STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

STEVENS COUNTY
MORRIS, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

STEVENS COUNTY
MORRIS, MINNESOTA

Year Ended December 31, 2015

Audit Practice Division
Office of the State Auditor
State of Minnesota

This page was left blank intentionally.

STEVENS COUNTY
MORRIS, MINNESOTA

TABLE OF CONTENTS

STEVENS COUNTY
MORRIS, MINNESOTA

TABLE OF CONTENTS

Introductory Section

This page was left blank intentionally.

STEVENS COUNTY
MORRIS, MINNESOTA

ORGANIZATION
DECEMBER 31, 2015

			Term Expires
Elected			
Commissioners			
Chair	Bob Kopitzke	District 1	January 2017
Board Member	Jeanne Ennen	District 2	January 2019
Board Member	Ron Staples	District 3	January 2017
Board Member	Donny Wohlers	District 4	January 2017
Board Member	Phil Gausman	District 5	January 2019
Attorney	Aaron Jordan		January 2019
Auditor/Treasurer	Amanda Barsness		January 2019
County Recorder	Virginia Mahoney		January 2019
Registrar of Titles	Virginia Mahoney		January 2019
County Sheriff	Jason Dingman		January 2019
Appointed			
Assessor	Judy Thorstad		December 2016
County Coordinator	Rebecca Young		Indefinite
Coroner	John F. Stock, M.D.		Indefinite
Highway Engineer	Todd Larson		Indefinite
Human Services Director	Joanie Murphy*		Indefinite
Veterans Service Officer	Hugh Reimers		Indefinite

*Liberty Sleiter was appointed as Human Services Director on December 15, 2015, as Joanie Murphy's replacement due to her retirement on January 4, 2016.

This page was left blank intentionally.

Financial Section

This page was left blank intentionally.

REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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, 2015, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

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 September 15, 2016, 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.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 15, 2016

This page was left blank intentionally.

MANAGEMENT’S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

STEVENS COUNTY
MORRIS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(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, 2015. 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 $38,720,847, of which $33,450,398 is the net investment in capital assets, and $2,524,239 is restricted to specific purposes. The $2,746,210 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's net position increased by $937,733 for the year ended December 31, 2015, after the restatement for Governmental Accounting Standards Board (GASB) Statements 68, 71, and 82. Additional information about the restatement can be found in Note 1.E.

- The net cost of governmental activities for the current fiscal year was $6,648,844. The net cost was funded by general revenues and other items totaling $7,586,577.

- Fund balances of the governmental funds decreased by $112,995. During the budgeting process, the County Board approved the use of $84,256 in fund balance to cover 2015 expenditures. Additionally, some construction projects were over budget, accounting for the additional fund balance decrease.

- For the year ended December 31, 2015, the unrestricted fund balance of the General Fund was $3,336,623, or 58.4 percent, of the total General Fund expenditures for the year, an increase of 3.9 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 level 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 Level 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 on 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 88 of this report.

Other Information

Other information is provided as supplementary information regarding Stevens County's intergovernmental revenue.

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 $38,720,847 at the close of 2015. The largest portion of the net position (86.4 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.

Net Position

	Governmental Activities 2015		Governmental Activities 2014	
Assets				
Current and other assets	$	13,032,167	$	12,934,055
Capital assets		39,775,853		39,013,798
Total Assets	$	52,808,020	$	51,947,853
Deferred Outflows of Resources				
Deferred pension outflows	$	611,021	$	-
Liabilities				
Long-term liabilities	$	12,987,870	$	9,097,711
Other liabilities		757,337		659,407
Total Liabilities	$	13,745,207	$	9,757,118
Deferred Inflows of Resources				
Deferred pension inflows	$	878,678	$	-
Advance from other governments		74,309		-
Total Deferred Inflows of Resources	$	952,987	$	-
Net Position				
Net investment in capital assets	$	33,450,398	$	32,388,186
Restricted		2,524,239		2,505,302
Unrestricted		2,746,210		7,297,247
Total Net Position, as reported	$	38,720,847	$	42,190,735
Change in accounting principle*				(4,407,621)
Total Net Position, as restated			$	37,783,114

*This is the first year the County implemented the new pension accounting and financial reporting standards, GASB Statements 68, 71, and 82. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

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 7.1 percent of net position.

Governmental Activities

The County's activities increased net position by 2.5 percent ($37,783,114 for 2014 compared to $38,720,847 for 2015). Key elements in this increase in net position are as follows for 2015, with comparative data for 2014:

Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues		
Program revenues		
Charges for services	$ 1,796,261	$ 3,820,310
Operating grants and contributions	4,918,221	5,184,189
General revenues		
Property taxes	6,717,573	6,536,276
Other	801,755	1,230,307
Total Revenues	$ 14,233,810	$ 16,771,082
Expenses		
General government	$ 3,193,079	$ 3,222,993
Public safety	1,876,819	1,876,520
Highways and streets	3,755,727	4,013,070
Sanitation	428,731	371,725
Human services	2,706,679	2,589,506
Health	129,664	129,664
Culture and recreation	159,624	184,662
Conservation of natural resources	713,592	2,023,413
Economic development	66,812	66,812
Interest	332,599	326,364
Total Expenses	$ 13,363,326	$ 14,804,729
Change in net position before special item	$ 870,484	$ 1,966,353
Special item	67,249	-
Change in Net Position	$ 937,733	$ 1,966,353
Net Position - January 1, as restated	37,783,114*	40,224,382
Net Position - December 31, as reported	$ 38,720,847	$ 42,190,735

*Amount includes a change in accounting principles.

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 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 $10,444,000, a decrease of $112,995 in comparison with the prior year. Of the combined ending fund balances, $7,640,031 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 $3,336,623. 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 58.4 percent of total General Fund expenditures. During 2015, the ending fund balance increased by $93,668.

The Road and Bridge Special Revenue Fund had an assigned fund balance of $1,931,849 at fiscal year-end, representing 40.2 percent of its annual expenditures. The ending fund balance decreased by $319,081 during 2015.

The Human Services Special Revenue Fund had an assigned fund balance of $2,358,263 at fiscal year-end, representing 87.0 percent of its annual expenditures. The ending fund balance increased by $158,932 during 2015.

The Solid Waste Special Revenue Fund had a restricted fund balance of $198,445 at fiscal year-end, representing 101.9 percent of its annual expenditures, and the fund also transferred $173,884 to the SCORE Department in the General Fund for SCORE use. The ending fund balance decreased by $30,014 during 2015.

The Ditch Special Revenue Fund had a restricted fund balance of $1,610,691 at fiscal year-end, representing 363.9 percent of its annual expenditures. The ending fund balance decreased by $6,369 during 2015.

The Debt Service Fund had a restricted fund balance of $139,052 at fiscal year-end. The Debt Service Fund was created in 2011 due to the issuance of bonds by the Stevens County Housing and Redevelopment Authority (HRA) for the renovation of the courthouse and the addition of a Law Enforcement Center, which the County leases from the HRA. The ending fund balance decreased by $10,131 during 2015.

Governmental Activities

The County's total revenues were $14,233,810. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2015.

Table 1
Total County Revenues

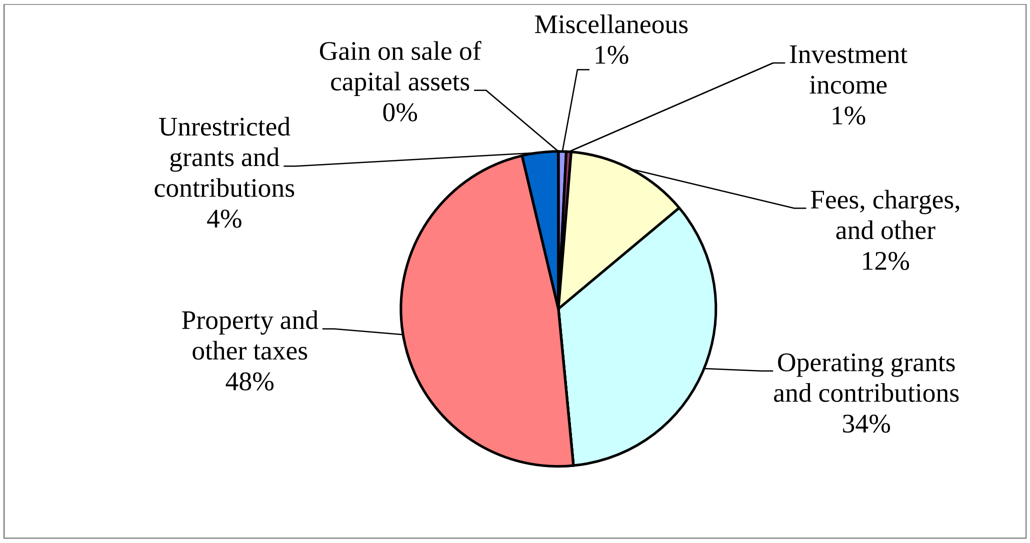
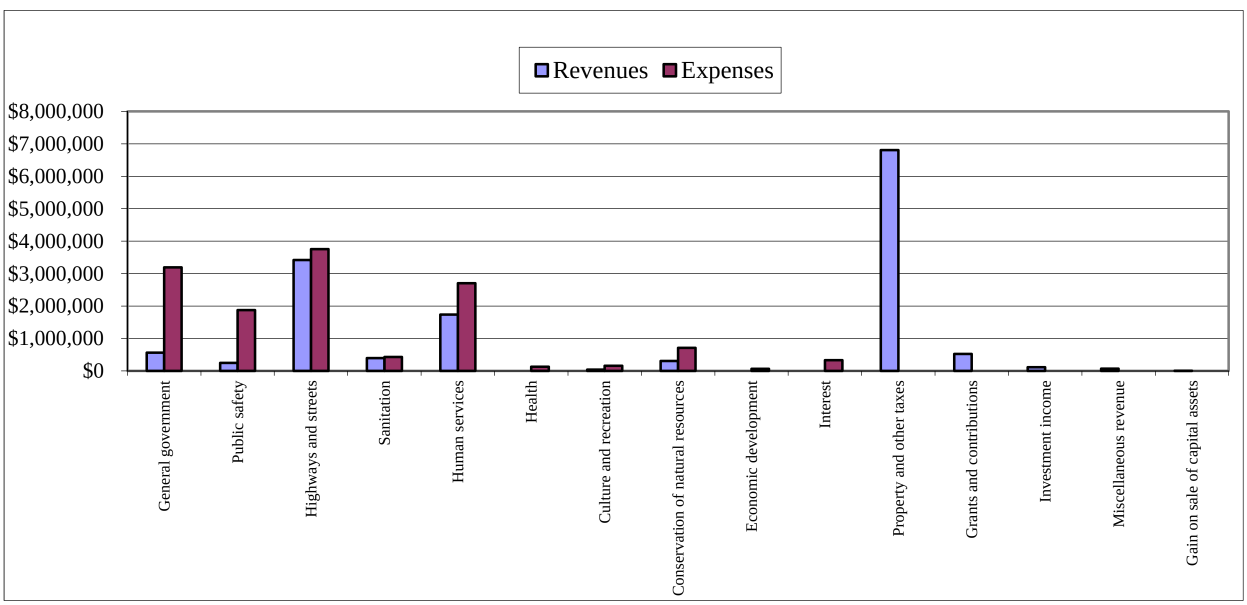


