STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

STEVENS COUNTY
MORRIS, MINNESOTA

YEAR ENDED DECEMBER 31, 2008

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

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

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

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STEVENS COUNTY
MORRIS, MINNESOTA

Year Ended December 31, 2008

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, 2008

			Term Expires
Elected			
Commissioners			
Board Member	Paul Watzke	District 1	January 2013
Board Member	Herb Kloos	District 2	January 2011
Board Member	Neal Hofland*	District 3	January 2009
Chair	Larry Sayre	District 4	January 2013
Board Member	Don Munsterman	District 5	January 2011
Attorney	Charles Glasrud		January 2011
Auditor/Treasurer	Neil Wiese		January 2011
County Recorder	Virginia Mahoney		January 2011
Registrar of Titles	Virginia Mahoney		January 2011
County Sheriff	Randy Willis		January 2011
Appointed			
Assessor	Judy Thorstad		December 2012
County Coordinator	Jim Thoreen		Indefinite
Coroner	Michael Busian, M.D.		Indefinite
Highway Engineer	Brian Giese		Indefinite
Veterans Service Officer	Hugh Reimers		Indefinite
Human Services Director	Joanie Murphy		Indefinite

*Replaced by Ron Staples January 2009

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Stevens County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stevens County, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Stevens County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stevens County as of and for the year ended December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 8, 2009, 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* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

October 8, 2009

MANAGEMENT’S DISCUSSION AND ANALYSIS

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STEVENS COUNTY
MORRIS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(Unaudited)

INTRODUCTION

Stevens County's Management's Discussion and Analysis (MD&A) presents a summary of Stevens County's financial activities for the fiscal year ended December 31, 2008. It will focus on the current year's activities and changes and should be read in combination with Stevens County's financial statements and the notes to the financial statements. Stevens County's activities are governmental in nature, with the exception of a County-owned and run ambulance service.

OVERVIEW OF THE FINANCIAL STATEMENTS

Stevens County's MD&A serves as an introduction to the basic financial statements. Stevens County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.

Management's Discussion and Analysis (Required Supplementary Information)

Government-Wide Financial Statements	**Fund Financial Statements**
Notes to the Financial Statements	

Required Supplementary Information (Other than Management's Discussion and Analysis)

Stevens County presents two government-wide financial statements. They are the Statement of Net Assets and the Statement of Activities. These two government-wide financial statements provide information about the activities of Stevens County as a whole and present a longer-term view of Stevens County's finances. Stevens County's fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how Stevens County financed these services in the short term as well as what remains for future spending. Fund financial statements also report Stevens County's operations in more detail than the government-wide statements by providing information about Stevens County's most significant/major funds. For proprietary activities, these statements provide detailed financial information relating to Stevens County's ambulance service. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about Stevens County as a whole and about its activities in a way that helps the reader determine whether Stevens County's financial condition has improved or declined as a result of the current year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements consider all of Stevens County's current year revenues and expenses regardless of when Stevens County receives the revenue or pays the expense. These two statements report Stevens County's net assets and changes in them. You can think of Stevens County's net assets--the difference between assets and liabilities--as one way to measure Stevens County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in Stevens County's property tax base and the general economic conditions of the state and County, to assess the overall health of Stevens County.

Fund Financial Statements

Fund financial statements are prepared for the County's major funds. These fund statements are divided into governmental and proprietary funds. The governmental funds are constructed on a modified accrual basis and the proprietary funds on a full accrual basis. In Stevens County, a governmental fund balance sheet is provided for General, Road and Bridge Special Revenue, Human Services Special Revenue, Ditch Special Revenue, and nonmajor funds. All but one of Stevens County's basic services are reported in the governmental fund category. Governmental fund statements focus on how money flows into and out of these funds and shows the balances remaining at year-end available for expenditures. The modified accrual accounting method measures cash and other financial assets such as investments that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of Stevens County's general government operations and the basic services it provides. Stevens County's governmental fund information helps determine whether there are financial resources available that Stevens County can spend in the near future to finance its programs. A reconciliation statement follows the fund statements and depicts the relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

The proprietary fund on ambulance operations includes a statement of fund net assets; a statement showing operating and nonoperating revenues, expenses, and the change in net assets; and a statement of cash flows for the year.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are $34,986,138, of which Stevens County has invested $24,449,177 in capital assets, and $1,606,224 is restricted to specific uses by Stevens County; $8,930,737 is unrestricted.

- Proprietary (business-type) activity (ambulance service) includes total net assets of $592,795, of which $282,042 is invested in capital assets; $310,753 is unrestricted.

- Stevens County's total net assets (governmental activities and business-type activities) total $35,578,933, of which $24,731,219 is invested in capital assets, and $1,606,224 of the total net assets is restricted for specific uses; $9,241,490 is unrestricted.

- The expenses of Stevens County's governmental activities for the year were $9,919,651. General property tax revenues and other revenue sources totaling $5,755,677 funded Stevens County's governmental activities' net cost of $4,931,642.

- Stevens County's governmental funds' fund balances decreased by $301,232 during 2008.

- During 2008, Stevens County did not issue any new general obligation debt and does not have any outstanding general obligation debt, but the County does anticipate the issuing of approximately $9,500,000 in late 2009 or early 2010.

- Long-term liabilities due to compensated absences total $412,752, with $187,542 due within one year.

