STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

STEVENS COUNTY
MORRIS, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

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 650 public pension funds; and

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

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

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STEVENS COUNTY
MORRIS, MINNESOTA

Year Ended December 31, 2016

Audit Practice Division
Office of the State Auditor
State of Minnesota

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STEVENS COUNTY
MORRIS, MINNESOTA

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Introductory Section

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STEVENS COUNTY
MORRIS, MINNESOTA

ORGANIZATION
DECEMBER 31, 2016

			Term Expires
Elected			
Commissioners			
Board Member	Bob Kopitzke	District 1	January 2021
Board Member	Jeanne Ennen	District 2	January 2019
Board Member	Ron Staples	District 3	January 2021
Chair	Donny Wohlers	District 4	January 2021
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 2020
County Coordinator	Rebecca Young		Indefinite
Coroner	John F. Stock, M.D.		Indefinite
Highway Engineer	Todd Larson		Indefinite
Human Services Director	Liberty Sleiter		Indefinite
Veterans Service Officer	Hugh Reimers		Indefinite

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Stevens County
Morris, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stevens County, Minnesota, as of and for the year ended December 31, 2016, 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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017, on our consideration of Stevens County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stevens County's internal control over financial reporting and compliance. It does not include the Stevens County HRA, which was audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA 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 SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 31, 2017

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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STEVENS COUNTY
MORRIS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(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, 2016. 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 $39,217,821, of which $33,483,713 is the net investment in capital assets, and $3,606,911 is restricted to specific purposes. The $2,127,197 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's net position increased by $496,974 for the year ended December 31, 2016.

- The net cost of governmental activities for the current fiscal year was $7,044,008. The net cost was funded by general revenues totaling $7,540,982.

- Fund balances of the governmental funds increased by $324,188. During the budgeting process, the County Board approved the use of $424,648 in fund balance reserves to cover 2016 expenditures. In the Human Services Special Revenue Fund and the Road and Bridge Special Revenue Fund, not all of the approved fund balance reserves were used. The Road and Bridge Special Revenue Fund had a fund balance increase of $590,522, due to contract prices, fuel prices, and bituminous prices all coming in below budget.

- For the year ended December 31, 2016, the unrestricted fund balance of the General Fund was $3,043,011 or 50.6 percent, of the total General Fund expenditures for the year, a decrease of $293,612, or 7.8 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

Fund 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 29 through 88 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $39,217,821 at the close of 2016. The largest portion of the net position (85.4 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. Comparative data with 2015 is presented.

Net Position

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	$ 13,599,025	$ 13,032,167
Capital assets	39,834,020	39,775,853
Total Assets	$ 53,433,045	$ 52,808,020
Deferred Outflows of Resources		
Deferred pension outflows	$ 3,444,479	$ 611,021
Liabilities		
Long-term liabilities	$ 15,765,693	$ 12,987,870
Other liabilities	639,373	757,337
Total Liabilities	$ 16,405,066	$ 13,745,207
Deferred Inflows of Resources		
Deferred pension inflows	$ 1,254,637	$ 878,678
Advance from other governments	-	74,309
Total Deferred Inflows of Resources	$ 1,254,637	$ 952,987
Net Position		
Net investment in capital assets	$ 33,483,713	$ 33,450,398
Restricted	3,606,911	2,524,239
Unrestricted	2,127,197	2,746,210
Total Net Position	$ 39,217,821	$ 38,720,847

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 5.4 percent of net position.

Governmental Activities

The County's activities increased net position by 1.3 percent ($38,720,847 for 2015 compared to $39,217,821 for 2016). Key elements in this increase in net position are as follows for 2016, with comparative data for 2015:

Changes in Net Position

	Governmental Activities	
	2016	2015
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 1,736,038	$ 1,796,261
Operating grants and contributions	5,307,935	4,918,221
Capital grants and contributions	1,110,215	-
General revenues		
Property taxes	6,724,230	6,717,573
Other	816,752	801,755
Total Revenues	$ 15,695,170	$ 14,233,810
Expenses		
General government	$ 4,086,470	$ 3,193,079
Public safety	2,065,494	1,876,819
Highways and streets	4,231,351	3,755,727
Sanitation	376,237	428,731
Human services	3,260,872	2,706,679
Health	129,664	129,664
Culture and recreation	216,502	159,624
Conservation of natural resources	424,338	713,592
Economic development	61,812	66,812
Interest	345,456	332,599
Total Expenses	$ 15,198,196	$ 13,363,326
Change in net position before special item	$ 496,974	$ 870,484
Special item	-	67,249
Change in Net Position	$ 496,974	$ 937,733
Net Position - January 1	38,720,847	37,783,114
Net Position - December 31	$ 39,217,821	$ 38,720,847

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 $10,768,188, an increase of $324,188 in comparison with the prior year. Of the combined ending fund balances, $7,744,587 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 $3,043,011. 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 50.6 percent of total General Fund expenditures. During 2016, the ending fund balance decreased by $239,968.

The Road and Bridge Special Revenue Fund had an assigned fund balance of $2,573,141 at fiscal year-end, representing 59.9 percent of its annual expenditures. The ending fund balance increased by $590,522 during 2016.

The Human Services Special Revenue Fund had an assigned fund balance of $2,128,435 at fiscal year-end, representing 66.2 percent of its annual expenditures. The ending fund balance decreased by $229,828 during 2016.

The Solid Waste Special Revenue Fund had a restricted fund balance of $260,028 at fiscal year-end, representing 189.2 percent of its annual expenditures, and the fund also transferred $166,252 to the SCORE Department in the General Fund for SCORE use. The ending fund balance increased by $48,287 during 2016.

The Ditch Special Revenue Fund had a restricted fund balance of $1,777,271 at fiscal year-end, representing 699.9 percent of its annual expenditures. The ending fund balance increased by $166,580 during 2016.

The Debt Service Fund had a restricted fund balance of $127,647 at fiscal year-end. The ending fund balance in the Debt Service Fund decreased by $11,405 during 2016.

Governmental Activities

The County's total revenues were $15,695,170. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2016.

Table 1
Total County Revenues

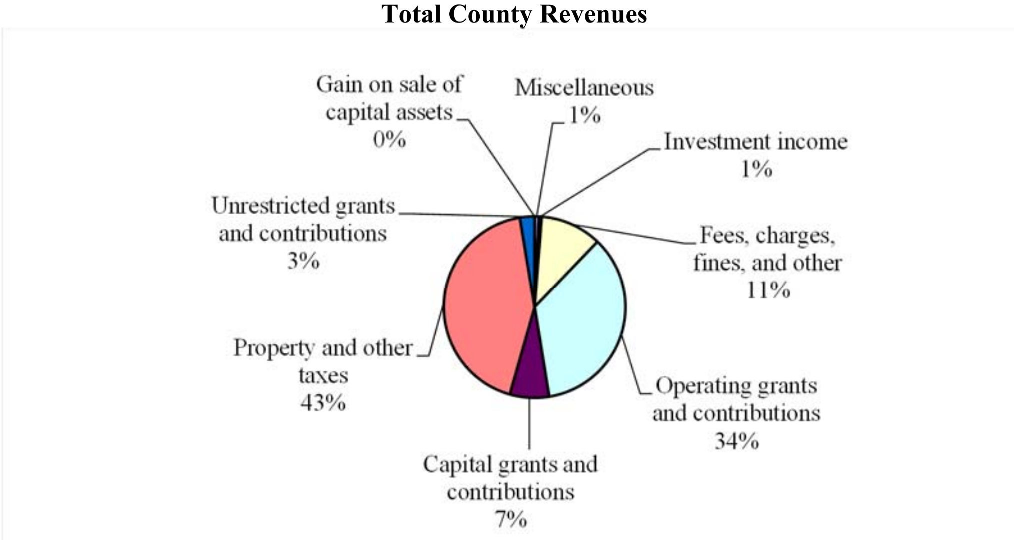
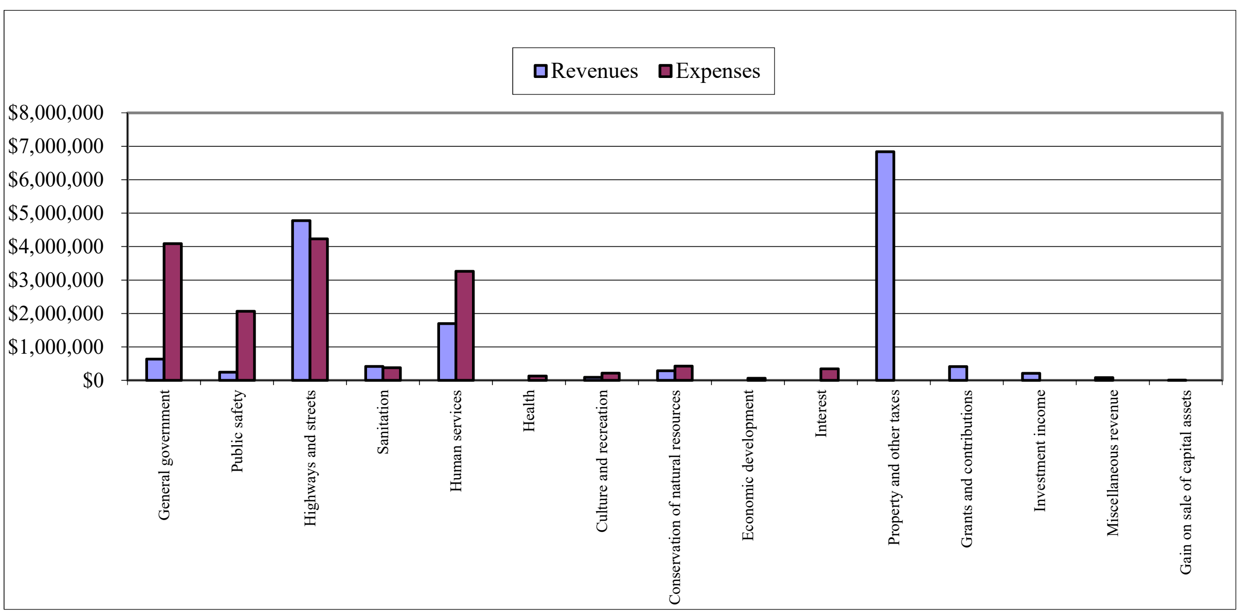


Table 2 presents the cost and revenue of each program, as well as the County's general revenues. Total program revenues and general revenues for the County were $15,695,170, while total expenses were $15,198,196. This reflects a $496,974 increase in net position for the year ended December 31, 2016.