Table 2 presents the cost and revenue of each program, as well as the County's general revenues.

Total program revenues, general revenues, and special items for the County were $14,233,810, while total expenses were $13,363,326. Along with a special item of $67,249, this reflects a $937,733 increase in net position, as restated, for the year ended December 31, 2015.

Table 2
Program Revenues, General Revenues, and Expenses



The cost of all governmental activities this year was $13,363,326. However, as shown on the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was $6,648,844 because some of the cost was paid by those who directly benefited from the programs ($1,796,261) or by other governments and organizations that subsidized certain programs with grants and contributions ($4,918,221). 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 2015	Net Cost (Revenue) of Services 2015
Highways and streets	$ 3,755,727	$ 334,931
General government	3,193,079	2,627,927
Human services	2,706,679	968,735
Public safety	1,876,819	1,628,960
Conservation of natural resources	713,592	408,312
All others	1,117,430	679,979
Totals	$ 13,363,326	$ 6,648,844

General Fund Budgetary Highlights

Actual revenues were $44,698 greater than budgeted mainly due to an unanticipated increase in miscellaneous and intergovernmental revenues. Actual expenditures were $45,409 lower than budgeted. The most significant positive variance ($79,140) occurred in public safety where expenditures for professional services and other various costs were less than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2015, totaled $39,775,853 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, equipment, and improvements other than buildings. The investment in capital assets increased $762,055, or 2.0 percent, from the previous year.

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

	2015	2014
Land	$ 250,018	$ 250,018
Right-of-way	1,026,600	792,161
Infrastructure	27,081,516	25,836,472
Building improvements	4,900	6,098
Buildings	9,614,274	9,926,022
Improvements other than buildings	40,964	45,924
Machinery, furniture, and equipment	1,744,658	1,900,940
Construction in progress	12,923	256,163
Totals	$ 39,775,853	$ 39,013,798

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 $8,347,218, which was backed by the full faith and credit of the government.

Table 5
Outstanding Debt

	2015	2014
General obligation bonds	$ 1,994,563	$ 1,995,603
Capital leases	6,325,455	6,625,612
Loans payable	27,200	12,175
Total Outstanding Debt	$ 8,347,218	$ 8,633,390

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 2015 of $6,278,987, 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 2015 of $46,468.

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 Notes 2.C.4. to 2.C.8. 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 2016 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Stevens County at the end of 2015 was 2.5 percent, which shows a 0.5 percent decrease from the County's 3.1 percent rate from December 2014. The state unemployment rate was 3.7 percent. The July 1, 2015, estimated County population was 9,796, a decrease of 70, or 0.72 percent, from the April 1, 2010, census of 9,726.

- At the end of 2015, Stevens County set its 2016 revenue and expenditure budgets with no property tax levy increase, as compared to a 4.10 percent increase in 2015.

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

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page was left blank intentionally.

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government Governmental Activities	Component Unit Stevens County Housing and Redevelopment Authority
Assets		
Cash and pooled investments	$ 10,712,746	$ 658,218
Cash - restricted	-	1,564
Investments	-	301,013
Taxes receivable		
Delinquent	35,782	-
Special assessments receivable		
Current	317,979	-
Noncurrent	941,493	-
Delinquent	9,380	-
Accounts receivable	74,883	27,024
Accrued interest receivable	28,222	-
Due from other governments	618,730	-
Lease receivable - net	-	6,223,099
Inventories	292,952	-
Capital assets		
Non-depreciable	1,289,541	-
Depreciable - net of accumulated depreciation	38,486,312	261,076
Total Assets	**$ 52,808,020**	**$ 7,471,994**
Deferred Outflows of Resources		
Deferred pension outflows	**$ 611,021**	**$ 101,695**
Liabilities		
Current liabilities		
Bank overdraft	$ -	$ 2,778
Accounts payable	113,467	127
Salaries payable	169,530	13
Contracts payable	191,043	-
Due to other governments	62,856	-
Tenant security deposits	-	5,791
Accrued interest payable	140,952	-
Unearned revenue	79,489	-
Compensated absences payable - current	78,507	-
Capital leases payable - current	310,546	-
General obligation bonds payable - current	115,000	-
Mortgages payable - current	-	20,350
Revenue bond payable - current	-	295,000

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government: Governmental Activities	Component Unit: Stevens County Housing and Redevelopment Authority
Liabilities (Continued)		
Noncurrent liabilities		
Compensated absences payable	414,706	14,261
Capital leases payable	6,014,909	-
General obligation bonds payable - net	1,879,563	-
Loans payable	27,200	-
Net pension liability	4,147,439	129,563
Mortgages payable	-	150,330
Revenue bond payable	-	6,229,112
Total Liabilities	**$ 13,745,207**	**$ 6,847,325**
Deferred Inflows of Resources		
Deferred pension inflows	$ 878,678	$ 6,532
Advance from other governments	74,309	-
Total Deferred Inflows of Resources	**$ 952,987**	**$ 6,532**
Net Position		
Net investment in capital assets	$ 33,450,398	$ 90,396
Restricted for		
Public safety	327,432	-
Highways and streets	357,516	-
Sanitation	211,596	-
Human services	5,375	-
Conservation of natural resources	1,458,865	-
Debt service	18,821	-
Other purposes	144,634	1,564
Unrestricted	2,746,210	627,872
Total Net Position	**$ 38,720,847**	**$ 719,832**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit Stevens County Housing and Redevelopment Authority
Functions/Programs					
Primary Government					
Governmental activities					
General government	$ 3,193,079	$ 417,487	$ 147,665	$ (2,627,927)	
Public safety	1,876,819	81,016	166,843	(1,628,960)	
Highways and streets	3,755,727	317,002	3,103,794	(334,931)	
Sanitation	428,731	328,683	69,692	(30,356)	
Human services	2,706,679	346,793	1,391,151	(968,735)	
Health	129,664	-	-	(129,664)	
Culture and recreation	159,624	-	39,076	(120,548)	
Conservation of natural resources	713,592	305,280	-	(408,312)	
Economic development	66,812	-	-	(66,812)	
Interest	332,599	-	-	(332,599)	
Total Primary Government	**$ 13,363,326**	**$ 1,796,261**	**$ 4,918,221**	**$ (6,648,844)**	
Component Unit					
Stevens County Housing and Redevelopment Authority	**$ 1,022,203**	**$ 548,797**	**$ 668,943**		**$ 195,537**
General Revenues					
Property taxes				$ 6,717,573	$ -
Other taxes				11,667	-
Payments in lieu of tax				77,580	-
Grants and contributions not restricted to specific programs				525,352	-
Investment income				113,539	3,036
Miscellaneous				71,415	-
Gain on sale of capital assets				2,202	-
Special Item					
Proceeds from dissolution of public health				67,249	-
Total general revenues and special item				**$ 7,586,577**	**$ 3,036**
Change in net position				**$ 937,733**	**$ 198,573**
Net Position - Beginning, as restated (Notes 1.E. and 5.A.)				**37,783,114**	**521,259**
Net Position - Ending				**$ 38,720,847**	**$ 719,832**

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

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

STEVENS COUNTY
MORRIS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 3,991,345	$ 2,070,267
Petty cash and change funds	5,750	50
Undistributed cash in agency funds	37,976	10,467
Cash with fiscal agent	40,000	-
Taxes receivable		
Delinquent	20,276	6,066
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable	25,178	14,492
Accrued interest receivable	28,222	-
Due from other funds	1,151	1,140
Due from other governments	21,914	347,685
Inventories	-	292,952
Total Assets	**$ 4,171,812**	**$ 2,743,119**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 23,211	$ 47,569
Salaries payable	79,689	42,687
Contracts payable	-	-
Due to other funds	-	-
Due to other governments	59,664	-
Unearned revenue	67,606	-
Total Liabilities	**$ 230,170**	**$ 90,256**
Deferred Inflows of Resources		
Unavailable revenue	$ 42,190	$ 353,753
Advance from other governments	-	74,309
Total Deferred Inflows of Resources	**$ 42,190**	**$ 428,062**

