287
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 104,047	\$ 16,331,548	\$ 16,362,803	\$ 72,792
<u>Liabilities</u>				
Due to other governments	\$ 82,761	\$ 16,320,520	\$ 16,341,517	\$ 61,764
Advance taxes	21,286	11,028	21,286	11,028
Total Liabilities	\$ 104,047	\$ 16,331,548	\$ 16,362,803	\$ 72,792

**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, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 3,232,794	\$ 3,232,794	\$ -
	-	3,232,794	3,232,794	-
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 3,232,794	\$ 3,232,794	\$ -
	-	3,232,794	3,232,794	-
 <u>WATERSHED</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 147,802	\$ 147,802	\$ -
	-	147,802	147,802	-
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 147,802	\$ 147,802	\$ -
	-	147,802	147,802	-
 <u>WEST CENTRAL SPECIAL WEAPONS AND TACTICS TEAM</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 8,333	\$ 10,000	\$ 4,147	\$ 14,186
	8,333	10,000	4,147	14,186
<u>Liabilities</u>				
Due to other governments	\$ 8,333	\$ 10,000	\$ 4,147	\$ 14,186
	8,333	10,000	4,147	14,186

**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, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 777,700	\$ 28,025,363	\$ 28,223,591	\$ 579,472
Accounts receivable	969	1,954	1,353	1,570
Due from other governments	87,195	84,635	103,025	68,805
Total Assets	\$ 865,864	\$ 28,111,952	\$ 28,327,969	\$ 649,847
<u>Liabilities</u>				
Accounts payable	\$ 11,704	\$ 185,450	\$ 193,287	\$ 3,867
Advance taxes	21,286	11,028	21,286	11,028
Due to other governments	810,460	27,888,214	28,090,982	607,692
Salaries payable	22,414	27,260	22,414	27,260
Total Liabilities	\$ 865,864	\$ 28,111,952	\$ 28,327,969	\$ 649,847

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OTHER SCHEDULES

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**STEVENS COUNTY
MORRIS, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

Appropriations and Shared Revenue

State

Highway users tax	\$	3,049,654
Market value credit		90,437
PERA rate reimbursement		21,742
Disparity reduction aid		50,261
Police aid		41,888
County program aid		516,232
Enhanced 911		80,848
Select Committee on Recycling and the Environment (SCORE)		63,803
Aquatic invasive species aid		7,123
		7,123

Total appropriations and shared revenue **\$ 3,921,988**

Reimbursement for Services

Road signage project	\$	8,863
Minnesota Department of Human Services		271,313
		271,313

Total reimbursement for services **\$ 280,176**

Payments

Local

Payments in lieu of taxes	\$	75,185
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Grants

State

Minnesota Department/Board/Office of		
Public Safety	\$	2,230
Corrections		14,503
Human Services		554,676
Natural Resources		68,518
Revenue		3,529
Water and Soil Resources		61,392
Veterans Affairs		7,500
Peace Officer Standards and Training Board		2,896
		2,896

Total state **\$ 715,244**

Federal

Department of		
Agriculture	\$	76,518
Health and Human Services		605,910
Homeland Security		57,272
		57,272

Total federal **\$ 739,700**

Total state and federal grants **\$ 1,454,944**

Total Intergovernmental Revenue **\$ 5,732,293**

**STEVENS COUNTY
MORRIS, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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	\$ 76,518
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	\$ 2,912
Temporary Assistance for Needy Families	93.558	65,174
Child Support Enforcement	93.563	114,786
Refugee and Entrant Assistance - State-Administered Programs	93.566	394
Child Care and Development Block Grant	93.575	4,472
Stephanie Tubbs Jones Child Welfare Services Program	93.645	3,530
Foster Care - Title IV-E	93.658	38,892
Social Services Block Grant	93.667	83,803
Children's Health Insurance Program	93.767	33
Medical Assistance Program	93.778	284,114
Block Grants for Community Mental Health Services	93.958	7,800
Total U.S. Department of Health and Human Services		\$ 605,910
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 7,317
Hazard Mitigation Grant	97.039	16,474
Emergency Management Performance Grants	97.042	33,481
Total U.S. Department of Homeland Security		\$ 57,272
Total Federal Awards		\$ 739,700

**STEVENS COUNTY
MORRIS, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 \$423,815 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, 2014. 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 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. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2014.

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**STEVENS COUNTY
MORRIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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:

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.

Client's Response:

Stevens County elected officials and management are aware of the risks of inadequate segregation of duties and constantly work at ensuring all reasonable oversight and controls are maintained for the safeguarding of the County's assets.

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

Condition: 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:

Governmental Activities

- increased revenue by \$1,873,849 for receivables that were deferred on the modified accrual fund level statements but earned on the full accrual basis;
- decreased revenue by \$539,992 for revenues considered earned and recognized in the prior year; and
- increased G.O. drainage bonds payable by \$1,980,000 and unamortized premium on bonds payable by \$15,603 for bonds issued during 2014.

Solid Waste Special Revenue Fund

- increased special assessments receivable--noncurrent and related unavailable revenues by \$12,175 for septic loans issued to landowners during 2014, as special assessments will be collected beginning in 2015.

Ditch Special Revenue Fund

- increased accounts payable and conservation of natural resources expenditures by \$65,290 for damages incurred in 2014 and owed to landowners related to the County Ditch No. 30 improvement project.

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.

Client's Response:

The Auditor/Treasurer will be seeking additional training and education on preparing financial statements as to be more knowledgeable during the financial statement preparation and to avoid the material adjustments in the future.