Table 2
Program Revenues, General Revenues, and Expenses



The cost of all governmental activities this year was $15,198,196. 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 $7,044,008 because some of the cost was paid by those who directly benefited from the programs ($1,736,038) or by other governments and organizations that subsidized certain programs with grants and contributions ($6,418,150). 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 2016	Net Cost (Revenue) of Services 2016
Highways and streets	$ 4,231,351	$ (546,667)
General government	4,086,470	3,451,423
Human services	3,260,872	1,562,658
Public safety	2,065,494	1,821,988
Conservation of natural resources	424,338	135,288
All others	1,129,671	619,318
Totals	$ 15,198,196	$ 7,044,008

General Fund Budgetary Highlights

Actual revenues were $440,969 greater than budgeted mainly due to an unanticipated increase in miscellaneous, intergovernmental, and investment earning revenues. Actual expenditures were $106,078 greater than budgeted. The most significant negative variance of $93,028 occurred in culture and recreation where the snowmobile trails department expenditures were not budgeted for. Expenditures in this department are offset by revenue that was also not budgeted for.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2016, totaled $39,834,020 (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 $58,167, or 0.1 percent, from the previous year.

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

	2016	2015
Land	$ 250,018	$ 250,018
Right-of-way	1,026,600	1,026,600
Infrastructure	27,347,564	27,081,516
Building improvements	3,702	4,900
Buildings	9,322,290	9,614,274
Improvements other than buildings	30,898	40,964
Machinery, furniture, and equipment	1,829,576	1,744,658
Construction in progress	23,372	12,923
Totals	$ 39,834,020	$ 39,775,853

Additional information about the County's capital assets can be found in Note 3.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 $8,256,030, which was backed by the full faith and credit of the government.

Table 5
Outstanding Debt

	2016	2015
General obligation bonds	$ 8,197,908	$ 1,994,563
Capital leases	30,922	6,325,455
Loans payable	27,200	27,200
Total Outstanding Debt	$ 8,256,030	$ 8,347,218

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2016, the County's outstanding debt was 0.3 percent of its total estimated market value.

Additional information on the County's long-term debt can be found beginning in Notes 3.C.4. to 3.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 2017 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Stevens County at the end of 2016 was 3.7 percent, which shows a 1.2 percentage point increase from the County's 2.5 percent rate from December 2015. The state unemployment rate was 4.0 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 2016, Stevens County set its 2017 revenue and expenditure budgets with a property tax levy increase of 7.96 percent, as compared to no property tax levy increase in 2016, which was due to budgeted spenddowns.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government Governmental Activities	Component Unit Stevens County Housing and Redevelopment Authority
Assets		
Cash and pooled investments	$ 10,709,877	$ 698,813
Cash - restricted	-	48,352
Investments	-	2
Taxes receivable		
Delinquent	17,144	-
Special assessments receivable		
Current	301,872	-
Noncurrent	815,053	-
Delinquent	5,883	-
Accounts receivable	109,483	-
Accrued interest receivable	31,818	-
Due from other governments	1,372,742	-
Loans receivable	-	42,714
Inventories	235,153	-
Capital assets		
Non-depreciable	1,299,990	335,999
Depreciable - net of accumulated depreciation	38,534,030	220,105
Total Assets	**$ 53,433,045**	**$ 1,345,985**
Deferred Outflows of Resources		
Deferred pension outflows	**$ 3,444,479**	**$ 55,912**
Liabilities		
Current liabilities		
Accounts payable	$ 183,055	$ 2,052
Salaries payable	237,282	5,786
Due to other governments	70,454	94
Tenant security deposits	-	6,195
Accrued interest payable	65,410	-
Unearned revenue	83,172	-
Compensated absences payable - current	100,519	2,643
Capital lease payable - current	15,946	-
General obligation bonds payable - current	480,000	-
Mortgage payable - current	-	21,252

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government	Component Unit
	Governmental Activities	Stevens County Housing and Redevelopment Authority
Liabilities (Continued)		
Noncurrent liabilities		
Compensated absences payable	405,336	7,213
Capital lease payable	14,976	-
General obligation bonds payable - net	7,717,908	-
Loans payable	27,200	-
Net pension liability	7,003,808	146,151
Mortgage payable	-	65,137
Note payable	-	235,455
Total Liabilities	**$ 16,405,066**	**$ 491,978**
Deferred Inflows of Resources		
Deferred pension inflows	**$ 1,254,637**	**$ 35,945**
Net Position		
Net investment in capital assets	$ 33,483,713	$ 234,260
Restricted for		
Public safety	358,391	-
Highways and streets	1,123,951	-
Sanitation	256,989	-
Human services	4,778	-
Conservation of natural resources	1,614,235	-
Debt service	80,651	-
Other purposes	167,916	3,466
Unrestricted	2,127,197	636,248
Total Net Position	**$ 39,217,821**	**$ 873,974**

STEVENS COUNTY
MORRIS, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary Government		
Governmental activities		
General government	$ 4,086,470	$ 416,681
Public safety	2,065,494	98,455
Highways and streets	4,231,351	321,249
Sanitation	376,237	348,615
Human services	3,260,872	277,756
Health	129,664	-
Culture and recreation	216,502	-
Conservation of natural resources	424,338	273,282
Economic development	61,812	-
Interest	345,456	-
Total Primary Government	**$ 15,198,196**	**$ 1,736,038**
Component Unit		
Stevens County Housing and Redevelopment Authority	**$ 1,318,531**	**$ 570,935**

General Revenues
Property taxes
Other taxes
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Miscellaneous
Gain on sale of capital assets

Total general revenues

Change in net position

Net Position - Beginning

Net Position - Ending

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

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Primary Government	Component Unit
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Stevens County Housing and Redevelopment Authority
$ 218,366	$ -	$ (3,451,423)	
145,051	-	(1,821,988)	
3,346,554	1,110,215	546,667	
68,710	-	41,088	
1,420,458	-	(1,562,658)	
-	-	(129,664)	
93,028	-	(123,474)	
15,768	-	(135,288)	
-	-	(61,812)	
-	-	(345,456)	
$ 5,307,935	**$ 1,110,215**	**$ (7,044,008)**	
$ 899,909	**$ -**		**$ 152,313**
		$ 6,724,230	$ -
		30,768	-
		81,451	-
		413,511	-
		209,372	1,829
		80,729	-
		921	-
		$ 7,540,982	**$ 1,829**
		$ 496,974	**$ 154,142**
		38,720,847	**719,832**
		$ 39,217,821	**$ 873,974**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

STEVENS COUNTY
MORRIS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 3,808,980	$ 2,613,804
Petty cash and change funds	5,750	50
Undistributed cash in agency funds	24,835	6,335
Cash with fiscal agent	40,000	-
Taxes receivable		
Delinquent	10,098	2,963
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable	40,185	24,579
Accrued interest receivable	31,818	-
Due from other governments	28,682	1,116,922
Inventories	-	235,153
Total Assets	**$ 3,990,348**	**$ 3,999,806**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 78,013	$ 11,477
Salaries payable	107,688	53,121
Due to other governments	64,801	-
Unearned revenue	70,264	-
Total Liabilities	**$ 320,766**	**$ 64,598**
Deferred Inflows of Resources		
Unavailable revenue	**$ 10,098**	**$ 1,119,885**