THE COUNTY AS A WHOLE

The analysis that follows focuses on the net assets (Table 1) and changes in net assets (Table 2) of Stevens County's governmental and business-type activities.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	$ 11,744,884	$ 10,830,784	$ 333,464	$ 437,535	$ 12,078,348	$ 11,268,319
Capital assets	24,449,177	24,096,455	282,042	198,551	24,731,219	24,295,006
Total Assets	$ 36,194,061	$ 34,927,239	$ 615,506	$ 636,086	$ 36,809,567	$ 35,563,325
Liabilities						
Long-term debt outstanding	$ 399,859	$ 373,230	$ 12,893	$ 18,347	$ 412,752	$ 391,577
Other liabilities	808,064	391,906	9,818	30,004	817,882	421,910
Total Liabilities	$ 1,207,923	$ 765,136	$ 22,711	$ 48,351	$ 1,230,634	$ 813,487
Net Assets						
Invested in capital assets, net of debt	$ 24,449,177	$ 24,096,455	$ 282,042	$ 198,551	$ 24,731,219	$ 24,295,006
Restricted	1,606,224	734,718	-	-	1,606,224	734,718
Unrestricted	8,930,737	9,330,930	310,753	389,184	9,241,490	9,720,114
Total Net Assets	$ 34,986,138	$ 34,162,103	$ 592,795	$ 587,735	$ 35,578,933	$ 34,749,838

Stevens County's total net assets for the year ended December 31, 2008, total $35,578,933. Unrestricted net assets totaling $9,241,490 are available to Stevens County to finance day-to-day operations. Of the unrestricted net assets, $8,930,737 is available for governmental activities, and $310,753 is available for business-type activities.

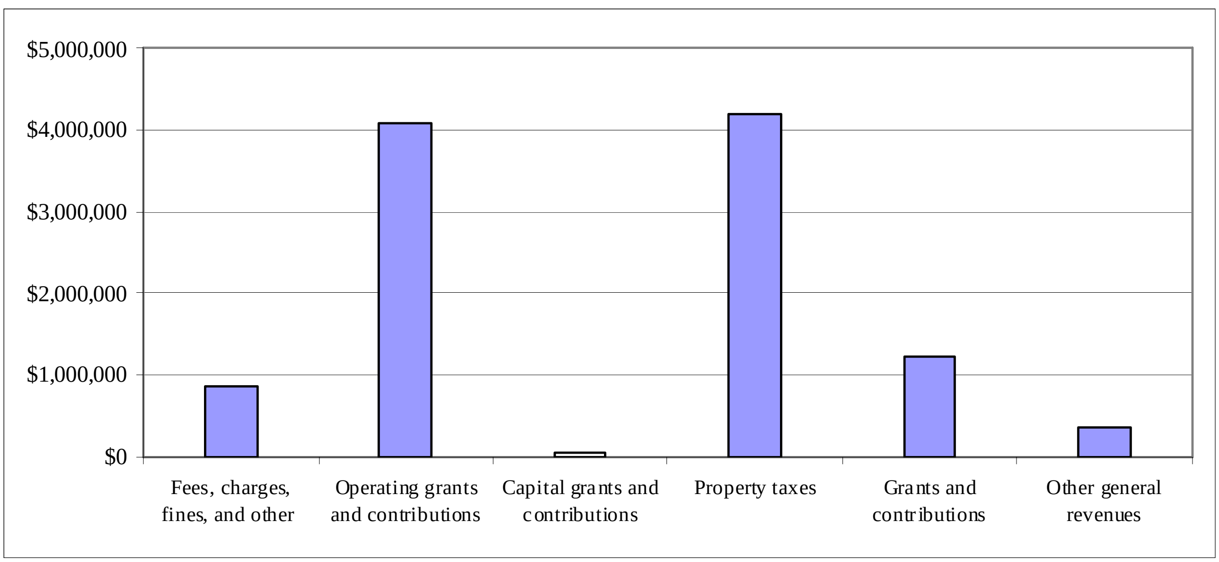
Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Fees, fines, charges, and other	$ 851,915	$ 846,197	$ 1,482,855	$ 1,329,664	$ 2,334,770	$ 2,175,861
Operating grants and contributions	4,079,211	4,033,033	-	-	4,079,211	4,033,033
Capital grants and contributions	56,883	62,907	79,144	-	136,027	62,907
General revenues						
Property taxes	4,189,794	3,689,532	-	-	4,189,794	3,689,532
Payment in lieu of tax	45,029	44,948	-	-	45,029	44,948
Grants and contributions	1,219,508	1,432,098	750	1,000	1,220,258	1,433,098
Other general revenues	301,346	710,799	-	-	301,346	710,799
Total Revenues	$ 10,743,686	$ 10,819,514	$ 1,562,749	$ 1,330,664	$ 12,306,435	$ 12,150,178

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Expenses						
General government	$ 2,393,945	$ 2,203,363	$ -	$ -	$ 2,393,945	$ 2,203,363
Public safety	1,266,317	1,273,187	-	-	1,266,317	1,273,187
Highways and streets	2,933,080	2,802,916	-	-	2,933,080	2,802,916
Sanitation	195,923	185,753	-	-	195,923	185,753
Human services	2,410,406	2,337,354	-	-	2,410,406	2,337,354
Health	114,581	114,246	-	-	114,581	114,246
Culture and recreation	181,160	176,882	-	-	181,160	176,882
Conservation of natural resources	353,727	335,027	-	-	353,727	335,027
Economic development	70,512	76,286	-	-	70,512	76,286
Ambulance	-	-	1,557,689	1,297,958	1,557,689	1,297,958
Total Expenses	$ 9,919,651	$ 9,505,014	$ 1,557,689	$ 1,297,958	$ 11,477,340	$ 10,802,972
Increase (Decrease) in Net Assets	$ 824,035	$ 1,314,500	$ 5,060	$ 32,706	$ 829,095	$ 1,347,206

Stevens County's total revenues for the year ended December 31, 2008, were $12,306,435. The total cost of Stevens County's programs and services for the year ended December 31, 2008, was $11,477,340. The net assets for Stevens County increased by $829,095.