PREVIOUSLY REPORTED ITEMS RESOLVED

Credit Card Purchases (2012-001)

During control testing of credit card claims, we noted five deficiencies, including lack of itemized receipts or supporting detail for the amounts charged, a penalty charged for late payment of a claim, and charges made by an employee using a former employee's credit card.

Resolution

The County implemented procedures to obtain all supporting documentation for credit card charges, improved the timeliness in processing of credit card claims to avoid late charges, and updated the name on the credit card to the name of the current user.

Accounting Policies and Procedures Manual (2013-001)

The County did not have a formal comprehensive accounting policies and procedures manual.

Resolution

The County Board of Commissioners approved an accounting policies and procedures manual on September 16, 2014.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding 2014-001

Eligibility Testing

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.

Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. Not all documentation was available to support participant eligibility, and some information was omitted from MAXIS. The following instances were noted in our sample of 40 cases tested:

- In one case, other insurance was listed in MAXIS but the case file had no indication of verification.
- In one case, MAXIS indicated that citizenship was verified with a passport or visa. However, there was no verification of the client's passport or visa in the case file, and citizenship was not verified in MAXIS through the Social Security Administration.
- In one case file, we noted evidence of a non-qualified investment that was not listed in MAXIS.

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

Context: The 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 improper input of information into MAXIS and lack of follow-up of issues increases the risk that clients will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS did not ensure all required information was input into MAXIS correctly or that all required information was obtained and/or retained.

Recommendation: We recommend that the County implement additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is obtained and properly input into MAXIS and issues are followed up on in a timely manner. In addition, consideration should be given to providing additional training to program personnel.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Kim Gullickson

Corrective Action Planned:

1. *Continued monthly Medical Assistance reviews by the Supervisor.*
2. *Go over results of these reviews at monthly staff meetings in order for all Eligibility Workers to benefit from any errors that are found.*
3. *Train workers that at health care renewals, to make sure the citizenship verification in case file matches what is coded in MAXIS.*

Anticipated Completion Date:

1. *Ongoing, effective immediately.*
2. *September 2015*
3. *May 18, 2015*

PREVIOUSLY REPORTED ITEM RESOLVED

Supervisory Review over Eligibility - Intake Function (CFDA No. 93.778) (2011-001)

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.

Resolution

Beginning in July 2014, the County implemented procedures to conduct supervisory case reviews.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

Publishing Board Minutes and Claims Paid (2004-001)

Rather than publishing 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 County published only a summary by fund of the County Board-approved payments.

Resolution

In January 2015, the County started publishing 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 in accordance with Minn. Stat. § 375.12.

Delegation to Pay Claims (2013-002)

During the prior audit, we noted the Stevens County Auditor/Treasurer's Office was processing claims as though delegation had been made to the Auditor/Treasurer in accordance with Minn. Stat. § 375.18, subd. 1b; however, the County could not provide a resolution supporting that such delegation was ever made by the County Board.

Resolution

On April 14, 2014, the County Board of Commissioners passed Resolution No. 140415-13, delegating the authority to the Auditor/Treasurer to pay regular or periodic bills such as utility, phone, credit card and related bills which require payment by a certain date and carry with it late fees and penalties.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2012-005

Custodial Credit Risk Policy

Criteria: The County Board of Commissioners approved an investment policy in 2014 that states “The County will eliminate investment custodial credit risk by permitting brokers that obtain investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available and that they qualify under Minn. Stat. § 118.06 to hold investments. Securities purchased that exceed available SIPC coverage or are purchased by a broker that does not qualify under Minn. Stat. § 118.06 to hold investments shall be transferred to the County’s custodian.”

Condition: The County has investment custodial credit risk through the bank sweep account repurchase agreement with Bremer Bank and the investments purchased with Raymond James Financial, Inc. Under the repurchase agreement, the County’s securities are held by the bank counterparty.

Context: The bank sweep repurchase agreement account with Bremer Bank subjects the County’s investments to custodial credit risk in the amount of \$1,423,768 as of December 31, 2014. Investments held by Raymond James Financial, Inc. in the amount of \$1,805,878 as of December 31, 2014, are also subject to custodial credit risk, as the County has not obtained sufficient coverage over the \$500,000 SIPC coverage and excess SIPC coverage provided by the broker.

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

Cause: The County’s investment policy does not reflect their current investment practices.

Recommendation: We recommend that the County update its investment policy to include the level of custodial credit risk that is considered acceptable, and only hold investments to the level of risk identified as acceptable.

Client’s Response:

The policy was updated and approved by the County Board on May 5, 2015, to allow for acceptable custodial credit risk: outlining limits, brokers’ requirements, and acceptable investment types and maximum amounts.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Stevens County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.

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REBECCA OTTO
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Stevens County
Morris, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2014, 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 27, 2015. Our report includes a reference to other auditors who audited the financial statements of the Stevens County Housing and Redevelopment Authority, the discretely presented component unit, 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.

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 an item that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 1996-004 to be a significant deficiency.

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*. 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 and an other item for consideration. We believe the recommendation and information to be of benefit to the County, and they are reported for that purpose.

Stevens County's Response to Findings

Stevens County's responses to the internal control, and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for 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

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 27, 2015

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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
Morris, Minnesota

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, 2014. 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.

Stevens County's basic financial statements include the operations of the Stevens County Housing and Redevelopment Authority (HRA) component unit, which expended \$423,815 in federal awards during the year ended December 31, 2014, 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

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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

Stevens County's response to the noncompliance 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.

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 2014-001, 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

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August 27, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
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