EXHIBIT 3

Human Services		Solid Waste		Ditch		Debt Service		Total	
$	2,379,243	$	217,057	$	1,803,593	$	133,878	$	10,595,383
	-		-		-		-		5,800
	11,674		3,267		3,005		5,174		71,563
	-		-		-		-		40,000
	6,361		-		-		3,079		35,782
	-		5,397		3,983		-		9,380
	-		25,983		1,233,489		-		1,259,472
	32,297		2,916		-		-		74,883
	-		-		-		-		28,222
	-		-		-		-		2,291
	249,131		-		-		-		618,730
	-		-		-		-		292,952
$	**2,678,706**	**$**	**254,620**	**$**	**3,044,070**	**$**	**142,131**	**$**	**13,034,458**
$	26,324	$	11,499	$	4,864	$	-	$	113,467
	47,154		-		-		-		169,530
	-		-		191,043		-		191,043
	2,291		-		-		-		2,291
	3,192		-		-		-		62,856
	11,883		-		-		-		79,489
$	**90,844**	**$**	**11,499**	**$**	**195,907**	**$**	**-**	**$**	**618,676**
$	229,599	$	31,380	$	1,237,472	$	3,079	$	1,897,473
	-		-		-		-		74,309
$	**229,599**	**$**	**31,380**	**$**	**1,237,472**	**$**	**3,079**	**$**	**1,971,782**

STEVENS COUNTY
MORRIS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable		
Inventories	$ -	$ 292,952
Trust Fund Conservation U.S. Fish and Wildlife	84,496	-
Missing heirs	892	-
Restricted for		
Law library	2,514	-
Recorder's technology equipment	52,094	-
E-911	285,944	-
Recorder's compliance	59,625	-
DARE	13,570	-
Gun permit fees	26,130	-
Attorney forfeitures	3,270	-
Social services youth	5,375	-
Veterans van	25,798	-
Sheriff's forfeitures	225	-
Sheriff's contingency	1,563	-
Extension publication	1,333	-
Solid waste	-	-
Ditch maintenance, repair, and other	-	-
Debt service	-	-
Assigned for		
Capital expenditures	138,664	-
Next year's expenditures	-	19,764
Highways and streets	-	1,912,085
Human services	-	-
Unassigned	3,197,959	-
Total Fund Balances	**$ 3,899,452**	**$ 2,224,801**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 4,171,812**	**$ 2,743,119**

EXHIBIT 3
(Continued)

Human Services	Solid Waste	Ditch	Debt Service	Total
$ -	$ -	$ -	$ -	$ 292,952
-	-	-	-	84,496
-	-	-	-	892
-	-	-	-	2,514
-	-	-	-	52,094
-	-	-	-	285,944
-	-	-	-	59,625
-	-	-	-	13,570
-	-	-	-	26,130
-	-	-	-	3,270
-	-	-	-	5,375
-	-	-	-	25,798
-	-	-	-	225
-	-	-	-	1,563
-	-	-	-	1,333
-	198,445	-	-	198,445
-	-	1,610,691	-	1,610,691
-	-	-	139,052	139,052
-	-	-	-	138,664
31,990	13,296	-	-	65,050
-	-	-	-	1,912,085
2,326,273	-	-	-	2,326,273
-	-	-	-	3,197,959
$ 2,358,263	**$ 211,741**	**$ 1,610,691**	**$ 139,052**	**$ 10,444,000**
$ 2,678,706	**$ 254,620**	**$ 3,044,070**	**$ 142,131**	**$ 13,034,458**

This page was left blank intentionally.

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2015

Fund balance - total governmental funds (Exhibit 3)		**$ 10,444,000**
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.		39,775,853
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		611,021
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.		1,897,473
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (1,980,000)	
Unamortized bond premium	(14,563)	
Capital leases	(6,325,455)	
Loans payable	(27,200)	
Compensated absences	(493,213)	
Net pension liability	(4,147,439)	
Accrued interest payable	(140,952)	(13,128,822)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(878,678)
Net Position of Governmental Activities (Exhibit 1)		**$ 38,720,847**

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

STEVENS COUNTY
MORRIS, MINNESOTA

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

	General	Road and Bridge
Revenues		
Taxes	$ 3,783,471	$ 1,131,486
Special assessments	-	-
Licenses and permits	26,801	-
Intergovernmental	1,091,332	3,011,619
Charges for services	314,542	240,485
Investment earnings	112,803	-
Gifts and contributions	30	-
Miscellaneous	236,482	76,517
Total Revenues	**$ 5,565,461**	**$ 4,460,107**
Expenditures		
Current		
General government	$ 2,814,988	$ -
Public safety	1,669,406	-
Highways and streets	2,900	4,805,886
Sanitation	233,871	-
Human services	5,241	-
Health	129,664	-
Culture and recreation	159,624	-
Conservation of natural resources	322,866	-
Economic development	66,812	-
Intergovernmental	290,413	-
Debt service		
Principal	15,157	-
Interest	1,390	-
Total Expenditures	**$ 5,712,332**	**$ 4,805,886**
Excess of Revenues Over (Under) Expenditures	**$ (146,871)**	**$ (345,779)**
Other Financing Sources (Uses)		
Transfers in	$ 173,884	$ -
Transfers out	(10,498)	-
Loans issued	-	-
Proceeds from the sale of capital assets	2,202	-
Insurance recoveries	7,702	-
Total Other Financing Sources (Uses)	**$ 173,290**	**$ -**
Special Item		
Proceeds from the dissolution of public health	**$ 67,249**	**$ -**
Net Change in Fund Balance	**$ 93,668**	**$ (345,779)**
Fund Balance - January 1	**3,805,784**	**2,543,882**
Increase (decrease) in inventories	**-**	**26,698**
Fund Balance - December 31	**$ 3,899,452**	**$ 2,224,801**

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

EXHIBIT 5

Human Services	Solid Waste	Ditch	Debt Service	Total
$ 1,257,858	$ -	$ -	$ 559,393	$ 6,732,208
-	297,668	435,574	-	733,242
-	-	-	-	26,801
1,270,055	-	-	-	5,373,006
289,753	-	-	-	844,780
-	-	736	-	113,539
-	-	-	-	30
52,052	15,391	-	-	380,442
$ 2,869,718	**$ 313,059**	**$ 436,310**	**$ 559,393**	**$ 14,204,048**
$ -	$ -	$ -	$ -	$ 2,814,988
-	-	-	-	1,669,406
-	-	-	-	4,808,786
-	194,712	-	-	428,583
2,710,786	-	-	-	2,716,027
-	-	-	-	129,664
-	-	-	-	159,624
-	-	379,710	-	702,576
-	-	-	-	66,812
-	-	-	-	290,413
-	-	-	285,000	300,157
-	-	62,969	284,524	348,883
$ 2,710,786	**$ 194,712**	**$ 442,679**	**$ 569,524**	**$ 14,435,919**
$ 158,932	**$ 118,347**	**$ (6,369)**	**$ (10,131)**	**$ (231,871)**
$ -	$ 10,498	$ -	$ -	$ 184,382
-	(173,884)	-	-	(184,382)
-	15,025	-	-	15,025
-	-	-	-	2,202
-	-	-	-	7,702
$ -	**$ (148,361)**	**$ -**	**$ -**	**$ 24,929**
$ -	**$ -**	**$ -**	**$ -**	**$** 67,249
$ 158,932	**$ (30,014)**	**$ (6,369)**	**$ (10,131)**	**$ (139,693)**
2,199,331	**241,755**	**1,617,060**	**149,183**	**10,556,995**
-	**-**	**-**	**-**	**26,698**
$ 2,358,263	**$ 211,741**	**$ 1,610,691**	**$ 139,052**	**$ 10,444,000**

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, 2015

Net change in fund balance - total governmental funds (Exhibit 5)			**$**	**(139,693)**
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	$	1,897,473		
Deferred inflows of resources - January 1		(1,873,849)		23,624
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.				
Expenditures for general capital assets and infrastructure	$	2,680,112		
Net book value of assets disposed of		(13,340)		
Current year depreciation		(1,904,717)		762,055
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				
Loans				(15,025)
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				300,157
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	$	15,244		
Change in compensated absences		(28,892)		
Change in net pension liability, as restated		452,183		
Change in deferred outflows of resources, as restated		419,020		
Change in deferred inflows of resources		(878,678)		
Change in inventories		26,698		
Amortization of premium on bonds		1,040		6,615
Change in Net Position of Governmental Activities (Exhibit 2)			**$**	**937,733**

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

FIDUCIARY FUNDS

This page was left blank intentionally.

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015

Assets		
Cash and pooled investments	**$**	**214,478**
Liabilities		
Accounts payable	$	14,463
Advance taxes		12,546
Due to other governments		187,469
Total Liabilities	**$**	**214,478**

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

This page was left blank intentionally.

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, 2015. 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 unit 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:

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

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 and Jointly-Governed Organizations

   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 unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately.

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

   The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      1. Government-Wide Statements (Continued)

         recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

      2. Fund Financial Statements

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

         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 assigned 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 assigned 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.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

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

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

         Additionally, the County reports the following 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 30 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 long-term debt and acquisitions under capital leases are reported as other financing sources.

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, 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 2015 were $112,803.

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 investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

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

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

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 2011 through 2015 and deferred special assessments payable in 2016 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 receivable 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.

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:

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

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Long-Term Obligations

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

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

1. Summary of Significant Accounting Policies

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

7. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The pension liability is liquidated through the General Fund and other governmental funds that have personal services.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and deferred special assessments receivable, and grant monies receivable for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position. The third deferred inflow, advance from other governments, arises under both the modified accrual and the full accrual basis of accounting and is reported in both the governmental funds balance sheet and the statement of net position.

9. 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.