Governmental Activities - Revenues



Governmental Activities

Revenues for Stevens County's governmental activities for 2008 were $10,743,686. Stevens County's costs for all governmental activities for 2008 were $9,919,651. As shown in Stevens County's Statement of Activities, the amount that Stevens County taxpayers ultimately financed for these governmental activities through local property taxation was $4,189,794, because $851,915 of the cost was paid by those who directly benefited from the programs, and

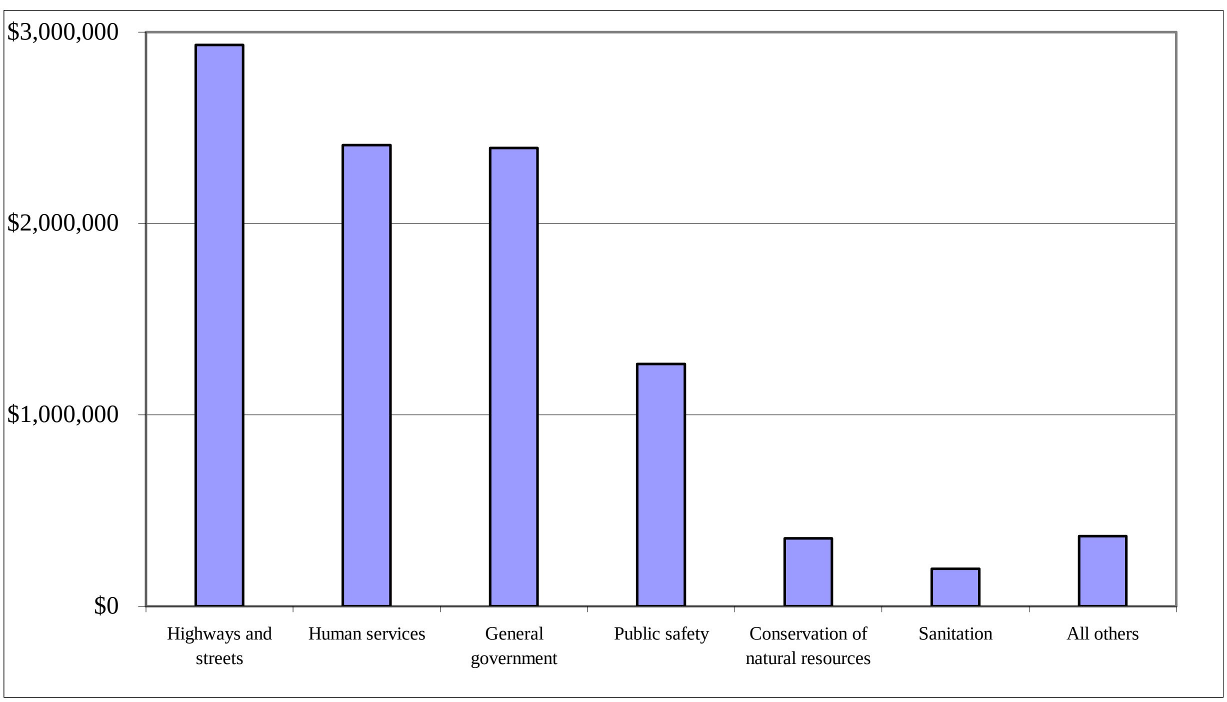
$4,136,094 was paid by other governments and organizations that subsidized certain programs with operating and capital grants and contributions. Stevens County paid for the remaining "public benefit" portion of governmental activities with $1,219,508 in other grants and contributions, interest income of $281,538, payments in lieu of taxes of $45,029, and other miscellaneous income of $19,808.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Program expenses				
Highways and streets	$ 2,933,080	$ 2,802,916	$ 285,751	$ 117,080
Human services	2,410,406	2,337,354	1,056,190	1,049,571
General government	2,393,945	2,203,363	1,978,452	1,854,982
Public safety	1,266,317	1,273,187	1,030,277	998,191
Conservation of natural resources	353,727	335,027	237,901	143,372
Sanitation	195,923	185,753	45,068	32,267
All others	366,253	367,414	298,003	367,414
Total Program Expenses	$ 9,919,651	$ 9,505,014	$ 4,931,642	$ 4,562,877

Governmental Activities - Expenses



Business-Type Activities

Operating revenues of Stevens County's business-type activities (see Exhibit 8) for the year ended December 31, 2008, were $1,482,855, and nonoperating revenues were $79,894. Expenses of Stevens County's business-type activities (see Table 2) for 2008 were $1,557,689, resulting in a net change in net assets of $5,060. This compares with total operating revenues of $1,329,664 and total nonoperating revenues of $1,000 for the year ended December 31, 2007. Operating expenses were $1,297,958 for the year ended December 31, 2007, resulting in a change in net assets of $32,706.

THE COUNTY'S FUNDS

At December 31, 2008, the governmental funds (see the balance sheet) showed a combined fund balance of $9,241,280 that is below last year's total of $9,542,512 by $301,232 after adjusting for a decrease in inventory for the Road and Bridge Special Revenue Fund of $12,500.

General Fund Budgetary Highlights

The Stevens County Board of Commissioners did not make any budgetary amendments/revisions in 2008.

General Fund actual revenues exceeded budget expectations by $41,239, although taxes collected were $149,804 less, investment earnings were $152,445 less, and charges for services were $196,331 less than budgeted; this was offset by intergovernmental revenue greater than budgeted of $550,237. Actual expenditures exceeded budgeted expenditures by $733,679.

Other variations from the budget occurred when the County Board spent $603,188 on the courthouse renovation project earlier than budgeted for.

Another variation resulted from the unbudgeted transactions from a gas tax passed through to the townships in the amount of $192,420, shown as intergovernmental revenue and intergovernmental expenditures in the financial statements.

Also, the Commissioners approved an unbudgeted request for $68,250 for snowmobile trails, which was offset by a state grant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Land	$ 883,026	$ 883,026	$ 6,000	$ 6,000
Construction in progress	565,075	39,521	-	-
Other improvements	96,381	77,175	-	-
Buildings and improvements	1,019,283	1,070,130	46,615	52,441
Machinery, furniture, and equipment	1,419,094	1,355,709	229,427	140,110
Infrastructure	20,466,318	20,670,894	-	-
Totals	$ 24,449,177	$ 24,096,455	$ 282,042	$ 198,551

Debt

Stevens County's long-term liabilities are for compensated absences, and the County has no debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The planned 2009 courthouse renovation and new law enforcement center will cause significant increases in the tax levy in future years. Effects of this will be a proposed decrease in fund reserves of up to $4,000,000 and the County bonding for approximately $10,000,000 in debt.

- Stevens County's unemployment rate is increasing following statewide trends.

- There is a greater demand for services during this economic downturn.