EXHIBIT 3

Human Services	Solid Waste	Ditch	Debt Service	Total
$ 2,042,055	$ 253,764	$ 1,776,622	$ 124,559	$ 10,619,784
-	-	-	-	5,800
5,466	3,233	1,336	3,088	44,293
-	-	-	-	40,000
2,622	-	-	1,461	17,144
-	5,078	805	-	5,883
-	23,263	1,093,662	-	1,116,925
34,093	9,644	982	-	109,483
-	-	-	-	31,818
227,138	-	-	-	1,372,742
-	-	-	-	235,153
$ 2,311,374	**$ 294,982**	**$ 2,873,407**	**$ 129,108**	**$ 13,599,025**
$ 85,283	$ 6,613	$ 1,669	$ -	$ 183,055
76,473	-	-	-	237,282
5,653	-	-	-	70,454
12,908	-	-	-	83,172
$ 180,317	**$ 6,613**	**$ 1,669**	**$ -**	**$ 573,963**
$ 2,622	**$ 28,341**	**$ 1,094,467**	**$ 1,461**	**$ 2,256,874**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable		
Inventories	$ -	$ 235,153
Trust Fund Conservation U.S. Fish and Wildlife	84,496	-
Missing heirs	892	-
Restricted for		
Tax forfeitures	20,898	-
Law library	4,274	-
Recorder's technology equipment	47,137	-
E-911	304,445	-
Recorder's compliance	63,125	-
DARE	14,348	-
Gun permit fees	35,497	-
Attorney forfeitures	3,780	-
Social services youth	4,133	-
Veterans van	27,247	-
Sheriff's forfeitures	225	-
Sheriff's contingency	3,788	-
Extension publication	1,455	-
SAFE	645	-
Uniform allowance	88	-
Highway allotments	-	7,029
Solid waste	-	-
Ditch maintenance, repair, and other	-	-
Debt service	-	-
Assigned for		
Vehicle purchase	30,158	-
Capital expenditures	191,153	-
Next year's expenditures	-	20,000
Highways and streets	-	2,553,141
Human services	-	-
Unassigned	2,821,700	-
Total Fund Balances	**$ 3,659,484**	**$ 2,815,323**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 3,990,348**	**$ 3,999,806**

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

EXHIBIT 3
(Continued)

Human Services	Solid Waste	Ditch	Debt Service	Total
$ -	$ -	$ -	$ -	$ 235,153
-	-	-	-	84,496
-	-	-	-	892
-	-	-	-	20,898
-	-	-	-	4,274
-	-	-	-	47,137
-	-	-	-	304,445
-	-	-	-	63,125
-	-	-	-	14,348
-	-	-	-	35,497
-	-	-	-	3,780
-	-	-	-	4,133
-	-	-	-	27,247
-	-	-	-	225
-	-	-	-	3,788
-	-	-	-	1,455
-	-	-	-	645
-	-	-	-	88
-	-	-	-	7,029
-	260,028	-	-	260,028
-	-	1,777,271	-	1,777,271
-	-	-	127,647	127,647
-	-	-	-	30,158
-	-	-	-	191,153
275,321	-	-	-	295,321
-	-	-	-	2,553,141
1,853,114	-	-	-	1,853,114
-	-	-	-	2,821,700
$ 2,128,435	**$ 260,028**	**$ 1,777,271**	**$ 127,647**	**$ 10,768,188**
$ 2,311,374	**$ 294,982**	**$ 2,873,407**	**$ 129,108**	**$ 13,599,025**

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2016

Fund balance - total governmental funds (Exhibit 3)		**$ 10,768,188**
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.		39,834,020
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		3,444,479
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources--unavailable revenue in the governmental funds.		2,256,874
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (8,055,000)	
Unamortized bond premium	(142,908)	
Capital lease payable	(30,922)	
Loans payable	(27,200)	
Compensated absences	(505,855)	
Net pension liability	(7,003,808)	
Accrued interest payable	(65,410)	(15,831,103)
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.		(1,254,637)
Net Position of Governmental Activities (Exhibit 1)		**$ 39,217,821**

STEVENS COUNTY
MORRIS, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General		Road and Bridge	
Revenues				
Taxes	$	4,045,746	$	1,160,238
Special assessments		-		-
Licenses and permits		13,112		-
Intergovernmental		1,196,034		3,458,687
Charges for services		287,259		268,421
Investment earnings		204,559		-
Miscellaneous		299,189		54,553
Total Revenues	**$**	**6,045,899**	**$**	**4,941,899**
Expenditures				
Current				
General government	$	2,988,186	$	-
Public safety		1,732,343		-
Highways and streets		-		4,293,578
Sanitation		235,958		-
Human services		4,318		-
Health		129,664		-
Culture and recreation		216,502		-
Conservation of natural resources		323,684		-
Economic development		61,812		-
Intergovernmental		300,775		-
Debt service				
Principal		15,546		-
Interest		1,000		-
Bond issuance costs		-		-
Total Expenditures	**$**	**6,009,788**	**$**	**4,293,578**
Excess of Revenues Over (Under) Expenditures	**$**	**36,111**	**$**	**648,321**
Other Financing Sources (Uses)				
Transfers in	$	166,252	$	-
Transfers out		(443,252)		-
Bonds issued		-		-
Premium on bonds sold		-		-
Proceeds from sale of capital assets		921		-
Payment to escrow account		-		-
Total Other Financing Sources (Uses)	**$**	**(276,079)**	**$**	**-**
Net Change in Fund Balance	**$**	**(239,968)**	**$**	**648,321**
Fund Balance - January 1		**3,899,452**		**2,224,801**
Increase (decrease) in inventories		**-**		**(57,799)**
Fund Balance - December 31	**$**	**3,659,484**	**$**	**2,815,323**

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

EXHIBIT 5

	Human Services	Solid Waste	Ditch	Debt Service	Total
	$ 1,002,049	$ -	$ -	$ 565,603	$ 6,773,636
	-	302,291	403,686	-	705,977
	-	-	-	-	13,112
	1,708,458	-	-	-	6,363,179
	266,783	-	-	-	822,463
	-	-	4,479	334	209,372
	7,613	47,929	12,336	-	421,620
	$ 2,984,903	**$ 350,220**	**$ 420,501**	**$ 565,937**	**$ 15,309,359**
	$ -	$ -	$ -	$ -	$ 2,988,186
	-	-	-	-	1,732,343
	-	-	-	-	4,293,578
	-	137,417	-	-	373,375
	3,214,731	-	-	-	3,219,049
	-	-	-	-	129,664
	-	-	-	-	216,502
	-	-	89,696	-	413,380
	-	-	-	-	61,812
	-	-	-	-	300,775
	-	-	115,000	736,516	867,062
	-	-	49,225	282,008	332,233
	-	-	-	89,805	89,805
	$ 3,214,731	**$ 137,417**	**$ 253,921**	**$ 1,108,329**	**$ 15,017,764**
	$ (229,828)	**$ 212,803**	**$ 166,580**	**$ (542,392)**	**$ 291,595**
	$ -	$ 1,736	$ -	$ 441,516	$ 609,504
	-	(166,252)	-	-	(609,504)
	-	-	-	6,190,000	6,190,000
	-	-	-	129,385	129,385
	-	-	-	-	921
	-	-	-	(6,229,914)	(6,229,914)
	$ -	**$ (164,516)**	**$ -**	**$ 530,987**	**$ 90,392**
	$ (229,828)	**$ 48,287**	**$ 166,580**	**$ (11,405)**	**$ 381,987**
	2,358,263	**211,741**	**1,610,691**	**139,052**	**10,444,000**
	-	**-**	**-**	**-**	**(57,799)**
	$ 2,128,435	**$ 260,028**	**$ 1,777,271**	**$ 127,647**	**$ 10,768,188**

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balance - total governmental funds (Exhibit 5)		**$ 381,987**
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.		
Unavailable revenue - December 31	$ 2,256,874	
Unavailable revenue - January 1	(1,897,473)	359,401
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	$ 2,039,491	
Current year depreciation	(1,981,324)	58,167
Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:		
Debt issued		
General obligation bonds, net of premium		(6,319,385)
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		
Capital lease payable	$ 310,546	
General obligation bonds	115,000	
Retirement of capital lease payable (Note 3.C.6.)	5,983,987	6,409,533

EXHIBIT 6
(Continued)

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, 2016

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	$ 75,542	
Change in compensated absences	(12,642)	
Change in net pension liability	(2,856,369)	
Change in deferred pension outflows	2,833,458	
Change in deferred pension inflows	(375,959)	
Change in inventories	(57,799)	
Amortization of premium on bonds	1,040	(392,729)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 496,974**

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FIDUCIARY FUNDS

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2016

Assets		
Cash and pooled investments	**$**	**198,967**
Liabilities		
Accounts payable	$	4,004
Due to other governments		194,963
Total Liabilities	**$**	**198,967**

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

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as of and for the year ended December 31, 2016. 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 5.C. The County also participates in jointly-governed organizations described in Note 5.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 full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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, 2016, using a market approach. 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 2016 were $161,346.

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 2012 through 2016 and noncurrent special assessments payable in 2017 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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

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.

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 assets are recorded at acquisition value (entry price) on the date of donation.

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation, sick leave, and comp time 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. 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.

1. Summary of Significant Accounting Policies

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

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, if material, are deferred and amortized over the life of the bonds using the straight-line 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.

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

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)

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, changes in actuarial assumptions, 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 two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent 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 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.

9. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received but not yet earned.

1. Summary of Significant Accounting Policies

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

      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.

      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.

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)

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

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

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

Stevens County 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.

1. Summary of Significant Accounting Policies

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

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, deferred outflows of resources, liabilities, and deferred inflows of resources; 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.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

Expenditures exceeded final budget in the Debt Service Fund:

	Expenditures	Final Budget	Excess
Total	$ 1,108,329	$ 582,909	$ 525,420

3. 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	$ 10,709,877
Statement of fiduciary net position	
Cash and pooled investments	198,967
Total Cash and Investments	$ 10,908,844

3. Detailed Notes on All Funds

   A. Assets and Deferred Outflows of Resources

      1. Deposits and Investments (Continued)

         a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County'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, 2016, the County's deposits in banks were not exposed to custodial credit risk.