10. Classification of Net Position

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

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

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

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

1. Summary of Significant Accounting Policies

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

      11. Classification of Fund Balances

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

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

11. 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.

12. 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.

13. 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.

14. Special Item

Stevens County approved a resolution to join Horizon Public Health to provide public health services, commencing January 1, 2015. As a result of the approved resolution, Stevens Traverse Grant Public Health Service operations were dissolved. In 2015, Stevens County received $67,249 from Stevens Traverse Grant Public Health Service due to the dissolution.

1. Summary of Significant Accounting Policies (Continued)

E. Change in Accounting Principles

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

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

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

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability of ($4,599,622) and related deferred outflows of resources of $192,001.

	Governmental Activities
Net Position, January 1, 2015, as previously reported	$ 42,190,735
Change in accounting principles	(4,407,621)
Net Position, January 1, 2015, as restated	$ 37,783,114

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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	$ 10,712,746
Statement of fiduciary net position	
Cash and pooled investments	214,478
Total Cash and Investments	$ 10,927,224

a. Deposits

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

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

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

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, 2015, 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;

(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;

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

(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.

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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, 2015, the County's investments were not exposed to custodial credit risk.

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.

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

The following table represents the County's cash and investment balances at December 31, 2015, and information relating to potential investment risks:

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date		Carrying (Fair) Value
U.S. government agency securities						
Federal National Mortgage Association Bonds	AA+	S&P		02/11/2021	$	198,960
Federal National Mortgage Association Bonds	AA+	S&P		05/26/2021		73,648
Federal National Mortgage Association Bonds	AA+	S&P		12/10/2021		339,843
Federal National Mortgage Association Bonds	AA+	S&P		11/29/2022		97,218
Federal National Mortgage Association Bonds	AA+	S&P		05/10/2027		42,393
Total Federal National Mortgage Association Bonds			>5%		$	752,062
Federal Home Loan Mortgage Corporation Notes	Aaa	Moody's	<5%	09/01/2018	$	3,723
Federal Home Loan Bank Bonds	AA+	S&P	>5%	05/23/2028	$	464,125
Federal Farm Credit Bank	AA+	S&P	>5%	03/07/2022	$	493,235
Municipal Bonds						
Florida Hurricane Catastrophe Fund	AA-	S&P		07/01/2016	$	200,520
Florida Hurricane Catastrophe Fund	AA-	S&P		07/01/2020		253,380
Total Municipal Bonds			>5%		$	453,900
Small Business Administration Loan Pool						
Small Business Administration Loan Pool	N/R	N/A		06/25/2020	$	27,054
Small Business Administration Loan Pool	N/R	N/A		07/25/2020		8,039
Small Business Administration Loan Pool	N/R	N/A		04/25/2024		3,848
Small Business Administration Loan Pool	N/R	N/A		04/25/2024		53,379
Small Business Administration Loan Pool	N/R	N/A		10/25/2024		27,996
Small Business Administration Loan Pool	N/R	N/A		11/25/2025		10,613
Total Small Business Administration Loan Pool			<5%		$	130,929
Negotiable certificates of deposit						
Santander Bank, Wilmington, DE	N/R	N/A		01/08/2016	$	149,988
Bank of Baroda, NYC, NY	N/R	N/A		02/12/2016		209,987
Ally Bank, Midvale, UT	N/R	N/A		10/11/2016		100,071
Sallie Mae Bank, SLC, UT	N/R	N/A		10/11/2016		100,113
BMW Bank, North America	N/R	N/A		10/26/2016		248,937
Capital One NA, McLean, VA	N/R	N/A		01/17/2017		247,524
Comenity Capitol Bank	N/R	N/A		04/17/2017		124,941
State Bank of India, NY	N/R	N/A		06/22/2017		249,897
Discover, Greenwood, DE	N/R	N/A		07/18/2017		249,109

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Negotiable certificates of deposit (continued)					
Sallie Mae Bank, SLC, UT	N/R	N/A		10/10/2017	100,238
American City Bank, Tullahoma, TN	N/R	N/A		12/11/2017	99,301
Sallie Mae Bank, SLC, UT	N/R	N/A		12/11/2017	47,811
Washington Trust, RI, US	N/R	N/A		05/11/2018	198,928
Capitol One Bank USA	N/R	N/A		06/25/2018	99,993
First Bank, Puerto Rico	N/R	N/A		08/21/2018	248,517
Capitol One Bank USA	N/R	N/A		10/09/2018	99,600
American Express, UT	N/R	N/A		11/06/2018	198,928
American Express Centurion Bank	N/R	N/A		11/28/2018	100,267
Investors Sav Bank, Short Hills, NJ	N/R	N/A		02/25/2019	246,575
CIT Bank, Salt Lake City, UT	N/R	N/A		06/06/2019	247,004
Stearns Bank, St. Cloud, MN	N/R	N/A		06/25/2019	248,542
Comenity Bank, Wilmington, DE	N/R	N/A		08/27/2019	199,648
American Express Centurion Bank	N/R	N/A		11/28/2019	99,726
ConnectOne Bank, Englewood Cliffs, NJ	N/R	N/A		12/12/2019	244,125
Peoples United Bank, Bridgeport, CT	N/R	N/A		01/21/2020	199,832
JP Morgan Chase Bank, Columbus, OH	N/R	N/A		02/27/2020	247,629
World’s Foremost Bank, Sidney, NE	N/R	N/A		05/13/2020	197,092
Comenity Capital SLC, Utah	N/R	N/A		06/08/2020	99,590
Citizens Alliance Bank, Clara City, MN	N/R	N/A		06/26/2020	75,846
First Southeast Bank, Harmony, MN	N/R	N/A		07/16/2020	206,480
Orrstown Bank, Shippensburg, PA	N/R	N/A		08/28/2020	150,313
First America Bank, Elk Grove, IL	N/R	N/A		02/02/2021	242,374
Parkside Financial	N/R	N/A		07/26/2021	150,833
Celtic Bank Corp. SLC, UT	N/R	N/A		11/22/2021	251,271
Goldman Sachs	N/R	N/A		02/22/2022	249,156
GE Capital Retail Bank, Draper, UT	N/R	N/A		06/08/2022	245,486
GE Capital Bank, Inc.	N/R	N/A		07/13/2022	244,108
Total negotiable certificates of deposit			>5%		$ 6,719,780
Investment pools/mutual funds					
MAGIC Fund	N/A	N/A	<5%		$ 448
Total investments					$ 9,018,202
Checking					1,899,348
Savings					3,874
Petty cash and change funds					5,800
Total Cash and Investments					$ 10,927,224

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

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2015, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 35,782	$ -
Special assessments	1,268,852	950,873
Accounts receivable	74,883	-
Accrued interest receivable	28,222	-
Due from other governments	618,730	-
Total Governmental Activities	$ 2,026,469	$ 950,873

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 250,018	$ -	$ -	$ 250,018
Right-of-way	792,161	234,439	-	1,026,600
Construction in progress	256,163	8,687	251,927	12,923
Total capital assets not depreciated	$ 1,298,342	$ 243,126	$ 251,927	$ 1,289,541
Capital assets depreciated				
Improvements other than buildings	$ 120,101	$ -	$ -	$ 120,101
Building improvements	14,945	-	-	14,945
Buildings	13,151,657	-	-	13,151,657
Machinery, furniture, and equipment	5,985,152	355,656	326,757	6,014,051
Infrastructure	42,991,564	2,333,257	-	45,324,821
Total capital assets depreciated	$ 62,263,419	$ 2,688,913	$ 326,757	$ 64,625,575

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Improvements other than buildings	$ 74,177	$ 4,960	$ -	$ 79,137
Building improvements	8,847	1,198	-	10,045
Buildings	3,225,635	311,748	-	3,537,383
Machinery, furniture, and equipment	4,084,212	498,598	313,417	4,269,393
Infrastructure	17,155,092	1,088,213	-	18,243,305
Total accumulated depreciation	$ 24,547,963	$ 1,904,717	$ 313,417	$ 26,139,263
Total capital assets depreciated, net	$ 37,715,456	$ 784,196	$ 13,340	$ 38,486,312
Governmental Activities Capital Assets, Net	$ 39,013,798	$ 1,027,322	$ 265,267	$ 39,775,853

Construction in progress consists of amounts completed on open road projects.

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

Governmental Activities	
General government	$ 372,651
Public safety	227,187
Highways and streets, including depreciation of infrastructure assets	1,300,452
Sanitation	251
Human services	2,744
Conservation of natural resources	1,432
Total Depreciation Expense - Governmental Activities	$ 1,904,717

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2015, is as follows:

Receivable Fund	Payable Fund	Amount
General	Human Services Special Revenue	$ 1,151
Road and Bridge Special Revenue	Human Services Special Revenue	1,140
Total Due To/From Other Funds		$ 2,291

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.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following:

Transfer to General Fund from Solid Waste Special Revenue Fund	$ 173,884	Provide funding for recycling activities.
Transfer to Solid Waste Special Revenue Fund from General Fund	$ 10,498	Provide funding for recycling activities.

2. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables of governmental activities at December 31, 2015, were as follows:

Accounts payable	$	113,467
Salaries payable		169,530
Contracts payable		191,043
Due to other governments		62,856
Accrued interest payable		140,952
Total Payables	$	677,848

2. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of special assessments, taxes, 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, 2015, are summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major governmental funds				
General	$ -	$ 20,276	$ 89,520	$ 109,796
Road and Bridge	-	6,066	421,996	428,062
Human Services	-	6,361	235,121	241,482
Solid Waste	31,380	-	-	31,380
Ditch	1,237,472	-	-	1,237,472
Debt Service	-	3,079	-	3,079
Total	$ 1,268,852	$ 35,782	$ 746,637	$ 2,051,271
Liability				
Unearned revenue	$ -	$ -	$ 79,489	$ 79,489
Deferred inflows of resources				
Advance from other governments	-	-	74,309	74,309
Unavailable revenue	1,268,852	35,782	592,839	1,897,473
Total	$ 1,268,852	$ 35,782	$ 746,637	$ 2,051,271

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, 2015.