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CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Stevens County's financial reports provide citizens, taxpayers, customers, investors, and creditors with a general overview of Stevens County's finances, and it shows Stevens County's accountability for the money it receives and spends.

If you have questions about this report, or need additional financial information, contact Neil Wiese, Stevens County Auditor/Treasurer, by phone at 320-589-7409, by email at neilwiese@co.stevens.mn.us, or by mail to Stevens County Courthouse, 400 Colorado Avenue, Morris, Minnesota 56267. The complete 2008 financial statements can also be found on the County website at http://www.co.stevens.mn.us/docs/departments/auditor/default.html.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	$ 9,572,689	$ 84,948	$ 9,657,637
Taxes receivable			
Current - net	17,060	-	17,060
Prior - net	5,907	-	5,907
Special assessments receivable			
Current - net	6,583	-	6,583
Deferred - net	272,025	-	272,025
Accounts receivable - net	20,200	243,887	264,087
Accrued interest receivable	81,957	-	81,957
Internal balances	(1,451)	1,451	-
Due from other governments	1,631,010	3,178	1,634,188
Inventories	138,904	-	138,904
Capital assets			
Non-depreciable	1,448,101	6,000	1,454,101
Depreciable - net of accumulated depreciation	23,001,076	276,042	23,277,118
Total Assets	**$ 36,194,061**	**$ 615,506**	**$ 36,809,567**
Liabilities			
Accounts payable	$ 112,279	$ 2,842	$ 115,121
Salaries payable	39,537	6,596	46,133
Contracts payable	366,644	-	366,644
Due to other governments	148,827	380	149,207
Permit deposits	2,305	-	2,305
Unearned revenue	138,472	-	138,472
Long-term liabilities			
Due within one year	180,148	7,394	187,542
Due in more than one year	219,711	5,499	225,210
Total Liabilities	**$ 1,207,923**	**$ 22,711**	**$ 1,230,634**
Net Assets			
Invested in capital assets - net of related debt	$ 24,449,177	$ 282,042	$ 24,731,219
Restricted for			
General government	150,844	-	150,844
Public safety	56,941	-	56,941
Highways and streets	1,397,547	-	1,397,547
Held in trust for other purposes	892	-	892
Unrestricted	8,930,737	310,753	9,241,490
Total Net Assets	**$ 34,986,138**	**$ 592,795**	**$ 35,578,933**

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

STEVENS COUNTY
MORRIS, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary government		
Governmental activities		
General government	$ 2,393,945	$ 271,476
Public safety	1,266,317	62,774
Highways and streets	2,933,080	261,875
Sanitation	195,923	95,855
Human services	2,410,406	159,935
Health	114,581	-
Culture and recreation	181,160	-
Conservation of natural resources	353,727	-
Economic development	70,512	-
Total governmental activities	**$ 9,919,651**	**$ 851,915**
Business-type activities		
Ambulance	1,557,689	1,482,855
Total Primary Government	**$ 11,477,340**	**$ 2,334,770**

General Revenues
Property taxes
Grants and contributions not restricted to specific programs
Payments in lieu of tax
Investment income
Miscellaneous

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

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

EXHIBIT 2

Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
$ 144,017	$ -	$ (1,978,452)	$ -	$ (1,978,452)
173,266	-	(1,030,277)	-	(1,030,277)
2,328,571	56,883	(285,751)	-	(285,751)
55,000	-	(45,068)	-	(45,068)
1,194,281	-	(1,056,190)	-	(1,056,190)
-	-	(114,581)	-	(114,581)
68,250	-	(112,910)	-	(112,910)
115,826	-	(237,901)	-	(237,901)
-	-	(70,512)	-	(70,512)
$ 4,079,211	**$ 56,883**	**$ (4,931,642)**	**$ -**	**$ (4,931,642)**
-	79,144	-	4,310	4,310
$ 4,079,211	**$ 136,027**	**$ (4,931,642)**	**$ 4,310**	**$ (4,927,332)**
		$ 4,189,794	$ -	$ 4,189,794
		1,219,508	750	1,220,258
		45,029	-	45,029
		281,538	-	281,538
		19,808	-	19,808
		$ 5,755,677	**$ 750**	**$ 5,756,427**
		$ 824,035	**$ 5,060**	**$ 829,095**
		34,162,103	**587,735**	**34,749,838**
		$ 34,986,138	**$ 592,795**	**$ 35,578,933**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General	Road and Bridge	Human Services	Ditch	Solid Waste Nonmajor Governmental Fund	Total Governmental Funds
Assets						
Cash and pooled investments	$ 3,452,949	$ 1,234,690	$ 4,084,194	$ 252,065	$ 480,559	$ 9,504,457
Petty cash and change funds	5,450	50	-	-	-	5,500
Undistributed cash in agency funds	23,507	5,985	9,303	2,956	981	42,732
Cash with fiscal agent	20,000	-	-	-	-	20,000
Taxes receivable						
Current	9,226	3,067	4,767	-	-	17,060
Prior	3,122	1,118	1,667	-	-	5,907
Special assessments						
Current	-	-	-	6,583	-	6,583
Deferred	-	-	-	272,025	-	272,025
Accounts receivable	17	-	18,241	-	1,942	20,200
Accrued interest receivable	81,957	-	-	-	-	81,957
Due from other funds	59,968	3,283	-	-	-	63,251
Due from other governments	42,743	1,458,235	130,032	-	-	1,631,010
Advance to other funds	143,000	-	-	-	-	143,000
Inventories	-	138,904	-	-	-	138,904
Total Assets	**$ 3,841,939**	**$ 2,845,332**	**$ 4,248,204**	**$ 533,629**	**$ 483,482**	**$ 11,952,586**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 3
(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General	Road and Bridge	Human Services	Ditch	Solid Waste Nonmajor Governmental Fund	Total Governmental Funds
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 42,567	$ 13,160	$ 56,267	$ 285	$ -	$ 112,279
Salaries payable	4,783	30,044	4,710	-	-	39,537
Compensated absences	-	-	7,776	-	-	7,776
Contracts payable	279,069	87,575	-	-	-	366,644
Due to other funds	1,555	-	5,922	-	57,225	64,702
Due to other governments	51,880	5,004	84,769	7,174	-	148,827
Deferred revenue - unavailable	50,107	1,338,671	19,225	278,227	1,534	1,687,764
Deferred revenue - unearned	9,417	-	129,055	-	-	138,472
Permit deposits	-	2,305	-	-	-	2,305
Advance from other funds	-	-	-	143,000	-	143,000
Total Liabilities	**$ 439,378**	**$ 1,476,759**	**$ 307,724**	**$ 428,686**	**$ 58,759**	**$ 2,711,306**
Fund Balances						
Reserved for						
Encumbrances	$ -	$ 69,438	$ -	$ -	$ -	$ 69,438
Advance to other funds	143,000	-	-	-	-	143,000
Inventories	-	138,904	-	-	-	138,904
Real estate tax shortfall	84,496	-	-	-	-	84,496
Sheriff's contingency	204	-	-	-	-	204
HAVA	8,319	-	-	-	-	8,319
DARE	15,464	-	-	-	-	15,464
Missing heirs	892	-	-	-	-	892
Recorder's compliance fund	40,924	-	-	-	-	40,924
Recorder's equipment purchases	17,105	-	-	-	-	17,105
Enhanced 911	41,273	-	-	-	-	41,273
Unreserved						
Designated for						
Future expenditures	300,000	150,000	150,000	-	-	600,000
Cash flows	1,078,680	867,668	1,206,164	-	-	3,152,512
Capital improvements	1,500,000	-	2,500,000	-	-	4,000,000
Compensated absences	172,204	142,563	77,316	-	-	392,083
Undesignated	-	-	7,000	104,943	-	111,943
Unreserved, reported in nonmajor						
Special revenue funds	-	-	-	-	424,723	424,723
Total Fund Balances	**$ 3,402,561**	**$ 1,368,573**	**$ 3,940,480**	**$ 104,943**	**$ 424,723**	**$ 9,241,280**
Total Liabilities and Fund Balances	**$ 3,841,939**	**$ 2,845,332**	**$ 4,248,204**	**$ 533,629**	**$ 483,482**	**$ 11,952,586**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2008