3. Detailed Notes on All Funds

   A. Assets and Deferred Outflows of Resources

      1. Deposits and Investments (Continued)

         b. Investments

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

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

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

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

(4) bankers’ acceptances of United States banks;

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

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

3. Detailed Notes on All Funds

   A. Assets and Deferred Outflows of Resources

      1. Deposits and Investments

         b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County'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, 2016, the County's investments were not exposed to custodial credit risk.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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.

The following table represents the County's cash and investment balances at December 31, 2016, 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		05/26/2021	$ 73,904
Federal National Mortgage Association Bonds	AA+	S&P		05/10/2027	40,621
Total Federal National Mortgage Association Bonds			<5%		$ 114,525
Federal Home Loan Mortgage Corporation Notes	Aaa	Moody's	>5%	05/25/2021	$ 489,435
Federal Farm Credit Bank	AA+	S&P	>5%	05/09/2023	$ 486,570
Municipal/Public Bonds					
New Jersey Econ Dev Bond	AA-	S&P		02/15/2017	$ 199,656
Kentucky State Gen Rev	A	S&P		04/01/2018	342,236
El Paso, TX	Aa2	Moody's		02/15/2020	249,465
Florida Hurricane Catastrophe Fund	AA	S&P		07/01/2020	256,512
Mtn View California Sch Dist	AA	S&P		08/01/2020	197,738
State of SC Pub Serv	AA-	S&P		12/01/2023	145,715
Total Municipal/Public Bonds			>5%		$ 1,391,322

3. 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
Small Business Administration Loan Pool					
Small Business Administration Loan Pool	N/R	N/A		09/01/2018	$ 1,168
Small Business Administration Loan Pool	N/R	N/A		06/25/2020	21,299
Small Business Administration Loan Pool	N/R	N/A		07/25/2020	6,348
Small Business Administration Loan Pool	N/R	N/A		04/25/2024	3,380
Small Business Administration Loan Pool	N/R	N/A		04/25/2024	47,708
Small Business Administration Loan Pool	N/R	N/A		10/25/2024	23,339
Small Business Administration Loan Pool	N/R	N/A		11/25/2025	9,666
Total Small Business Administration Loan Pool			<5%		$ 112,908
Negotiable certificates of deposit					
Capital One NA, McLean, VA	N/R	N/A		01/17/2017	$ 248,020
Comenity Capitol Bank	N/R	N/A		04/17/2017	125,140
State Bank of India, NY	N/R	N/A		06/22/2017	248,470
Discover, Greenwood, DE	N/R	N/A		07/18/2017	248,013
American City Bank, Tullahoma, TN	N/R	N/A		12/11/2017	100,092
First Niagara Bank, Buffalo, NY	N/R	N/A		01/08/2018	150,225
Washington Trust, RI, US	N/R	N/A		05/11/2018	201,052
Capitol One Bank USA	N/R	N/A		06/25/2018	100,295
Wells Fargo Bank, Sioux Falls, SD	N/R	N/A		07/20/2018	149,151
First Bank, Puerto Rico	N/R	N/A		08/21/2018	251,054
Capitol One Bank USA	N/R	N/A		10/09/2018	100,899
JP Morgan Chase Bank, Columbus, OH	N/R	N/A		10/19/2018	99,356
Ally Bank, Midvale, UT	N/R	N/A		10/29/2018	149,231
American Express Centurion Bank	N/R	N/A		11/28/2018	101,182
Investors Sav Bank, Short Hills, NJ	N/R	N/A		02/25/2019	249,616
Stearns Bank, St. Cloud, MN	N/R	N/A		06/25/2019	252,239
Comenity Bank, Wilmington, DE	N/R	N/A		08/27/2019	201,042
Sallie Mae Bank, SLC, UT	N/R	N/A		10/15/2019	245,046
American Express Centurion Bank	N/R	N/A		11/28/2019	101,566
ConnectOne Bank, Englewood Cliffs, NJ	N/R	N/A		12/12/2019	248,793
Peoples United Bank, Bridgeport, CT	N/R	N/A		01/21/2020	203,646
World’s Foremost Bank, Sidney, NE	N/R	N/A		05/13/2020	200,000
Comenity Capital SLC, UT	N/R	N/A		06/08/2020	101,699
Citizens Alliance Bank, Clara City, MN	N/R	N/A		06/26/2020	77,436
Orrstown Bank, Shippensburg, PA	N/R	N/A		08/28/2020	149,514
Celtic Bank Corp. SLC, UT	N/R	N/A		11/22/2021	252,877
HSBC Bank, USA	N/R	N/A		11/26/2021	244,419
Goldman Sachs	N/R	N/A		02/22/2022	254,192
GE Capital Bank, Inc.	N/R	N/A		07/13/2022	252,175
Total negotiable certificates of deposit			>5%		$ 5,306,440

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying (Fair) Value
Investment pools					
MAGIC Fund	N/R	N/A	<5%	N/A	$ 450
Total investments					$ 7,901,650
Checking					3,001,394
Petty cash and change funds					5,800
Total Cash and Investments					$ 10,908,844

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

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

At December 31, 2016, the County had the following recurring fair value measurements:

	December 31, 2016	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. government agency securities	$ 1,090,530	$ -	$ 1,090,530	$ -
Municipal/public bonds	1,391,322	-	1,391,322	-
Floating rate small business association securities	112,908	-	112,908	-
Negotiable certificates of deposit	2,831,503	-	2,831,503	-
Fixed rate certificates of deposit	2,474,937	-	2,474,937	-
Total Investments Included in the Fair Value Hierarchy	$ 7,901,200	$ -	$ 7,901,200	$ -
Investments Measured at the Net Asset Value (NAV)				
MAGIC Portfolio	$ 450			

Debt securities classified in Level 2 are valued using the following approaches:

- Municipal/public bonds: a market approach using quoted prices for similar securities in active markets.

- U.S. government agency securities, floating rate small business association securities, negotiable certificates of deposit, and fixed rate certificates of deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet its redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

2. Receivables

Receivables as of December 31, 2016, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 17,144	$ -
Special assessments	1,122,808	820,936
Accounts receivable	109,483	-
Accrued interest receivable	31,818	-
Due from other governments	1,372,742	-
Total Governmental Activities	$ 2,653,995	$ 820,936

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 250,018	$ -	$ -	$ 250,018
Right-of-way	1,026,600	-	-	1,026,600
Construction in progress	12,923	16,380	5,931	23,372
Total capital assets not depreciated	$ 1,289,541	$ 16,380	$ 5,931	$ 1,299,990
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	6,014,051	596,818	363,867	6,247,002
Infrastructure	45,324,821	1,432,224	-	46,757,045
Total capital assets depreciated	$ 64,625,575	$ 2,029,042	$ 363,867	$ 66,290,750
Less: accumulated depreciation for				
Improvements other than buildings	$ 79,137	$ 10,066	$ -	$ 89,203
Building improvements	10,045	1,198	-	11,243
Buildings	3,537,383	291,984	-	3,829,367
Machinery, furniture, and equipment	4,269,393	511,900	363,867	4,417,426
Infrastructure	18,243,305	1,166,176	-	19,409,481
Total accumulated depreciation	$ 26,139,263	$ 1,981,324	$ 363,867	$ 27,756,720
Total capital assets depreciated, net	$ 38,486,312	$ 47,718	$ -	$ 38,534,030
Governmental Activities Capital Assets, Net	$ 39,775,853	$ 64,098	$ 5,931	$ 39,834,020

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

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

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

Governmental Activities		
General government	$	353,374
Public safety		193,990
Highways and streets, including depreciation of infrastructure assets		1,422,927
Sanitation		251
Human services		9,350
Conservation of natural resources		1,432
Total Depreciation Expense - Governmental Activities	$	1,981,324

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Interfund transfers for the year ended December 31, 2016, consisted of the following:

Transfer to General Fund from Solid Waste Special Revenue Fund	$	166,252	Provide funding for recycling activities.
Transfer to Solid Waste Special Revenue Fund from General Fund	$	1,736	Provide funding for recycling activities.
Transfer to Debt Service Fund from General Fund	$	441,516	Provide funding for debt issuance.

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables of governmental activities at December 31, 2016, were as follows:

Accounts payable	$	183,055
Salaries payable		237,282
Due to other governments		70,454
Accrued interest payable		65,410
Total Payables	$	556,201

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, 2016, are summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major governmental funds				
General	$ -	$ 10,098	$ 70,264	$ 80,362
Road and Bridge	-	2,963	1,116,922	1,119,885
Human Services	-	2,622	12,908	15,530
Solid Waste	28,341	-	-	28,341
Ditch	1,094,467	-	-	1,094,467
Debt Service	-	1,461	-	1,461
Total	$ 1,122,808	$ 17,144	$ 1,200,094	$ 2,340,046
Liabilities				
Unearned revenue	$ -	$ -	$ 83,172	$ 83,172
Deferred inflows of resources				
Unavailable revenue	1,122,808	17,144	1,116,922	2,256,874
Total	$ 1,122,808	$ 17,144	$ 1,200,094	$ 2,340,046

3. 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, 2016.

4. Capital Lease

Stevens County has a lease agreement that qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The capital lease consists of the following at December 31, 2016:

Type of Indebtedness	Maturity	Installment Amounts	Interest Rate (%)	Original	Balance
Generator lease	2018	$265,000 - $16,321	2.54	$ 119,675	$ 30,922

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, 2016, were as follows:

Year Ending December 31	Governmental Activities
2017	$ 16,546
2018	15,168
Total future minimum lease payments	$ 31,714
Less: amount representing interest	(792)
Present Value of Minimum Lease Payments	$ 30,922

3. 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, 2016
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.