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, 2015:

Type of Indebtedness	Maturity	Installment Amounts	Interest Rate (%)	Original	Balance
Courthouse lease	2031	$265,000 - $575,000	3.00 - 4.70	$ 7,383,987	$ 6,278,987
Generator lease	2018	$12,005 - $16,321	2.54	119,675	46,468
Total Capital Leases					$ 6,325,455

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, 2015, were as follows:

Year Ending December 31	Governmental Activities
2016	$ 577,009
2017	575,009
2018	572,609
2019	569,809
2020	571,339
2021 - 2025	2,868,951
2026 - 2030	2,913,652
2031	287,499
Total future minimum lease payments	$ 8,935,877
Less: amount representing interest	(2,656,890)
Present Value of Minimum Lease Payments to be Paid by Stevens County	$ 6,278,987

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, 2015, were as follows:

Year Ending December 31	Governmental Activities
2016	$ 16,546
2017	16,546
2018	15,168
Total future minimum lease payments	$ 48,260
Less: amount representing interest	(1,792)
Present Value of Minimum Lease Payments	$ 46,468

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, 2015
Pomme de Terre River Watershed	-	$ -	2.00	$ 100,000	$ 27,200

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, 2015
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					14,563
General Obligation Bonds, Net					$ 1,994,563

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, 2015, were as follows:

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2016	$ 115,000	$ 49,225
2017	115,000	46,925
2018	115,000	44,625
2019	120,000	42,275
2020	120,000	39,875
2021 - 2025	640,000	159,138
2026 - 2030	755,000	64,675
Total	$ 1,980,000	$ 446,738

      8. Changes in Long-Term Liabilities

         Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 1,980,000	$ -	$ -	$ 1,980,000	$ 115,000
Plus: unamortized premium	15,603	-	1,040	14,563	-
Total bonds payable	$ 1,995,603	$ -	$ 1,040	$ 1,994,563	$ 115,000
Capital lease – courthouse	$ 6,563,987	$ -	$ 285,000	$ 6,278,987	$ 295,000
Capital lease – generator	61,625	-	15,157	46,468	15,546
Total capital leases	$ 6,625,612	$ -	$ 300,157	$ 6,325,455	$ 310,546
Loans payable	$ 12,175	$ 15,025	$ -	$ 27,200	$ -
Compensated absences	$ 464,321	$ 375,770	$ 346,878	$ 493,213	$ 78,507
Total Long-Term Liabilities	$ 9,097,711	$ 390,795	$ 648,075	$ 8,840,431	$ 504,053

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 Pension Plans

      1. 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. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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

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 hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

3. Pension Plans

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided

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

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

3. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

For General Employees Retirement Fund members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Fund members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 55. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

3. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	$	303,381
Public Employees Police and Fire Fund		63,861

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

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of $3,658,858 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.0706 percent. It was 0.0878 percent measured as of June 30, 2014. The County recognized pension expense of $284,517 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 184,469
Difference between projected and actual investment earnings	346,367	-
Changes in proportion	-	605,977
Contributions paid to PERA subsequent to the measurement date	148,257	-
Total	$ 494,624	$ 790,446

The $148,257 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	$ (176,890)
2017	(176,890)
2018	(176,890)
2019	86,592

3. Pension Plans

   A. Defined Benefit Pension Plans

      4. Pension Costs (Continued)

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of $488,581 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.043 percent. It was 0.044 percent measured as of June 30, 2014. The County recognized pension expense of $82,901 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized $3,870 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute $9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Public Employees Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 79,232
Difference between projected and actual investment earnings	85,127	-
Changes in proportion	-	9,000
Contributions paid to PERA subsequent to the measurement date	31,270	-
Total	$ 116,397	$ 88,232

The $31,270 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	$ 3,635
2017	3,635
2018	3,635
2019	3,635
2020	(17,645)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended June 30, 2015, was $367,418.

3. Pension Plans

A. Defined Benefit Pension Plans (Continued)

5. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009.

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

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

3. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

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

7. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	$ 5,753,026	$ 3,658,858	$ 1,929,398
Public Employees Police and Fire Fund net pension liability	952,249	488,581	105,510

3. Pension Plans

A. Defined Benefit Pension Plans (Continued)

8. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

B. Defined Contribution Plan

Five 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. 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, 2015, were:

	Employee	Employer
Contribution amount	$ 7,862	$ 7,862
Percentage of covered payroll	5%	5%

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 and omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The 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 $490,000 per claim in 2015 and $500,000 in 2016. 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.

4. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

The County, is a defendant in various lawsuits. 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.

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 Agency 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.

The West Central Area Agency on Aging dissolved as of December 31, 2015. The Commissioners will remain on the Land of the Dancing Sky Area Agency on Aging governing board. West Central Area Agency on Aging staff became part of the Northwest Regional Development Commission. During 2015, Stevens County contributed $1,463 to the West Central Area Agency on Aging.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

West Central Area Agency on Aging (Continued)

Complete financial information can be obtained from:

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

Land of the Dancing Sky Area Agency on Aging

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

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

Horizon Public Health

Horizon Public Health was formed pursuant to Minn. Stat. § 471.59 by Douglas, Grant, Pope, Stevens, and Traverse Counties. Horizon Public Health began official operation on January 1, 2015 as a five-county public health organization. The primary functions of the health service are to prevent illness and to promote efficiency and economy in the delivery of community health services.

Control is vested in the Community Health Board which is responsible for all duties as set forth in Minn. Stat. ch. 145A. The Board consists of 13 members composed of 11 County Commissioners and 2 community representatives.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Horizon Public Health (Continued)

Financing is provided by federal and state grants and appropriations from member counties. Stevens Traverse Grant Public Health Service provided $363,881 in funding to start operations as it was dissolved. Stevens County's contribution for 2015 was $129,664.

Complete financial statements for Horizon Public Health can be obtained from:

Horizon Public Health
809 Elm Street, Suite 1200
Alexandria, Minnesota 56308

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. During 2015, Stevens County contributed $15,574 to Rainbow Rider.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rainbow Rider Transit Board (Continued)

Complete financial information can be obtained from:

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

PrimeWest Rural Minnesota Health Care Access Initiative

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Rural Minnesota Health Care Access Initiative) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to the PrimeWest Rural Minnesota Health Care Access Initiative. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership 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 Rural Minnesota Health Care Access Initiative 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.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

PrimeWest Rural Minnesota Health Care Access Initiative (Continued)

Douglas County acts as fiscal agent for the PrimeWest Rural Minnesota Health Care Access Initiative 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 Rural Minnesota Health Care Access Initiative
2209 Jefferson Street, Suite 101
Alexandria, Minnesota 56308

Regional Fitness Center

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

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

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

Financing is provided by the 1998 Minnesota legislative appropriation of $2,500,000 to the University of Minnesota and contributions in the amount of $2,500,000 from the other parties to this agreement. Stevens County's share, $200,000, was paid over a period of five years. Operational and maintenance expenses will be covered by membership fees and other income generated by the Regional Fitness Center. During 2015, Stevens County did not contribute any funds to the Regional Fitness Center.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Regional Fitness Center (Continued)

Complete financial information can be obtained from:

Morris Area Schools
201 South Columbia Avenue
Morris, Minnesota 56267

Pomme de Terre River Association

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

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

During 2015, 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

4. Summary of Significant Contingencies and Other Items

   C. Joint Ventures (Continued)

Supporting Hands Nurse Family Partnership Board

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is composed of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, Kandiyohi, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Rock, Stevens, Swift, Traverse, and Yellow Medicine. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties in this agreement. Horizon Public Health represents Douglas, Grant, Pope, Stevens, and Traverse Counties in this agreement. Countryside Public Health represents Big Stone, Chippewa, Lac qui Parle, Swift, and Yellow Medicine Counties in this agreement. The purpose of this agreement is to organize, govern, plan, and administer a multi-county based nurse family partnership program specifically within the jurisdictional boundaries of the counties involved.

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2015, Stevens County did not make a contribution, as a contribution was made by Horizon Public Health.

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

Supporting Hands Nurse Family Partnership Board
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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

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

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

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

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 2015, 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 56301

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Stevens County Family Services Collaborative

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

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

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

Financing is provided by state and federal grants and contributions from its member parties. Stevens County, in an agent capacity, reports the cash transactions of the Stevens County Family Services Collaborative as an agency fund on its financial statements. During 2015, Stevens 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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Region 4 South Adult Mental Health Consortium

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

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

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

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

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 did not provide funding to this organization in 2015.

Viking Library System

Stevens County, along with ten cities and five other counties, participates in the Viking Library System in order to establish, continue, strengthen, and improve library services in the participating cities and counties. The Viking Library System was created as a public library service in 1975 by the Counties of Douglas, Grant, Otter Tail, and Stevens, along with the Cities of Alexandria, Elbow Lake, Fergus Falls, Hancock, and Morris. Additions to the library system included the Cities of Browns Valley, Glenwood, New York Mills, Perham, and Wheaton in 1976; Pope County in 1981, Traverse County in 1983, and the City of Pelican Rapids in 1988. In 1992, the City of Alexandria library became the Douglas County library. The Viking Library System is governed by a Governing Board which consists of 19 members. Each participating county's Board of Commissioners appoints a resident of the County; each participating City's Library Board appoints a representative; and any library with a service area population over 15,000 has an additional representative. Currently, the City of Fergus Falls and Douglas County have additional representatives. During 2015, Stevens County provided $57,548 to the Viking Library System.