Fund balance - total governmental funds (Exhibit 3)	**$**	**9,241,280**
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		24,449,177
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,687,764
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences		(392,083)
Net Assets of Governmental Activities (Exhibit 1)	**$**	**34,986,138**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Road and Bridge	Human Services	Ditch	Solid Waste Nonmajor Governmental Fund	Total
Revenues						
Taxes	$ 2,308,887	$ 736,234	$ 1,144,170	$ -	$ -	$ 4,189,291
Special assessments	-	-	-	220,059	-	220,059
Licenses and permits	12,043	-	-	-	-	12,043
Intergovernmental	1,351,574	1,545,115	1,526,411	-	-	4,423,100
Charges for services	177,309	123,451	110,506	-	85,584	496,850
Fines and forfeits	15,473	-	4,647	-	-	20,120
Investment earnings	247,555	-	-	8,878	-	256,433
Miscellaneous	151,966	130,444	44,782	-	7,200	334,392
Total Revenues	**$ 4,264,807**	**$ 2,535,244**	**$ 2,830,516**	**$ 228,937**	**$ 92,784**	**$ 9,952,288**
Expenditures						
Current						
General government	$ 2,745,543	$ -	$ -	$ -	$ -	$ 2,745,543
Public safety	1,292,896	-	-	-	-	1,292,896
Highways and streets	-	2,689,792	-	-	-	2,689,792
Sanitation	180,358	-	-	-	7,615	187,973
Human services	-	-	2,412,328	-	-	2,412,328
Health	114,581	-	-	-	-	114,581
Culture and recreation	181,160	-	-	-	-	181,160
Conservation of natural resources	298,237	-	-	55,578	-	353,815
Economic development	70,512	-	-	-	-	70,512
Intergovernmental						
Highways and streets	192,420	-	-	-	-	192,420
Total Expenditures	**$ 5,075,707**	**$ 2,689,792**	**$ 2,412,328**	**$ 55,578**	**$ 7,615**	**$ 10,241,020**
Excess of Revenues Over (Under) Expenditures	**$ (810,900)**	**$ (154,548)**	**$ 418,188**	**$ 173,359**	**$ 85,169**	**$ (288,732)**
Other Financing Sources (Uses)						
Transfers in	$ 57,020	$ -	$ -	$ -	$ -	$ 57,020
Transfers out	-	-	-	-	(57,020)	(57,020)
Total Other Financing Sources (Uses)	**$ 57,020**	**$ -**	**$ -**	**$ -**	**$ (57,020)**	**$ -**
Change in Fund Balance	**$ (753,880)**	**$ (154,548)**	**$ 418,188**	**$ 173,359**	**$ 28,149**	**$ (288,732)**
Fund Balance - January 1	**4,156,441**	**1,535,621**	**3,522,292**	**(68,416)**	**396,574**	**9,542,512**
Increase (decrease) in reserved for inventories	**-**	**(12,500)**	**-**	**-**	**-**	**(12,500)**
Fund Balance - December 31	**$ 3,402,561**	**$ 1,368,573**	**$ 3,940,480**	**$ 104,943**	**$ 424,723**	**$ 9,241,280**

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

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, 2008

Net change in fund balance - total governmental funds (Exhibit 5)		**$ (288,732)**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Deferred revenue - December 31	$ 1,687,764	
Deferred revenue - January 1	(896,366)	791,398
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.		
Expenditures for general capital assets and infrastructure	$ 1,409,104	
Current year depreciation	(1,056,382)	352,722
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 the governmental funds.		
Change in compensated absences	$ (18,853)	
Change in inventories	(12,500)	(31,353)
Change in Net Assets of Governmental Activities (Exhibit 2)		**$ 824,035**