On August 16, 2016, Stevens County issued $6,190,000 General Obligation Capital Improvement Plan Bonds, Series 2016A, to advance refund the Stevens County Housing and Redevelopment Authority's (HRA) Public Project Revenue Bonds, Series 2009A, held by the Stevens County Housing and Redevelopment Authority. The net proceeds of the refunding bonds and an additional $443,054 of County contributions were invested in government securities and will be held in escrow and used to make debt service requirements on the refunded Series 2009A bonds until the call date of February 1, 2020. Therefore, the Stevens County HRA Public Project Revenue Bonds, Series 2009A, are considered defeased and the capital lease payable to the HRA has been removed from the County's long-term liabilities. As a result of the advance refunding, Stevens County will recognize a cash flow savings of $740,135 and a net present value benefit of $635,440.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

6. Bonds Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
General obligation bonds					
G.O. Drainage Bonds, Series 2014A	2030	$115,000 - $165,000	2.0 - 3.5	$ 1,980,000	$ 1,865,000
Plus: unamortized premium					13,523
Total General Obligation Drainage Bonds, Net					$ 1,878,523
G.O. Capital Improvement Plan Bonds, Series 2016A	2030	$365,000 - $525,000	0.65 - 2.10	$ 6,190,000	$ 6,190,000
Plus: unamortized premium					129,385
Total General Obligation Capital Improvement Plan Bonds, Net					$ 6,319,385

7. Debt Service Requirements

Debt payments on the drainage bonds are made from the Ditch Special Revenue Fund and payments on the capital improvement plan bonds are to be made by the Debt Service Fund. Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	General Obligation Drainage Bonds, Series 2014A		General Obligation Capital Improvement Plan Bonds, Series 2016A	
	Principal	Interest	Principal	Interest
2017	$ 115,000	$ 46,925	$ 365,000	$ 155,485
2018	115,000	44,625	410,000	112,817
2019	120,000	42,275	420,000	104,618
2020	120,000	39,875	425,000	96,217
2021	120,000	37,475	435,000	87,717
2022 - 2026	660,000	143,638	2,350,000	305,228
2027 - 2031	615,000	42,700	1,785,000	81,603
Total	$ 1,865,000	$ 397,513	$ 6,190,000	$ 943,685

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

8. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds					
Drainage Bonds of 2014A	$ 1,980,000	$ -	$ 115,000	$ 1,865,000	$ 115,000
Capital Improvement Plan Bonds of 2016A	-	6,190,000	-	6,190,000	365,000
Plus: unamortized premiums	14,563	129,385	1,040	142,908	-
Total bonds payable	$ 1,994,563	$ 6,319,385	$ 116,040	$ 8,197,908	$ 480,000
Capital lease - courthouse	$ 6,278,987	$ -	$ 6,278,987	$ -	$ -
Capital lease - generator	46,468	-	15,546	30,922	15,946
Total capital leases	$ 6,325,455	$ -	$ 6,294,533	$ 30,922	$ 15,946
Loans payable	$ 27,200	$ -	$ -	$ 27,200	$ -
Compensated absences	$ 493,213	$ 430,647	$ 418,005	$ 505,855	$ 100,519
Total Long-Term Liabilities	$ 8,840,431	$ 6,750,032	$ 6,828,578	$ 8,761,885	$ 596,465

4. 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 Plan and the Public Employees Police and Fire Plan, 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.

4. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the 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.

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.

4. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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 Plan Coordinated Plan members. Members hired prior to July 1, 1989, receive 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 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 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For General Employees Retirement Plan 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 Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. 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 Plan Coordinated Plan members

4. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

were required to contribute 6.50 percent of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016.

In 2016, the County was required to contribute the following percentages of annual covered salary:

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

The employee and employer contribution rates did not change from the previous year.

The County's contributions for the year ended December 31, 2016, to the pension plans were:

General Employees Retirement Plan	$	317,091
Public Employees Police and Fire Plan		69,019

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of $5,318,275 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

PERA's participating employers. At June 30, 2016, the County's proportion was 0.0655 percent. It was 0.0706 percent measured as of June 30, 2015. The County recognized pension expense of $493,600 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $20,693 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

County's proportionate share of the net pension liability	$	5,318,275
State of Minnesota's proportionate share of the net pension liability associated with the County		69,401
Total	$	5,387,676

The County reported its proportionate share of the General Employees Retirement Plan'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	$ -	$ 440,915
Changes in actuarial assumptions	1,041,323	-
Difference between projected and actual investment earnings	1,028,197	-
Changes in proportion	-	602,216
Contributions paid to PERA subsequent to the measurement date	154,085	-
Total	$ 2,223,605	$ 1,043,131

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The $154,085 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, 2017. 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
2017	$ 190,267
2018	190,267
2019	453,749
2020	192,106

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of $1,685,533 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.042 percent. It was 0.043 percent measured as of June 30, 2015. The County recognized pension expense of $288,546 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $3,780 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 Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The County reported its proportionate share of the Public Employees Police and Fire Plan'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	$ -	$ 194,837
Changes in actuarial assumptions	927,623	-
Difference between projected and actual investment earnings	258,709	-
Changes in proportion	-	16,669
Contributions paid to PERA subsequent to the measurement date	34,542	-
Total	$ 1,220,874	$ 211,506

The $34,542 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, 2017. 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
2017	$ 209,692
2018	209,692
2019	209,692
2020	188,410
2021	157,340

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was $782,146.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for the Public Employees Police and Fire Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

4. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.5 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:

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 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. 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, the fiduciary net position of the General Employees Retirement Plan 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. In the Public Employees Police and Fire Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan was determined

4. Pension Plans

   A. Defined Benefit Pension Plans

      6. Discount Rate (Continued)

that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

      7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

4. Pension Plans

   A. Defined Benefit Pension Plans (Continued)

      8. 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:

	Proportionate Share of the			
	General Employees Retirement Plan		Public Employees Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 7,553,527	4.60%	$ 2,359,523
Current	7.50	5,318,275	5.60	1,685,533
1% Increase	8.50	3,477,036	6.60	1,134,832

      9. 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 County 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.

4. Pension Plans

B. Defined Contribution Plan (Continued)

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, 2016, were:

	Employee	Employer
Contribution amount	$ 7,922	$ 7,922
Percentage of covered payroll	5%	5%

5. 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

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2016 and 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Contingent Liabilities

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

The County, 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

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 and the 5-county service area of Region 2. 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.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Land of the Dancing Sky Area Agency on Aging (Continued)

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.

Financing is provided by federal and state grants and appropriations from member counties. Stevens County's contribution for 2016 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.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rainbow Rider Transit Board (Continued)

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 2016, Stevens County contributed $12,974 to Rainbow Rider.

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.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

PrimeWest Rural Minnesota Health Care Access Initiative (Continued)

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

Douglas County acts as fiscal agent for the PrimeWest 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.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Regional Fitness Center (Continued)

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 2016, Stevens County did not contribute any funds to the Regional Fitness Center.

Complete financial information can be obtained from: Morris Area Schools, 201 South Columbia Avenue, Morris, Minnesota 56267.

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 2016, 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.

5. 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 2016, Stevens County did not make a contribution, as a contribution was made by Horizon Public Health.

McLeod County acts as fiscal agent for the 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 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.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

The Central Minnesota Emergency Services Board is composed of one Commissioner from each county appointed by their respective County Board and one City Council member from the City appointed by the 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 it 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 2016, Stevens County contributed $9,392 to the 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.

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.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Stevens County Family Services Collaborative (Continued)

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 2016, 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.

Region 4 South Adult Mental Health Consortium

Douglas, Grant, Pope, 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.

5. Summary of Significant Contingencies and Other Items

   C. Joint Ventures

      Region 4 South Adult Mental Health Consortium (Continued)

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

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

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

      Rural Minnesota Concentrated Employment Program, 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 2016.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 2016, Stevens County provided $59,274 to the Viking Library System.

Complete financial information can be obtained from: Viking Library System, 1915 Fir Avenue West, Fergus Falls, Minnesota 56537.

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.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

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 2016, Stevens County contributed $82,017 to the entity.

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

D. Jointly-Governed Organizations

Western Area City/County Co-Op

Stevens County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-Op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. Stat. § 471.59. The purpose of WACCO is to establish a resource network that identifies common needs of the individual governmental units and 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 2016, Stevens County contributed $2,095 to WACCO.

District IV Transportation Planning

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

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

The Region Four - West Central Minnesota Homeland 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.

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.

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

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

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2016, 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 2016.

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 2016.

5. 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.

Stevens County is the fiscal host and reports West Central S.W.A.T Team as an agency fund in the financial statements.

6. 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.

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

A. Summary of Significant Accounting Policies

1. Basis of Presentation

The HRA's operations are accounted for with a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds are used to account for operations that provide a service to the public financed by charges to users of that service and activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

2. Measurement Focus

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

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

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

3. Use of Estimates

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

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

B. Assets and Deferred Outflows of Resources

1. Deposits and Investments

The HRA's cash and investments at year-end were comprised of the following:

Demand and time deposits	$	747,165
Investments		2
Total Cash and Investments	$	747,167

Reconciliation of the HRA's total cash and investments to the statement of net position follows:

Cash and pooled investments	$	698,815
Cash - restricted		48,352
Total Cash and Investments	$	747,167

Deposits

The HRA is authorized by Minnesota statutes to designate a depository for public funds and to invest in certificates of deposit. The HRA is required by Minnesota statutes to protect HRA 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.