Complete financial information can be obtained from:

Viking Library System
1915 Fir Avenue West
Fergus Falls, Minnesota 56537

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Court Services - Big Stone, Grant, Stevens, Traverse, and Wilkin Counties

Big Stone, Grant, Stevens, Traverse, and Wilkin Counties participate in a joint venture to provide corrections services to the five-county area. The joint powers agreement was effective June 1, 1962.

Court services are headquartered in Wheaton, Minnesota, with office locations at the county seats of the member counties.

The two probation officers for the five-county area are appointed by three area judges, who also set the probation officer salaries. The Minnesota Department of Corrections reimburses Traverse County for a portion of the probation officer salaries. The remaining expenses are allocated to each participating county based on population. During 2015, Stevens County contributed $75,495 to the entity.

Traverse County acts as fiscal agent. Traverse County reports the probation activity in a separate department within its General Fund.

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 reduces 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 2015, Stevens County contributed $2,034 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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

District IV Transportation Planning (Continued)

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.

D. Jointly-Governed Organizations

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

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

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, Stevens 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.

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Minnesota Red River Basin of the North Joint Powers Agreement (Continued)

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 2015, Stevens County contributed $50 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, 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, 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. A county's responsibility does not extend beyond making this appointment. Stevens County contributed $2,100 to the Minnesota Rural Counties Caucus in 2015.

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. Stevens County did not contribute to the SW-MIIC during 2015.

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Sentencing to Service

Stevens County, in conjunction with other local governments, participates in the State of Minnesota's Sentencing to Service (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 Departments 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.

West Central S.W.A.T. Team

The West Central S.W.A.T. Team is comprised of five County Sheriff's Offices and nine police departments including Lac Qui Parle, Pope, Stevens, Swift, and Traverse Counties, along with the Appleton, Benson, Glenwood, Hancock, Montevideo, 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, Stevens County did not contribute to the Team.

E. Subsequent Events

On July 19, 2016, the Stevens County Board of Commissioners authorized the issuance of bonds to advance refund the Stevens County Housing and Redevelopment Authority's Public Project Revenue Bonds, Series 2009A. On the date of closing, which occurred on August 16, 2016, the Board finalized the sale of General Obligation Capital Improvement Plan Bonds, Series 2016A, for a total principal amount of $6,190,000. The term of the bonds is 19 years, with principal payments starting on December 1, 2017. The proceeds of the refunding bonds were invested in government securities and will be held in escrow until the call date. The funds held in the escrow will be used to pay debt service on the refunded (2009A) bonds until the call date and also prepay the remaining principal of the old bonds.

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.

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. Change in Accounting Principles

During the year ended December 31, 2015, the HRA adopted new accounting guidance by implementing the provisions of 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*, which requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and changes the amount employers report as pension expense and defers some allocations of expense to future years. As a result, beginning net position has been restated to record the HRA's net pension liability and related deferred outflows of resources.

Net Position, January 1, 2015, as previously reported	$	549,024
Change in accounting principles		(27,765)
Net Position, January 1, 2015, as restated	$	521,259

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

B. Assets and Deferred Outflows of Resources

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, 2015, the HRA's deposits of $657,004 (carrying amount) were entirely insured or collateralized with securities held by the HRA or by its agent in the HRA's name.

2. Investments

Minnesota state statutes authorize the HRA to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days. At December 31, 2015, 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, 2015, 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.

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

B. Assets and Deferred Outflows of Resources (Continued)

4. Capital Assets

Capital assets, which include property, buildings, furniture, and equipment, are reported in the statement of net position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost 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.

The HRA's capital asset activity for the year ended December 31, 2015, 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	$ -	$ 35,415	$ 280,187
Equipment and other	11,801	-	-	11,801
Total capital assets depreciated	$ 327,403	$ -	$ 35,415	$ 291,988
Less: accumulated depreciation	46,208	7,728	23,024	30,912
Total capital assets depreciated, net	$ 281,195	$ (7,728)	$ 12,391	$ 261,076
Total Capital Assets, Net	$ 286,195	$ (7,728)	$ 17,391	$ 261,076

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, 2015, was $6,278,987. Included in this balance is the $55,888 unamortized discount on the Series 2009A Bonds for a net receivable amount of $6,223,099.

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

C. Liabilities and Deferred Inflows of Resources

1. Long-Term Debt

Long-term debt outstanding at December 31, 2015, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Outstanding Balance December 31, 2015
2009A Public Project Revenue Bonds	02/01/2031	$265,000 - $575,000	3.00 - 4.70	$ 6,580,000
MHFA Loan	-	-	-	49,000
Mortgage	10/01/2022	$2,105/month	4.375	121,680
Less: unamortized discount				(55,888)
Total Long-Term Debt				$ 6,694,792

2. Debt Service Requirements

Debt service requirements as of December 31, 2015, are as follows:

Future Payments	
2016	$ 315,350
2017	331,118
2018	347,673
2019	365,057
2020	383,310
Thereafter	4,952,284
Total	$ 6,694,792

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

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 6,865,000	$ -	$ 285,000	$ 6,580,000	$ 295,000
Discount/premium	(59,381)	-	(3,493)	(55,888)	-
MHFA loan	49,000	-	-	49,000	-
Mortgages	173,441	-	51,761	121,680	20,350
Compensated absences	11,329	2,932	-	14,261	-
Long-Term Liabilities	$ 7,039,389	$ 2,932	$ 333,268	$ 6,709,053	$ 315,350

D. Defined Benefit Pension Plans

1. Plan Description

All full-time employees of the HRA hired before May 1, 2014, are covered by defined benefit pension plans administered by PERA. See Note 3.A. for additional information on PERA.

2. Contributions

The HRA's contributions for the General Employees Retirement Fund for the year ended December 31, 2015, were $10,365. The contributions are equal to the contractually required contributions as set by state statute.

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

D. Defined Benefit Pension Plans (Continued)

3. Pension Costs

At December 31, 2015, the HRA reported a liability of $129,563 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The HRA's proportion of the net pension liability was based on the HRA's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the HRA's proportion was 0.0025 percent. It was 0.0023 percent measured as of June 30, 2014. For the year ended June 30, 2015, the HRA recognized pension expense of $17,270 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 6,532
Difference between projected and actual investment earnings	12,265	-
Changes in proportion	81,032	-
Contributions paid to PERA subsequent to the measurement date	8,398	-
Total	$ 101,695	$ 6,532

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

D. Defined Benefit Pension Plans

3. Pension Costs (Continued)

The $8,938 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	$ 17,353
2017	17,353
2018	17,353
2019	17,353
2020	17,353

4. Pension Liability Sensitivity

The following presents the HRA's proportionate share of the net pension liability calculated using the discount rate of 7.9 percent, as well as what the HRA's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	$ 203,719	$ 129,563	$ 68,321

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

E. Defined Contribution Plan

HRA employees who began their employment after May 1, 2014, are covered under a defined contribution plan administered by Alerus. A defined contribution plan is a retirement plan in which the employee and/or the employer contribute to the employee's individual account under the plan. The HRA contributes 7.5 percent of the employees' base salary to the plan. The employees are also required to contribute 6.5 percent of their base salary to the plan.

Pension contributions information for the plan is as follows:

	2015
Wages	$ 12,725
Employer share	914
Employee share	792

F. 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

This page was left blank intentionally.