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PROPRIETARY FUND

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 7

STATEMENT OF NET ASSETS
AMBULANCE ENTERPRISE FUND
DECEMBER 31, 2008

Assets		
Current assets		
Cash and pooled investments	$	83,748
Petty cash and change funds		1,200
Accounts receivable - net		243,887
Due from other funds		3,328
Due from other governments		3,178
Total current assets	**$**	**335,341**
Noncurrent assets		
Capital assets		
Nondepreciable	$	6,000
Depreciable - net		276,042
Total noncurrent assets	**$**	**282,042**
Total Assets	**$**	**617,383**
Liabilities		
Current liabilities		
Accounts payable	$	2,842
Salaries payable		6,596
Compensated absences payable - current		7,394
Due to other funds		1,877
Due to other governments		380
Total current liabilities	**$**	**19,089**
Noncurrent liabilities		
Compensated absences payable - long-term		5,499
Total Liabilities	**$**	**24,588**
Net Assets		
Invested in capital assets	$	282,042
Unrestricted		310,753
Total Net Assets	**$**	**592,795**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
AMBULANCE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

Operating Revenues		
Charges for services	$	1,459,791
Miscellaneous		23,064
Total Operating Revenues	**$**	**1,482,855**
Operating Expenses		
Personal services	$	592,800
Ambulance operations		203,453
Emergency medical services training		15,100
Bad debts		676,479
Depreciation		69,857
Total Operating Expenses	**$**	**1,557,689**
Operating Income (Loss)	**$**	**(74,834)**
Nonoperating Revenues (Expenses)		
Intergovernmental	$	79,144
Gifts and contributions		750
Total Nonoperating Revenues (Expenses)	**$**	**79,894**
Change in Net Assets	**$**	**5,060**
Net Assets - January 1		**587,735**
Net Assets - December 31	**$**	**592,795**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
AMBULANCE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities		
Receipts from customers and users	$	852,968
Payments to suppliers		(226,530)
Payments to employees		(612,487)
Net cash provided by (used in) operating activities	**$**	**13,951**
Cash Flows from Noncapital Financing Activities		
Contributions	**$**	**750**
Cash Flows from Capital and Related Financing Activities		
Capital grants	$	79,144
Purchases of capital assets		(153,348)
Net cash provided by (used in) capital and related financing activities	**$**	**(74,204)**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(59,503)**
Cash and Cash Equivalents at January 1		**144,451**
Cash and Cash Equivalents at December 31	**$**	**84,948**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**(74,834)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	69,857
Bad debts expense		676,479
(Increase) decrease in accounts receivable		(630,323)
(Increase) decrease in due from other governments		516
(Increase) decrease in due from other funds		(80)
Increase (decrease) in accounts payable		(6,333)
Increase (decrease) in salaries payable		(14,233)
Increase (decrease) in compensated absences - current		(3,516)
Increase (decrease) in due to other funds		(2,024)
Increase (decrease) in due to other governments		380
Increase (decrease) in compensated absences - long-term		(1,938)
Total adjustments	**$**	**88,785**
Net Cash Provided by (Used in) Operating Activities	**$**	**13,951**

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

STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 9
(Continued)

STATEMENT OF CASH FLOWS
AMBULANCE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008
Increase (Decrease) in Cash and Cash Equivalents

Cash and Cash Equivalents - Exhibit 7		
Cash and pooled investments	$	83,748
Petty cash and change funds		1,200
Total Cash and Cash Equivalents	**$**	**84,948**

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

FIDUCIARY FUNDS

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STEVENS COUNTY
MORRIS, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008

		Agency Funds
Assets		
Cash and pooled investments	**$**	**765,105**
Liabilities		
Due to other governments	$	753,863
Advance taxes		11,242
Total Liabilities	**$**	**765,105**

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

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. 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. 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.

Joint Ventures

The County participates in several joint ventures described in Note 7.C. The County also participates in jointly-governed organizations and a related organization described in Note 7.D. and Note 7.E., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      1. Government-Wide Statements (Continued)

counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. 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 and different business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

      2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. The remaining governmental fund, the Solid Waste Special Revenue Fund, is reported as a nonmajor fund.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

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 required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

The County reports the following major enterprise fund:

The Ambulance Enterprise Fund is used to account for the operations of the County ambulance service. Financing is provided by user service charges and a County subsidy.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

         Additionally, the County reports the following 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, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

   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 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 long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2008 were $256,433.

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

3. 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).

1. Summary of Significant Accounting Policies

   D. Assets, Liabilities, and Net Assets or Equity

      3. Receivables and Payables (Continued)

         All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

         All receivables are shown net of an allowance for uncollectibles.

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

      4. Inventories

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

      5. Capital Assets

         Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

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

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

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Deferred Revenue

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

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

10. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Ditch Fund Deficits

Of 30 drainage systems, 4 have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the Ditch Special Revenue Fund as of December 31, 2008.

Account balances	$	231,542
Account deficits		(126,599)
Fund Balance	$	104,943

For internal purposes, the County accounts for its ditches on the accrual basis. Under the full accrual basis where revenues are recognized when earned, the Ditch Special Revenue Fund reports a positive fund balance of $383,170 with only one ditch reporting a deficit.

B. Excess of Expenditures Over Budget

The General Fund had expenditures in excess of budget for the year ended December 31, 2008. Final budget was $4,342,028, which was less than actual expenditures of $5,075,707 by $733,679.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Cash and pooled investments		
Governmental activities	$	9,572,689
Business-type activities		84,948
Fiduciary funds - agency funds		765,105
Total Cash and Investments	$	10,422,742

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by 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, 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 that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2008, the County's deposits were not exposed to custodial credit risk.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

(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;

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(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.

The County does not have additional policies for the investment risks, described below, beyond complying with the requirements of Minnesota statutes.

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.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2008, $2,136,299 of marketable certificates of deposit, $1,809,560 of repurchase agreements, and $2,992,185 of government securities were exposed to custodial credit risk because they were held by the counterparty.