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

B. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the HRA's deposits may not be returned to it. As of December 31, 2016, the HRA's deposits were not exposed to custodial credit risk.

2. Investments

The HRA does not have additional policies for the investment risks, which are described in Note 3.A.1.b., beyond complying with the requirements of Minnesota statutes. As of and during the year ended December 31, 2016, the HRA did not own any investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

3. 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 recorded at acquisition value (entry price) on the date of donation. 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.

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

B. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

The HRA's capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 42,913	$ 293,086	$ -	$ 335,999
Capital assets depreciated				
Buildings	$ 237,274	$ -	$ -	$ 237,274
Equipment and other	11,801	2,182	1,190	12,793
Total capital assets depreciated	$ 249,075	$ 2,182	$ 1,190	$ 250,067
Less: accumulated depreciation	30,912	7,235	8,185	29,962
Total capital assets depreciated, net	$ 218,163	$ (5,053)	$ (6,995)	$ 220,105
Total Capital Assets, Net	$ 261,076	$ 288,033	$ (6,995)	$ 556,104

The beginning balance of $42,913 reported as land and improvements was previously classified as part of buildings.

C. Liabilities and Deferred Inflows of Resources

1. Long-Term Debt

Long-term debt outstanding at December 31, 2016, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Outstanding Balance December 31, 2016
MHFA loan	12/01/2025	-	-	$ 49,000
Mortgage	10/01/2022	$2,105/month	4.375	86,389
Bremer Bank note	01/29/2018	-	3.500	186,455
Total Long-Term Debt				$ 321,844

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

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Debt Service Requirements

Debt service requirements as of December 31, 2016, are as follows:

Future Payments		
2017	$	21,252
2018		208,656
2019		23,192
2020		19,744
2021		-
2022 - 2026		49,000
Total	$	321,844

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 6,580,000	$ -	$ 6,580,000	$ -	$ -
Discount/premium	(55,888)	-	(55,888)	-	-
Bremer Bank note	-	186,455	-	186,455	-
MHFA loan	49,000	-	-	49,000	-
Mortgage	121,680	-	35,291	86,389	21,252
Compensated absences	14,261	-	4,405	9,856	2,643
Long-Term Liabilities	$ 6,709,053	$ 186,455	$ 6,563,808	$ 331,700	$ 23,895

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 4.A. for additional information on PERA.

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

D. Defined Benefit Pension Plans (Continued)

2. Contributions

The HRA's contributions for the General Employees Retirement Plan for the year ended December 31, 2016, were $6,614. The contributions are equal to the contractually required contributions as set by state statute.

3. Pension Costs

At December 31, 2016, the HRA reported a liability of $146,151 for its proportionate share of the General Employees Retirement Plan's net pension liability. The HRA's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the plan in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the HRA totaled $1,884. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the HRA's proportion was 0.0018 percent. It was 0.0025 percent measured as of June 30, 2014. For the year ended June 30, 2016, the HRA recognized pension expense of $20,257 for its proportionate share of the General Employees Retirement Plan's pension expense. In addition, the HRA recognized an additional $562 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the General Employees Retirement Plan.

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

D. Defined Benefit Pension Plans

3. Pension Costs (Continued)

The HRA reported its proportionate share of the General Employees Retirement Plan'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	$ -	$ 8,737
Changes in actuarial assumptions	28,617	-
Difference between projected and actual investment earnings	21,117	-
Changes in proportion	-	27,208
Contributions paid to PERA subsequent to the measurement date	6,178	-
Total	$ 55,912	$ 35,945

The $6,178 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, 2017. 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
2017	$ 2,758
2018	2,758
2019	2,758
2020	2,758
2021	2,757

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

D. Defined Benefit Pension Plans (Continued)

4. Pension Liability Sensitivity

The following presents the HRA's proportionate share of the net pension liability calculated using the discount rate of 7.5 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 (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Proportionate share of the General Employees Retirement Plan net pension liability	$ 207,578	$ 146,151	$ 95,552

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:

	2016
Covered wages	$ 128,107
Employer share	9,608
Employee share	8,327

F. Economic Dependency

The HRA is economically dependent on annual contributions and grants from HUD. The HRA operates at a loss prior to receiving contributions and grants from HUD.

REQUIRED SUPPLEMENTARY INFORMATION

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 4,155,493	$ 4,155,493	$ 4,045,746	$ (109,747)
Licenses and permits	18,200	18,200	13,112	(5,088)
Intergovernmental	844,750	844,750	1,196,034	351,284
Charges for services	329,365	329,365	287,259	(42,106)
Investment earnings	125,000	125,000	204,559	79,559
Miscellaneous	132,122	132,122	299,189	167,067
Total Revenues	**$ 5,604,930**	**$ 5,604,930**	**$ 6,045,899**	**$ 440,969**
Expenditures				
Current				
General government				
Commissioners	$ 238,971	$ 238,971	$ 245,288	$ (6,317)
Law library	8,000	8,000	7,300	700
County coordinator	136,082	136,082	129,668	6,414
Human resources	156,860	156,860	151,198	5,662
Auditor-Treasurer	399,267	399,267	399,860	(593)
Accounting and auditing	65,000	65,000	59,331	5,669
Tax forfeiture	2,400	2,400	3,040	(640)
Information technology	268,433	268,433	275,733	(7,300)
GIS	64,100	64,100	58,427	5,673
Elections	43,844	43,844	37,963	5,881
Attorney	300,210	300,210	293,574	6,636
Recorder	246,579	246,579	255,630	(9,051)
Planning and zoning	103,681	103,681	119,545	(15,864)
Assessor	319,011	319,011	320,934	(1,923)
Fleet	-	-	1,955	(1,955)
Courthouse operations	368,470	368,470	369,565	(1,095)
Safety coordinator	43,040	43,040	43,893	(853)
Veterans service officer	63,185	63,185	49,012	14,173
Other general government	136,000	136,000	166,270	(30,270)
Total general government	**$ 2,963,133**	**$ 2,963,133**	**$ 2,988,186**	**$ (25,053)**

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 1,478,416	$ 1,478,416	$ 1,515,092	$ (36,676)
Coroner	22,500	22,500	11,164	11,336
Probation	89,523	89,523	81,773	7,750
Emergency management	71,140	71,140	49,230	21,910
E-911 system	106,000	106,000	75,084	30,916
Total public safety	**$ 1,767,579**	**$ 1,767,579**	**$ 1,732,343**	**$ 35,236**
Sanitation				
Environmental services	**$ 248,102**	**$ 248,102**	**$ 235,958**	**$ 12,144**
Human services				
Social service youth activity	**$ -**	**$ -**	**$ 4,318**	**$ (4,318)**
Health				
Nursing services	**$ 129,664**	**$ 129,664**	**$ 129,664**	**$ -**
Culture and recreation				
Historical society	$ 64,200	$ 64,200	$ 64,200	$ -
Regional library	59,274	59,274	59,274	-
Snowmobile trails	-	-	93,028	(93,028)
Total culture and recreation	**$ 123,474**	**$ 123,474**	**$ 216,502**	**$ (93,028)**
Conservation of natural resources				
Aquatic invasive species	$ 15,830	$ 15,830	$ 15,768	$ 62
Extension	140,688	140,688	136,848	3,840
Agricultural society/County fair	35,200	35,200	35,200	-
Predator control	1,000	1,000	1,404	(404)
Soil and water conservation	127,228	127,228	134,464	(7,236)
Total conservation of natural resources	**$ 319,946**	**$ 319,946**	**$ 323,684**	**$ (3,738)**
Economic development				
Economic development	**$ 61,812**	**$ 61,812**	**$ 61,812**	**$ -**
Intergovernmental				
Highways and streets	**$ 290,000**	**$ 290,000**	**$ 300,775**	**$ (10,775)**

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Debt service				
Principal	$ -	$ -	$ 15,546	$ (15,546)
Interest	-	-	1,000	(1,000)
Total debt service	**$ -**	**$ -**	**$ 16,546**	**$ (16,546)**
Total Expenditures	**$ 5,903,710**	**$ 5,903,710**	**$ 6,009,788**	**$ (106,078)**
Excess of Revenues Over (Under) Expenditures	**$ (298,780)**	**$ (298,780)**	**$ 36,111**	**$ 334,891**
Other Financing Sources (Uses)				
Transfers in	$ 169,452	$ 169,452	$ 166,252	$ (3,200)
Transfers out	-	-	(443,252)	(443,252)
Proceeds from sale of capital assets	-	-	921	921
Total Other Financing Sources (Uses)	**$ 169,452**	**$ 169,452**	**$ (276,079)**	**$ (445,531)**
Net Change in Fund Balance	**$ (129,328)**	**$ (129,328)**	**$ (239,968)**	**$ (110,640)**
Fund Balance - January 1	**3,899,452**	**3,899,452**	**3,899,452**	**-**
Fund Balance - December 31	**$ 3,770,124**	**$ 3,770,124**	**$ 3,659,484**	**$ (110,640)**