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,905,319	$ 3,944,855	$ 3,783,471	$ (161,384)
Licenses and permits	17,200	17,200	26,801	9,601
Intergovernmental	963,422	904,119	1,091,332	187,213
Charges for services	387,367	387,367	314,542	(72,825)
Investment earnings	132,500	132,500	112,803	(19,697)
Gifts and contributions	-	-	30	30
Miscellaneous	134,722	134,722	236,482	101,760
Total Revenues	**$ 5,540,530**	**$ 5,520,763**	**$ 5,565,461**	**$ 44,698**
Expenditures				
Current				
General government				
Commissioners	$ 243,985	$ 243,985	$ 259,567	$ (15,582)
Law library	8,500	8,500	7,975	525
County coordinator	126,148	126,148	126,934	(786)
Human resources	148,248	168,248	169,938	(1,690)
Auditor-Treasurer	386,733	386,733	382,235	4,498
Accounting and auditing	65,000	65,000	47,852	17,148
Tax forfeiture	1,500	1,500	2,075	(575)
Information technology	258,014	258,014	258,551	(537)
GIS	63,059	63,059	52,276	10,783
Elections	4,200	4,200	5,912	(1,712)
Attorney	299,413	299,413	296,257	3,156
Recorder	255,446	255,446	250,166	5,280
Planning and zoning	92,512	113,012	76,085	36,927
Assessor	273,876	273,876	273,351	525
Courthouse operations	361,754	361,754	335,910	25,844
Safety coordinator	37,387	30,387	48,850	(18,463)
Veterans service officer	55,509	55,509	56,760	(1,251)
Other general government	135,300	135,300	164,294	(28,994)
Total general government	**$ 2,816,584**	**$ 2,850,084**	**$ 2,814,988**	**$ 35,096**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 1,455,287	$ 1,452,087	$ 1,454,144	$ (2,057)
Coroner	30,000	30,000	2,785	27,215
Probation	87,150	87,150	77,470	9,680
Emergency management	71,009	78,009	62,485	15,524
E-911 system	101,300	101,300	72,522	28,778
Total public safety	**$ 1,744,746**	**$ 1,748,546**	**$ 1,669,406**	**$ 79,140**
Highways and streets				
Safety coordinator	**$ -**	**$ 2,000**	**$ 2,900**	**$ (900)**
Sanitation				
Environmental services	**$ 245,483**	**$ 245,483**	**$ 233,871**	**$ 11,612**
Human services				
Social service youth activity	**$ -**	**$ -**	**$ 5,241**	**$ (5,241)**
Health				
Nursing services	**$ 129,664**	**$ 129,664**	**$ 129,664**	**$ -**
Culture and recreation				
Historical society	$ 63,000	$ 63,000	$ 63,000	$ -
Regional library	57,548	57,548	57,548	-
Snowmobile trails	-	-	39,076	(39,076)
Total culture and recreation	**$ 120,548**	**$ 120,548**	**$ 159,624**	**$ (39,076)**
Conservation of natural resources				
Aquatic invasive species	$ 15,830	$ 15,830	$ 15,830	$ -
Extension	140,346	140,346	136,560	3,786
Agricultural society/County fair	35,200	35,200	35,200	-
Predator control	1,000	1,000	812	188
Soil and water conservation	127,228	127,228	134,464	(7,236)
Total conservation of natural resources	**$ 319,604**	**$ 319,604**	**$ 322,866**	**$ (3,262)**
Economic development				
Economic development	**$ 66,812**	**$ 66,812**	**$ 66,812**	**$ -**
Intergovernmental				
Highways and streets	**$ 275,000**	**$ 275,000**	**$ 290,413**	**$ (15,413)**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Debt service				
Principal	$ -	$ -	$ 15,157	$ (15,157)
Interest	-	-	1,390	(1,390)
Total debt service	**$ -**	**$ -**	**$ 16,547**	**$ (16,547)**
Total Expenditures	**$ 5,718,441**	**$ 5,757,741**	**$ 5,712,332**	**$ 45,409**
Excess of Revenues Over (Under) Expenditures	**$ (177,911)**	**$ (236,978)**	**$ (146,871)**	**$ 90,107**
Other Financing Sources (Uses)				
Transfers in	$ 177,084	$ 170,684	$ 173,884	$ 3,200
Transfers out	-	-	(10,498)	(10,498)
Proceeds from the sale of capital assets	-	-	2,202	2,202
Insurance recoveries	-	-	7,702	7,702
Total Other Financing Sources (Uses)	**$ 177,084**	**$ 170,684**	**$ 173,290**	**$ 2,606**
Special Item				
Proceeds from the dissolution of public health	**$ -**	**$ -**	**$ 67,249**	**$ 67,249**
Net Change in Fund Balance	**$ (827)**	**$ (66,294)**	**$ 93,668**	**$ 159,962**
Fund Balance - January 1	**3,805,784**	**3,805,784**	**3,805,784**	**-**
Fund Balance - December 31	**$ 3,804,957**	**$ 3,739,490**	**$ 3,899,452**	**$ 159,962**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,170,311	$ 1,150,543	$ 1,131,486	$ (19,057)
Intergovernmental	3,125,296	3,125,296	3,011,619	(113,677)
Charges for services	305,000	305,000	240,485	(64,515)
Miscellaneous	53,900	53,900	76,517	22,617
Total Revenues	**$ 4,654,507**	**$ 4,634,739**	**$ 4,460,107**	**$ (174,632)**
Expenditures				
Current				
Highways and streets				
Administration	$ 257,650	$ 257,650	$ 247,926	$ 9,724
Construction	2,233,880	2,233,880	2,575,047	(341,167)
Maintenance	1,371,402	1,371,402	1,340,956	30,446
Equipment and maintenance shops	689,400	689,400	582,566	106,834
Material and services for resale	102,175	102,175	59,391	42,784
Total Expenditures	**$ 4,654,507**	**$ 4,654,507**	**$ 4,805,886**	**$ (151,379)**
Net Change in Fund Balance	**$ -**	**$ (19,768)**	**$ (345,779)**	**$ (326,011)**
Fund Balance - January 1	**2,543,882**	**2,543,882**	**2,543,882**	**-**
Increase (decrease) in inventories	**-**	**-**	**26,698**	**26,698**
Fund Balance - December 31	**$ 2,543,882**	**$ 2,524,114**	**$ 2,224,801**	**$ (299,313)**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 1,301,540	$ 1,281,540	$ 1,257,858	$ (23,682)
Intergovernmental	1,055,222	1,057,598	1,270,055	212,457
Charges for services	109,825	109,825	289,753	179,928
Miscellaneous	31,000	31,000	52,052	21,052
Total Revenues	**$ 2,497,587**	**$ 2,479,963**	**$ 2,869,718**	**$ 389,755**
Expenditures				
Current				
Human services				
Income maintenance	$ 594,635	$ 602,431	$ 597,755	$ 4,676
Transitional housing	-	-	2,680	(2,680)
Mental health mobile crisis	-	-	134,173	(134,173)
Drop in center	-	-	5,052	(5,052)
Social services	1,942,952	1,909,754	1,971,126	(61,372)
Total Expenditures	**$ 2,537,587**	**$ 2,512,185**	**$ 2,710,786**	**$ (198,601)**
Net Change in Fund Balance	**$ (40,000)**	**$ (32,222)**	**$ 158,932**	**$ 191,154**
Fund Balance - January 1	**2,199,331**	**2,199,331**	**2,199,331**	**-**
Fund Balance - December 31	**$ 2,159,331**	**$ 2,167,109**	**$ 2,358,263**	**$ 191,154**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget**
Revenues				
Special assessments	$ 290,000	$ 290,000	$ 297,668	$ 7,668
Miscellaneous	12,000	12,000	15,391	3,391
Total Revenues	**$ 302,000**	**$ 302,000**	**$ 313,059**	**$ 11,059**
Expenditures				
Current				
Sanitation				
Solid waste	114,820	114,820	194,712	(79,892)
Excess of Revenues Over (Under) Expenditures	**$ 187,180**	**$ 187,180**	**$ 118,347**	**$ (68,833)**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 10,498	$ 10,498
Transfers out	(173,884)	(173,884)	(173,884)	-
Loans issued	-	-	15,025	15,025
Total Other Financing Sources (Uses)	**$ (173,884)**	**$ (173,884)**	**$ (148,361)**	**$ 25,523**
Net Change in Fund Balance	**$ 13,296**	**$ 13,296**	**$ (30,014)**	**$ (43,310)**
Fund Balance - January 1	**241,755**	**241,755**	**241,755**	**-**
Fund Balance - December 31	**$ 255,051**	**$ 255,051**	**$ 211,741**	**$ (43,310)**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-5

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0706%	$ 3,658,858	$ 4,302,861	85.03%	78.19%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-6

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 303,381	$ 303,381	$ -	$ 4,045,070	7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-7

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.043%	$ 488,581	$ 397,076	123.04%	86.61%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-8

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 63,861	$ 63,861	$ -	$ 394,202	16.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

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 funds:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	$ 5,540,530	$ (19,767)	$ 5,520,763
Special Revenue Funds			
Road and Bridge	4,654,507	(19,768)	4,634,739
Human Services	2,497,587	(17,624)	2,479,963

3. Budget Amendments (Continued)

Expenditure budgets were amended in the following funds:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	$ 5,718,441	$ 39,300	$ 5,757,741
Human Services Special Revenue Fund	2,537,587	(25,402)	2,512,185

4. Excess of Expenditures Over Budget

The following is a summary of the special revenue funds with expenditures in excess of budgeted expenditures for the year ended December 31, 2015.

	Expenditures	Final Budget	Excess
Special Revenue Funds			
Road and Bridge	$ 4,805,886	$ 4,654,507	$ 151,379
Human Services	2,710,786	2,512,185	198,601
Solid Waste	194,712	114,820	79,892

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

GOVERNMENTAL FUNDS

This page was left blank intentionally.

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	**$ 578,609**	**$ 578,609**	**$ 559,393**	**$ (19,216)**
Expenditures				
Debt service				
Principal	$ 285,000	$ 285,000	$ 285,000	$ -
Interest	293,609	293,609	284,524	9,085
Total Expenditures	**$ 578,609**	**$ 578,609**	**$ 569,524**	**$ 9,085**
Net Change in Fund Balance	**$ -**	**$ -**	**$ (10,131)**	**$ (10,131)**
Fund Balance - January 1	**149,183**	**149,183**	**149,183**	**-**
Fund Balance - December 31	**$ 149,183**	**$ 149,183**	**$ 139,052**	**$ (10,131)**

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

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 was used to account for the receipt and payment of federal, state, and local grants and membership contributions for the Public Health Service Fund. The Stevens Traverse Grant Public Health Service Fund was dissolved in 2015.

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 (S.W.A.T.) is used to account for the collection and payment of funds due to the West Central S.W.A.T. team.

This page was left blank intentionally.