Concentration of Credit Risk

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table represents the County's cash and investment balances at December 31, 2008, 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	AAA	Moody's		07/01/2011	$ 117,695
Federal National Mortgage Association	AAA	Moody's		06/03/2013	502,969
Federal National Mortgage Association	AAA	Moody's		01/30/2023	400,621
Federal National Mortgage Association	AAA	Moody's		02/13/2023	501,901
Federal National Mortgage Association	AAA	Moody's		02/21/2023	501,246
Federal National Mortgage Association	AAA	Moody's		03/03/2023	200,092
Federal National Mortgage Association	AAA	Moody's		06/30/2023	300,715
Total Federal National Mortgage Association			24.7%		$ 2,525,239
Federal Home Loan Mortgage Corporation	AAA	Moody's		05/28/2013	$ 251,090
Federal Home Loan Mortgage Corporation	AAA	Moody's		05/01/2014	83,234
Federal Home Loan Mortgage Corporation	AAA	Moody's		09/01/2018	86,386
Total Federal Home Loan Mortgage Corporation			<5.0%		$ 420,710
Federal Home Loan Bank	AAA	Moody's	<5.0%	10/22/2012	$ 216,557
Small Business Administration Loan Pool	N/R	N/A		09/25/2012	$ 36,214
Small Business Administration Loan Pool	N/R	N/A		06/25/2020	70,853
Small Business Administration Loan Pool	N/R	N/A		07/25/2020	33,264
Small Business Administration Loan Pool	N/R	N/A		11/25/2021	29,574
Small Business Administration Loan Pool	N/R	N/A		07/25/2023	56,848
Small Business Administration Loan Pool	N/R	N/A		07/25/2023	21,477
Small Business Administration Loan Pool	N/R	N/A		04/25/2024	7,807
Small Business Administration Loan Pool	N/R	N/A		04/25/2024	86,250
Small Business Administration Loan Pool	N/R	N/A		10/25/2024	81,851
Small Business Administration Loan Pool	N/R	N/A		11/25/2025	62,839
Total Small Business Administration Loan Pool			<5.0%		$ 486,977
United States Department of Agriculture Loan Pool	N/R	N/A		04/01/2011	$ 187,839
United States Department of Agriculture Loan Pool	N/R	N/A		03/02/2012	199,884
Total United States Department of Agriculture Loan Pool			<5.0%		$ 387,723

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Investment pools/mutual funds					
MAGIC Fund	N/A	N/A	N/A		$ 1,269,663
Negotiable certificates of deposit	N/A	N/A	N/A		$ 3,090,971
Repurchase agreements	N/A	N/A	N/A		$ 1,809,560
Total investments					$ 10,207,400
Deposits					208,642
Change funds					6,700
Total Cash and Investments					$ 10,422,742

N/A - Not Applicable
N/R - Not Rated

2. Receivables

Receivables as of December 31, 2008, for the County's governmental activities and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 22,967	$ -
Special assessments	278,608	134,323
Accounts	20,200	-
Interest	81,957	-
Due from other governments	1,631,010	-
Total Governmental Activities	$ 2,034,742	$ 134,323

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables		Amounts Not Scheduled for Collection During the Subsequent Year	
Business-Type Activities				
Accounts - net	$	243,887	$	-
Due from other governments		3,178		-
Total Business-Type Activities	$	247,065	$	-

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

Governmental Activities

	Beginning Balance		Increase		Decrease		Ending Balance	
Capital assets not depreciated								
Land	$	883,026	$	-	$	-	$	883,026
Construction in progress		39,521		527,077		1,523		565,075
Total capital assets not depreciated	$	922,547	$	527,077	$	1,523	$	1,448,101
Capital assets depreciated								
Improvements other than buildings	$	116,586	$	25,626	$	-	$	142,212
Building improvements		5,939		9,006		-		14,945
Buildings		2,910,331		-		-		2,910,331
Machinery, furniture, and equipment		3,841,174		371,328		6,172		4,206,330
Infrastructure		31,716,966		477,590		-		32,194,556
Total capital assets depreciated	$	38,590,996	$	883,550	$	6,172	$	39,468,374
Less: accumulated depreciation for								
Improvements other than buildings	$	39,411	$	6,420	$	-	$	45,831
Building improvements		1,213		447		-		1,660
Buildings		1,844,927		59,406		-		1,904,333
Machinery, furniture, and equipment		2,485,465		307,943		6,172		2,787,236
Infrastructure		11,046,072		682,166		-		11,728,238
Total accumulated depreciation	$	15,417,088	$	1,056,382	$	6,172	$	16,467,298
Total capital assets depreciated, net	$	23,173,908	$	(172,832)	$	-	$	23,001,076
Governmental Activities Capital Assets, Net	$	24,096,455	$	354,245	$	1,523	$	24,449,177

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 6,000	$ -	$ -	$ 6,000
Capital assets depreciated				
Land improvements	$ 10,042	$ -	$ -	$ 10,042
Buildings	145,660	-	-	145,660
Machinery, furniture, and equipment	455,169	160,248	-	615,417
Total capital assets depreciated	$ 610,871	$ 160,248	$ -	$ 771,119
Less: accumulated depreciation for				
Land improvements	$ 10,042	$ -	$ -	$ 10,042
Buildings	93,219	5,826	-	99,045
Machinery, furniture, and equipment	315,059	70,931	-	385,990
Total accumulated depreciation	$ 418,320	$ 76,757	$ -	$ 495,077
Total capital assets depreciated, net	$ 192,551	$ 83,491	$ -	$ 276,042
Business-Type Activities Capital Assets, Net	$ 198,551	$ 83,491	$ -	$ 282,042

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

Governmental Activities	
General government	$ 114,544
Public safety	51,495
Highways and streets, including depreciation of infrastructure assets	864,791
Human services	19,096
Sanitation	6,456
Total Depreciation Expense - Governmental Activities	$ 1,056,382
Business-Type Activities	
Ambulance	$ 69,857

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services	$ 2,594
	Solid Waste	57,020
	Ambulance	354
Total due to General Fund		$ 59,968
Road and Bridge	General	$ 1,555
	Solid Waste	205
	Ambulance	1,523
Total due to Road and Bridge Fund		$ 3,283
Ambulance	Human Services	$ 3,328
Total Due To/From Other Funds		$ 66,579

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

2. Advance From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch	$ 143,000

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

3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfer to General Fund from Solid Waste Special Revenue Fund	$ 57,020	Provide funding for recycling activities