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,196,025	$ 1,196,025	$ 1,160,238	$ (35,787)
Intergovernmental	3,401,915	3,401,915	3,458,687	56,772
Charges for services	286,500	286,500	268,421	(18,079)
Miscellaneous	54,600	54,600	54,553	(47)
Total Revenues	**$ 4,939,040**	**$ 4,939,040**	**$ 4,941,899**	**$ 2,859**
Expenditures				
Current				
Highways and streets				
Administration	$ 263,000	$ 263,000	$ 257,912	$ 5,088
Construction	2,449,640	2,449,640	1,940,160	509,480
Maintenance	1,466,400	1,466,400	1,472,016	(5,616)
Equipment and maintenance shops	677,400	677,400	568,888	108,512
Material and services for resale	102,600	102,600	54,602	47,998
Total Expenditures	**$ 4,959,040**	**$ 4,959,040**	**$ 4,293,578**	**$ 665,462**
Net Change in Fund Balance	**$ (20,000)**	**$ (20,000)**	**$ 648,321**	**$ 668,321**
Fund Balance - January 1	**2,224,801**	**2,224,801**	**2,224,801**	**-**
Increase (decrease) in inventories	**-**	**-**	**(57,799)**	**(57,799)**
Fund Balance - December 31	**$ 2,204,801**	**$ 2,204,801**	**$ 2,815,323**	**$ 610,522**

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,031,921	$ 1,031,921	$ 1,002,049	$ (29,872)
Intergovernmental	1,341,920	1,345,000	1,708,458	363,458
Charges for services	163,442	163,442	266,783	103,341
Miscellaneous	25,000	25,000	7,613	(17,387)
Total Revenues	**$ 2,562,283**	**$ 2,565,363**	**$ 2,984,903**	**$ 419,540**
Expenditures				
Current				
Human services				
Income maintenance	$ 593,959	$ 613,959	$ 601,816	$ 12,143
Transitional housing	-	-	4,948	(4,948)
Mental health mobile crisis	-	-	10,630	(10,630)
Drop in center	-	-	4,868	(4,868)
Social services	2,243,645	2,228,269	2,592,469	(364,200)
Total Expenditures	**$ 2,837,604**	**$ 2,842,228**	**$ 3,214,731**	**$ (372,503)**
Net Change in Fund Balance	**$ (275,321)**	**$ (276,865)**	**$ (229,828)**	**$ 47,037**
Fund Balance - January 1	**2,358,263**	**2,358,263**	**2,358,263**	**-**
Fund Balance - December 31	**$ 2,082,942**	**$ 2,081,398**	**$ 2,128,435**	**$ 47,037**

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 302,000	$ 302,000	$ 302,291	$ 291
Miscellaneous	12,000	12,000	47,929	35,929
Total Revenues	**$ 314,000**	**$ 314,000**	**$ 350,220**	**$ 36,220**
Expenditures				
Current				
Sanitation				
Solid waste	124,520	191,009	137,417	53,592
Excess of Revenues Over (Under) Expenditures	**$ 189,480**	**$ 122,991**	**$ 212,803**	**$ 89,812**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 1,736	$ 1,736
Transfers out	(166,252)	(166,252)	(166,252)	-
Total Other Financing Sources (Uses)	**$ (166,252)**	**$ (166,252)**	**$ (164,516)**	**$ 1,736**
Net Change in Fund Balance	**$ 23,228**	**$ (43,261)**	**$ 48,287**	**$ 91,548**
Fund Balance - January 1	**211,741**	**211,741**	**211,741**	**-**
Fund Balance - December 31	**$ 234,969**	**$ 168,480**	**$ 260,028**	**$ 91,548**

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 PLAN
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Stevens County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0655%	$ 5,318,275	$ 69,401	$ 5,387,676	$ 4,010,149	132.62%	68.91%
2015	0.0706	3,658,858	N/A	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.
N/A - Not Applicable

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-6

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016

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)
2016	$ 317,091	$ 317,091	$ -	$ 4,227,874	7.50%
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.

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT A-7

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016

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
2016	0.042%	$ 1,685,533	$ 405,840	415.32%	63.88%
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 PLAN
DECEMBER 31, 2016

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)
2016	$ 69,019	$ 69,019	$ -	$ 426,044	16.20%
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.

The notes to the required supplementary information are an integral part of these schedules.

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STEVENS COUNTY
MORRIS, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

1. General Budget Policies

   The County Board adopts estimated revenue and expenditure budgets for the General Fund, special revenue funds, except the Ditch Special Revenue Fund, and the Debt Service Fund. The expenditure budget is approved at the fund level.

   The budgets may be amended or modified at any time by the County Board. 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 special revenue funds.

2. Budget Basis of Accounting

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

3. Budget Amendments

   Revenue budgets were amended in the following fund:

	Original Budget	Increase (Decrease)	Final Budget
Human Services Special Revenue Fund	$ 2,562,283	$ 3,080	$ 2,565,363

   Expenditure budgets were amended in the following funds:

	Original Budget	Increase (Decrease)	Final Budget
Human Services Special Revenue Fund	$ 2,837,604	$ 4,624	$ 2,842,228
Solid Waste Special Revenue Fund	124,520	66,489	191,009

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

	Expenditures	Final Budget	Excess
General Fund	$ 6,009,788	$ 5,903,710	$ 106,078
Human Services Special Revenue Fund	3,214,731	2,842,228	372,503

5. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 582,909	$ 582,909	$ 565,603	$ (17,306)
Investment earnings	-	-	334	334
Total Revenues	**$ 582,909**	**$ 582,909**	**$ 565,937**	**$ (16,972)**
Expenditures				
Debt service				
Principal	$ 295,000	$ 295,000	$ 736,516	$ (441,516)
Interest	287,909	287,909	282,008	5,901
Bond issuance costs	-	-	89,805	(89,805)
Total Expenditures	**$ 582,909**	**$ 582,909**	**$ 1,108,329**	**$ (525,420)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (542,392)**	**$ (542,392)**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 441,516	$ 441,516
Bonds issued	-	-	6,190,000	6,190,000
Premium on bonds sold	-	-	129,385	129,385
Payment to escrow account	-	-	(6,229,914)	(6,229,914)
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 530,987**	**$ 530,987**
Net Change in Fund Balance	**$ -**	**$ -**	**$ (11,405)**	**$ (11,405)**
Fund Balance - January 1	**139,052**	**139,052**	**139,052**	**-**
Fund Balance - December 31	**$ 139,052**	**$ 139,052**	**$ 127,647**	**$ (11,405)**

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FIDUCIARY FUNDS

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AGENCY FUNDS

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

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

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

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

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

The 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.

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
HOUSING AND REDEVELOPMENT AUTHORITY				
Assets				
Cash and pooled investments	$ 8,298	$ 547,511	$ 559,028	$ (3,219)
Liabilities				
Due to other governments	$ 8,298	$ 547,511	$ 559,028	$ (3,219)
SCHOOL DISTRICTS				
Assets				
Cash and pooled investments	$ -	$ 4,506,568	$ 4,506,568	$ -
Liabilities				
Due to other governments	$ -	$ 4,506,568	$ 4,506,568	$ -
SOCIAL WELFARE				
Assets				
Cash and pooled investments	$ 14,463	$ 119,984	$ 130,443	$ 4,004
Liabilities				
Accounts payable	$ 14,463	$ 119,984	$ 130,443	$ 4,004

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, 2016

	Balance January 1	Additions	Deductions	Balance December 31
STATE REVENUE				
Assets				
Cash and pooled investments	$ 38,239	$ 1,254,747	$ 1,248,471	$ 44,515
Liabilities				
Due to other governments	$ 38,239	$ 1,254,747	$ 1,248,471	$ 44,515
STEVENS COUNTY FAMILY SERVICES COLLABORATIVE				
Assets				
Cash and pooled investments	$ 44,894	$ 68,568	$ 55,480	$ 57,982
Liabilities				
Due to other governments	$ 44,894	$ 68,568	$ 55,480	$ 57,982
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	$ 87,399	$ 16,747,264	$ 16,750,049	$ 84,614
Liabilities				
Due to other governments	$ 87,399	$ 16,747,264	$ 16,750,049	$ 84,614

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
TOWNS AND CITIES				
Assets				
Cash and pooled investments	$ -	$ 3,335,629	$ 3,335,629	$ -
Liabilities				
Due to other governments	$ -	$ 3,335,629	$ 3,335,629	$ -
WATERSHED				
Assets				
Cash and pooled investments	$ -	$ 186,884	$ 186,884	$ -
Liabilities				
Due to other governments	$ -	$ 186,884	$ 186,884	$ -
WEST CENTRAL SPECIAL WEAPONS AND TACTICS TEAM				
Assets				
Cash and pooled investments	$ 21,185	$ 13,000	$ 23,114	$ 11,071
Liabilities				
Due to other governments	$ 21,185	$ 13,000	$ 23,114	$ 11,071

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	**$ 214,478**	**$ 26,780,155**	**$ 26,795,666**	**$ 198,967**
Liabilities				
Accounts payable	$ 14,463	$ 119,984	$ 130,443	$ 4,004
Due to other governments	200,015	26,660,171	26,665,223	194,963
Total Liabilities	**$ 214,478**	**$ 26,780,155**	**$ 26,795,666**	**$ 198,967**