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Balance January 1	Additions	Deductions	Balance December 31
HOUSING AND REDEVELOPMENT AUTHORITY				
Assets				
Cash and pooled investments	$ 3,007	$ 545,949	$ 540,658	$ 8,298
Liabilities				
Due to other governments	$ 3,007	$ 545,949	$ 540,658	$ 8,298
SCHOOL DISTRICTS				
Assets				
Cash and pooled investments	$ -	$ 6,558,952	$ 6,558,952	$ -
Liabilities				
Due to other governments	$ -	$ 6,558,952	$ 6,558,952	$ -
SOCIAL WELFARE				
Assets				
Cash and pooled investments	$ 3,867	$ 146,579	$ 135,983	$ 14,463
Liabilities				
Accounts payable	$ 3,867	$ 146,579	$ 135,983	$ 14,463

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, 2015

	Balance January 1	Additions	Deductions	Balance December 31
STATE REVENUE				
Assets				
Cash and pooled investments	$ 16,252	$ 1,917,236	$ 1,895,249	$ 38,239
Liabilities				
Due to other governments	$ 16,252	$ 1,917,236	$ 1,895,249	$ 38,239
STEVENS COUNTY FAMILY SERVICES COLLABORATIVE				
Assets				
Cash and pooled investments	$ 48,456	$ 41,045	$ 44,607	$ 44,894
Liabilities				
Due to other governments	$ 48,456	$ 41,045	$ 44,607	$ 44,894

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, 2015

	Balance January 1	Additions	Deductions	Balance December 31
STEVENS TRAVERSE GRANT PUBLIC HEALTH SERVICE				
Assets				
Cash and pooled investments	$ 420,912	$ 162,285	$ 583,197	$ -
Accounts receivable	1,570	-	1,570	-
Due from other governments	68,805	-	68,805	-
Total Assets	**$ 491,287**	**$ 162,285**	**$ 653,572**	**$ -**
Liabilities				
Salaries payable	$ 27,260	$ -	$ 27,260	$ -
Due to other governments	464,027	162,285	626,312	-
Total Liabilities	**$ 491,287**	**$ 162,285**	**$ 653,572**	**$ -**
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 72,792**	**$ 26,890,527**	**$ 26,875,920**	**$ 87,399**
Liabilities				
Due to other governments	$ 61,764	$ 26,877,981	$ 26,864,892	$ 74,853
Advance taxes	11,028	12,546	11,028	12,546
Total Liabilities	**$ 72,792**	**$ 26,890,527**	**$ 26,875,920**	**$ 87,399**

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, 2015

	Balance January 1	Additions	Deductions	Balance December 31
TOWNS AND CITIES				
Assets				
Cash and pooled investments	$ -	$ 4,972,319	$ 4,972,319	$ -
Liabilities				
Due to other governments	$ -	$ 4,972,319	$ 4,972,319	$ -
WATERSHED				
Assets				
Cash and pooled investments	$ -	$ 210,045	$ 210,045	$ -
Liabilities				
Due to other governments	$ -	$ 210,045	$ 210,045	$ -
WEST CENTRAL SPECIAL WEAPONS AND TACTICS TEAM				
Assets				
Cash and pooled investments	$ 14,186	$ 14,724	$ 7,725	$ 21,185
Liabilities				
Due to other governments	$ 14,186	$ 14,724	$ 7,725	$ 21,185

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, 2015

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 579,472	$ 41,459,661	$ 41,824,655	$ 214,478
Accounts receivable	1,570	-	1,570	-
Due from other governments	68,805	-	68,805	-
Total Assets	**$ 649,847**	**$ 41,459,661**	**$ 41,895,030**	**$ 214,478**
Liabilities				
Accounts payable	$ 3,867	$ 146,579	$ 135,983	$ 14,463
Advance taxes	11,028	12,546	11,028	12,546
Due to other governments	607,692	41,300,536	41,720,759	187,469
Salaries payable	27,260	-	27,260	-
Total Liabilities	**$ 649,847**	**$ 41,459,661**	**$ 41,895,030**	**$ 214,478**

This page was left blank intentionally.

OTHER SCHEDULE

This page was left blank intentionally.

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015

Appropriations and Shared Revenue		
State		
Highway users tax	$	3,204,669
Market value credit		182,997
PERA rate reimbursement		16,742
Disparity reduction aid		50,261
Police aid		47,854
County program aid		271,482
Enhanced 911		80,848
Select Committee on Recycling and the Environment (SCORE)		69,692
Total appropriations and shared revenue	**$**	**3,924,545**
Reimbursement for Services		
Minnesota Department of Human Services	**$**	**183,518**
Payments		
Local		
Payments in lieu of taxes	$	77,580
Local contributions		5,052
Total payments	**$**	**82,632**
Grants		
State		
Minnesota Department/Board/Office of		
Corrections	$	13,908
Human Services		550,823
Natural Resources		39,076
Water and Soil Resources		50,270
Veterans Affairs		7,500
Peace Officer Standards and Training Board		2,999
Total state	**$**	**664,576**
Federal		
Department of		
Agriculture	$	50,502
Health and Human Services		445,999
Homeland Security		21,234
Total federal	**$**	**517,735**
Total state and federal grants	**$**	**1,182,311**
Total Intergovernmental Revenue	**$**	**5,373,006**

This page was left blank intentionally.

Management and
Compliance Section

This page was left blank intentionally.

STEVENS COUNTY
MORRIS, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

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. Independent external auditors cannot be considered part of the County's internal control. Also, 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 (primarily for property taxes, special assessments, construction, and intergovernmental state and federal grants) by $1,897,473 for receivables that were deferred on the modified accrual fund level statements but earned on the full accrual basis; and

- decreased, thereby eliminated, deferred inflows of resources--unavailable revenue by $1,873,849 as the related revenues (primarily for property taxes, special assessments, and construction) were recognized as part of prior year net position.

Human Services Special Revenue Fund

- increased due from other governments and deferred inflows of resources--unavailable revenue by $223,238 for intergovernmental revenues that should be considered receivable at year-end.

Solid Waste Special Revenue Fund

- increased special assessments receivable--noncurrent and related deferred inflows of resources--unavailable revenue by $25,983 for special assessments on septic loans issued to landowners scheduled to be collected in future years.

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 their financial statement closing procedures and trial balances and journal entries in detail to ensure that all significant adjustments have been made appropriately that are considered necessary to fairly present the County's financial statements in accordance with generally accepted accounting principles.

Client's Response:

The Auditor/Treasurer has been attending trainings and furthering her knowledge on preparing financial statements so that material adjustments can be avoided in the future.

PREVIOUSLY REPORTED ITEM RESOLVED

Segregation of Duties (1996-004)

Several of the County's departments that collect fees lacked proper segregation of duties. These departments generally had one staff person responsible for billing, collecting, recording, and depositing receipts.

Resolution

Stevens County implemented additional controls in departments including recording receipts directly into the general ledger system. Funds are then remitted to the County Auditor/Treasurer's Office, which balances receipts from the general ledger to the funds received. The County also enhanced reviewing and monitoring procedures to mitigate segregation of duties risks by improving controls over collecting, recording, and depositing receipts.

II. OTHER FINDINGS AND RECOMMENDATIONS

A. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

Finding 2015-001

Budget Deficiencies

Criteria: Generally accepted accounting principles and the County Financial Accounting and Reporting Standards (COFARS) recommend that expenditure estimates and the annual budget be appropriated to the various operational entities within the County and that line-item budget detail by fund should be available. Good budget accounting requires: (1) an annual budget adopted by every governmental unit; (2) an accounting system that provides the basis for appropriate budgetary control; and (3) a common technology and classification used consistently throughout the budgets, accounts, and financial reports of each fund. The County Board should adopt an accurate budget, and it should be followed by the County. The adopted budget should be designed so that comparisons can be made between current year and budget year. Any amendments to the budget should be approved and documented in the official minutes.

Condition: During our review of budgets, we noted differences between the Board-approved budget and the budget entered into the County's financial system (IFSpi) for the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund.

Context: The original budget entered for the tax levy did not tie to the Board-approved budget in the General Fund or the Road and Bridge Special Revenue Fund. The budget differences were then entered as amendments without Board approval. In addition, the Board-approved budget for the tax levy for the Human Services Special Revenue Fund was not entered into IFSpi. We also noted revenue and expenditure budget amendments in the Human Services Special Revenue Fund that were not Board-approved.

Effect: When Board-approved budgets are not entered into IFSpi properly, it becomes difficult to compare budget to actual activity, and the budget cannot effectively be used as a monitoring tool.

Cause: Errors were made while posting the original Board-approved budget to the general ledger, and the original budget was not reviewed for accuracy after it was entered.

Recommendation: We recommend the County implement procedures to improve budgetary accounting, which should include reviewing the original budget entered in IFSpi and comparing to the Board-approved budget, and entering budget amendments only after Board approval.

<u>Client's Response</u>:

The Auditor/Treasurer has implemented a new procedure and will be reviewing the final approved budget that is entered into IFSpi with the board approved budget that is published for accuracy. Also included in the procedure is a Budget Change Form ensuring only budget changes that are approved by the Board are changed in IFSpi.

<u>PREVIOUSLY REPORTED ITEM RESOLVED</u>

Custodial Credit Risk Policy (2012-005)

For December 31, 2014, the County had 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 were held by the bank counterparty.

Resolution

During 2015, the County closed the bank sweep account repurchase agreement with Bremer Bank. Testing performed on October and December 2015 related to custodial credit risk indicated investments held with Raymond James Financial, Inc., were sufficiently protected by a combination of Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC), and excess SIPC coverage.

B. OTHER MATTER

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2014-001

Eligibility Testing

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1605MNADM, 2015

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. Some information was not input into or updated in MAXIS correctly. The following instance was noted in our sample of 15 cases tested:

- In one case file, we noted a bank statement on file did not support the balance 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 or updating of information into MAXIS 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 or updated in MAXIS correctly.

Recommendation: We recommend the County implement additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in 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:

Mary Zurn, Financial Assistance Supervisor

Corrective Action Planned:

Stevens County has a new Financial Assistance Supervisor as well as additional new employees receiving training from the Minnesota Department of Human Services (DHS) on Medical Assistance. Once they are trained by DHS, the supervisor will be working closely with them to ensure they are verifying citizenship and matching what is coded in MAXIS. She will also be starting case reviews monthly and reviewing those results with all workers, going over errors and making corrections as needed.

Anticipated Completion Date:

Immediately

REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 15, 2016. 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 the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 Recommendations as item 2006-002 to be a material weakness.

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 Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because 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 Counties.* However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

Included in the Schedule of Findings and Recommendations is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose. Also included in the Schedule of Findings and Recommendations is an unresolved other matter described as item 2014-001.

Stevens County's Response to Findings

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

Purpose of This Report

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

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

September 15, 2016