OTHER SCHEDULES

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016

Appropriations and Shared Revenue		
State		
Highway users tax	$	2,575,900
Market value credit		174,460
PERA rate reimbursement		16,742
Disparity reduction aid		50,260
Police aid		48,235
County program aid		147,576
Enhanced 911		80,848
Select Committee on Recycling and the Environment (SCORE)		68,710
Aquatic invasive species aid		15,768
Total appropriations and shared revenue	**$**	**3,178,499**
Reimbursement for Services		
Minnesota Department of Human Services	**$**	**300,500**
Payments		
Local		
Payments in lieu of taxes	$	81,451
Local contributions		12,975
Total payments	**$**	**94,426**
Grants		
State		
Minnesota Department/Board/Office of		
Public Safety	$	1,419
Corrections		13,467
Human Services		618,353
Natural Resources		107,840
Water and Soil Resources		88,274
Veterans Affairs		1,948
Peace Officer Standards and Training Board		2,501
Total state	**$**	**833,802**
Federal		
Department of		
Agriculture	$	74,955
Health and Human Services		770,782
Transportation		1,110,215
Total federal	**$**	**1,955,952**
Total state and federal grants	**$**	**2,789,754**
Total Intergovernmental Revenue	**$**	**6,363,179**

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	**$ 62,175**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction	20.205	84170	$ **1,110,215**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	$ 2,181
Temporary Assistance for Needy Families	93.558	1601MFTANF	48,826
Child Support Enforcement	93.563	1604MNCEST	145,559
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCMA	65
Child Care and Development Block Grant	93.575	G1601MNCCDF	2,362
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRPG	2,751
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	1,158
Foster Care - Title IV-E	93.658	1601MNFOST	78,880
Social Services Block Grant	93.667	16-01MNSOSR	77,343
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	605
Medical Assistance Program	93.778	05-1605MN5ADM	306,167
Block Grants for Community Mental Health Services	93.958	SM010027-16	4,899
Total U.S. Department of Health and Human Services			**$ 670,796**
Total Federal Awards			**$ 1,843,186**

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2016.

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

STEVENS COUNTY
MORRIS, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Reporting Entity

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Stevens County. The County's reporting entity is defined in Note 1 to the basic financial statements. The schedule does not include $471,458 in federal awards expended by the Stevens County Housing and Redevelopment Authority component unit, which was audited by other auditors.

2. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Stevens County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Stevens County, it is not intended to and does not present the financial position or changes in net position of Stevens County.

3. Summary of Significant Accounting Policies

   Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Stevens County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 1,955,952
Unavailable revenue in 2015, recognized as revenue in 2016	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)	(12,780)
Promoting Safe and Stable Families (CFDA No. 93.556)	(520)
Temporary Assistance for Needy Families (CFDA No. 93.558)	(19,431)
Child Support Enforcement (CFDA No. 93.563)	(13,551)
Refugee and Entrant Assistance - State-Administered Programs (CFDA No. 93.566)	(92)
Child Care and Development Block Grant (CFDA No. 93.575)	(140)
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)	(705)
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	(343)
Foster Care - Title IV-E (CFDA No. 93.658)	(5,221)
Chafee Foster Care Independence Program (CFDA No. 93.674)	(1,950)
Medical Assistance Program (CFDA No. 93.778)	(58,033)
Expenditures per Schedule of Expenditures of Federal Awards	$ 1,843,186

Management and Compliance Section

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

Independent Auditor's Report

Board of County Commissioners
Stevens County
Morris, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stevens County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 31, 2017. 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 Questioned Costs, 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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 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 administers no tax increment financing districts.

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 Matter

Also included in the Schedule of Findings and Questioned Costs is an unresolved other matter described as item 2014-001.

Stevens County's Response to Findings

Stevens County's responses to the internal control finding and to the other matter identified in our audit are described in the Corrective Action Plan. 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

August 31, 2017

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

Independent Auditor's Report

Board of County Commissioners
Stevens County
Morris, Minnesota

Report on Compliance for the Major Federal Program

We have audited Stevens County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2016. Stevens County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Stevens County's basic financial statements include the operations of the Stevens County Housing and Redevelopment Authority (HRA) component unit, which expended $471,458 in federal awards during the year ended December 31, 2016, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Stevens County HRA because the HRA was audited by other auditors.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for Stevens County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stevens County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Stevens County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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

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

August 31, 2017

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STEVENS COUNTY
MORRIS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for the major federal program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal program is:

Highway Planning and Construction	CFDA No. 20.205

The threshold for distinguishing between Types A and B programs was $750,000.

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 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: Material audit adjustments were identified 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. The adjustments were found in the audit; however, 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 reviewed and approved by the appropriate County staff and are reflected in the financial statements:

Governmental Activities

- increased revenue (primarily for property taxes, special assessments, and construction) by $2,256,874 for receivables that were deferred on the modified accrual fund level statements but earned on the full accrual basis;

- decreased, thereby eliminated, deferred inflows of resources--unavailable revenue by $1,897,473 as the related revenues (primarily for property taxes, special assessments, construction, and intergovernmental state and federal grants) were recognized as part of prior year net position; and

- decreased capital leases payable by $5,983,987 as the Courthouse lease was eliminated with the issuance of the General Obligation Capital Improvement Plan Bonds, Series 2016A.

General Fund

- decreased cash and pooled investments by $441,516 in the General Fund to record transfers out to the Debt Service Fund as the County Board approved a contribution related to the issuance of the General Obligation Capital Improvement Plan Bonds Plan, Series 2016A.

Debt Service Fund

- increased cash and pooled investments by $441,516 in the Debt Service Fund to record transfers in from the General Fund as the County Board approved a contribution related to the issuance of the General Obligation Capital Improvement Bonds, Series 2016A; and

- decreased thereby eliminated, cash with escrow agent by $6,973,990; increased expenditures for debt service--principle by $744,076; and recorded other financing uses--payment to escrow account of $6,229,914; as the escrow funds were related to long-term liabilities previously held by the Stevens County Housing and Redevelopment Authority (HRA).

Cause: Procedures were not in place to consider the full extent of all entries needed for financial reporting. The Series 2016A issue was complex in that the proceeds of this issue liquidated the Courthouse capital lease and, in substance, defeased the Stevens County HRA's Public Project Revenue Bonds, Series 2009A.

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.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER MATTER

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2014-001

Eligibility Testing

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1605MN5ADM, 2016

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. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. In a sample of 15 case files tested, 5 instances were noted where asset documentation did not adequately support all participant eligibility requirements and/or match the information in the MAXIS system.

We also noted there is no documented process to perform periodic supervisory reviews of case files.

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

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

Effect: Inadequate documentation or the improper input of information into MAXIS increases the risk that a program participant will receive benefits when they are not eligible. The lack of a documented supervisory review process increases the probability that staff errors will go undetected.

Cause: County program personnel entering case information into MAXIS did not ensure all required information was input into MAXIS correctly or that all required information was obtained and/or retained. The County does not have a formal process to perform periodic reviews of case files.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly obtained and input into MAXIS. Consideration should be given to providing additional training to program personnel. We further recommend the County implement a formal process to review case files. Documentation of those reviews, including the results and any corrective actions taken, should be maintained.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEM RESOLVED

2015-001 Budget Deficiencies

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REPRESENTATION OF STEVENS COUNTY
MORRIS, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 2006-002
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Amanda Barsness - County Auditor/Treasurer

Corrective Action Planned:

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

Anticipated Completion Date:

By the start of next audit cycle.

Finding Number: 2014-001
Finding Title: Eligibility Testing
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Mary Zurn - Financial Assistance Supervisor

Corrective Action Planned:

One-on-one training with the worker to ensure proper verifications are received and updated in MAXIS, and that the worker case-notes any adjustments made to asset balances.

Monthly case reviews to make sure that the worker has adopted proper procedure.

Anticipated Completion Date:

I have already spoken with the worker involved and we completed one-on-one training as to the importance of proper case-noting when adjustments are made to asset balances and to note the type of verifications used for cases with asset limits.

We also discussed the need to update MAXIS even if the new bank balance is less than the asset limit so there is no change in eligibility.

Health care reviews will start the week of April 24, 2017, for all workers. At least two cases per worker will be reviewed monthly.

REPRESENTATION OF STEVENS COUNTY
MORRIS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 2006-002
Finding Title: Audit Adjustments

Summary of Condition: Material audit adjustments were proposed that resulted in significant changes to the financial statements. The adjustments were reviewed and approved by the appropriate staff and reflected in the financial statements.

Summary of Corrective Action Previously Reported: The Auditor/Treasurer has been attending trainings and furthering her knowledge on preparing financial statements and year-end entries so that material adjustments can be avoided in the future.

Status: Not Corrected. Please see corrective action plan for explanation.
Was corrective action taken significantly different than the action previously reported?
Yes ______ No ___X___

Finding Number: 2015-001
Finding Title: Budget Deficiencies

Summary of Condition: There were 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 the Human Services Special Revenue Fund.

Summary of Corrective Action Previously Reported: 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.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes ______ No ___X___

Finding Number: 2014-001
Finding Title: Eligibility Testing
Program: Medical Assistance Program (CFDA No. 93.778)

Summary of 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.

Summary of Corrective Action Previously Reported: Stevens County has a new Financial Assistance Supervisor as well as additional new employees receiving training. Once trained, the Supervisor will be working closely with them to ensure they are verifying citizenship and matching what is coded in MAXIS. The Supervisor will be starting case reviews monthly and reviewing those results with all workers, going over errors, and making corrections as needed.

Status: Not Corrected. Please see corrective action plan for explanation.
Was corrective action taken significantly different than the action previously reported?
Yes ______ No ___X___