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	$ 112,279	$ 2,842
Salaries	39,537	6,596
Contracts	366,644	-
Due to other governments	148,827	380
Permit deposits	2,305	-
Total Payables	$ 669,592	$ 9,818

2. Deferred Revenue

Deferred revenue as of December 31, 2008, for the County's governmental funds are as follows:

	Deferred Unavailable	Deferred Unearned
Governmental funds		
Taxes and special assessments	$ 292,290	$ -
State-aid highway allotments	1,328,109	-
Charges for services	9,514	-
Grants	17,274	138,472
Interest	40,577	-
Total Governmental Funds	$ 1,687,764	$ 138,472

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Construction and Other Significant Commitments

On October 7, 2008, the County Board entered into a contract with Kimball Excavating for gravel crushing. No work took place in 2008, and the County did not make a payment in 2008. On June 22, 2009, the County Board awarded this contract to B. McNamara for $98,832 due to Kimball Excavating defaulting on the original contract.

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 373,230	$ 359,326	$ 332,697	$ 399,859	$ 180,148

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 18,347	$ 22,912	$ 28,366	$ 12,893	$ 7,394

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

4. Pension Plans

A. Defined Benefit Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, and all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate increased to 9.4 percent in 2009.

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	2008	2009
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10

4. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2008	2007	2006
Public Employees Retirement Fund	$ 302,198	$ 264,615	$ 225,814
Public Employees Police and Fire Fund	43,819	39,525	28,957

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5.0 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

4. Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2008, were:

	Employee	Employer
Contribution amount	$ 4,530	$ 4,530
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.0 percent.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $410,000 per claim in 2008 and $430,000 per claim in 2009. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Conduit Debt

In 2007, Riverview Dairy of MN, LLP, issued $6,000,000 Solid Waste Disposal Revenue Bonds, Series 2007, to finance solid waste disposal components of the company's addition to its dairy facility. The project is deemed to be in the public interest. Neither the County, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of December 31, 2008, the outstanding principal amount was $6,000,000.

7. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

B. Claims and Litigation

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 County.

C. Joint Ventures

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1992, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. In 2005, the Area Agency on Aging became part of a larger planning and service area, covering 21 counties. This is a partnership between Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. The combined area on aging, known as the Land of the Dancing Sky Area on Aging, was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

West Central Area Agency on Aging (Continued)

elderly in the 21-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

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

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

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

Complete financial information can be obtained from:

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

Mid-State Community Health Services

Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating the Mid-State Community Health Services, pursuant to Minn. Stat. § 471.59. During 1994, Stevens Traverse Grant Public Health Nursing Service began receiving and administering the grant money.

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Mid-State Community Health Services (Continued)

Complete financial information can be obtained from:

Mid-State Community Health Services
621 Pacific Avenue
Morris, Minnesota 56267

Stevens Traverse Grant Public Health Nursing Service

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

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

Financing is provided by state grants; appropriations from Stevens, Traverse, and Grant Counties; and charges for services. Stevens County's contribution for 2008 was $111,948 based on a Cost Allocation Plan developed by Fiscal Officer, Karen Folkens.

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

Stevens Traverse Grant Public Health Nursing Service
621 Pacific Avenue
Morris, Minnesota 56267

Rainbow Rider Transit Board

Douglas, 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

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rainbow Rider Transit Board (Continued)

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. The Board consists of two members appointed by each member county from its County Board for terms of one year each.

Complete financial information can be obtained from:

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

Minnesota River Basin Joint Powers Board

The Minnesota River Basin Joint Powers Board was established July 12, 1995, by an agreement between Stevens County and 30 other counties. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

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

Control is vested in an executive board of five officers elected from the membership of the Joint Powers Board, consisting of one representative and alternate from each County Board of Commissioners included in this agreement.

During 2008, Stevens County did not contribute any funds to the Joint Powers Board. Complete financial information can be obtained from:

Minnesota River Basin Joint Powers Board
Administration Building No. 14
600 East 4th Street
Chaska, Minnesota 55318

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

PrimeWest Central County-Based Purchasing Initiative

The PrimeWest Central County-Based Purchasing Initiative was established December 1998 by a joint powers agreement among Stevens County and nine other counties under the authority of Minn. Stat. § 471.59. The purpose of this agreement is to plan and administer a multi-county, county-based purchasing program for medical assistance and general assistance medical care services and other health care programs as authorized by Minn. Stat. § 256B.692.

Control of the PrimeWest Central County-Based Purchasing Initiative is vested in a Joint Powers Board, comprised of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the joint powers agreement, all property purchased or 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.

Financing is provided by medical assistance and general assistance medical care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs.

Complete financial information can be obtained from:

PrimeWest Health Systems
Douglas County Courthouse
305 - 8th Avenue West
Alexandria, Minnesota 56308

Regional Fitness Center

Stevens County, along with the University of Minnesota, the City of Morris, and Independent School District No. 769, entered into a joint powers agreement under the authority of Minn. Stat. § 471.59 to establish and construct a Regional Fitness Center.

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Regional Fitness Center (Continued)

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

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

Financing is provided by the 1998 Minnesota legislative appropriation of $2,500,000 to the University of Minnesota and contributions in the amount of $2,500,000 from the other parties to this agreement. Stevens County's share, $200,000, was paid over a period of five years. Operational and maintenance expenses will be covered by membership fees and other income generated by the Regional Fitness Center. During 2008, 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.

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Pomme de Terre River Association (Continued)

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

During 2008, Stevens County did not contribute any funds to the Joint Powers Board.

Complete financial information can be obtained from:

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

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 June 5, 2007. The Board consists of 12 members, which include an appointed Commissioner from each participating county. McLeod County is the fiscal agent. The primary purpose of the joint venture is to improve the health and life-course of low-income, first-time mothers and their children. The joint venture is financed primarily by contributions from participating counties.

Complete financial information can be obtained from:

Supporting Hands Nurse Family Partnership Board
2385 Hennepin Avenue N.
Glencoe, Minnesota 55336

Central Minnesota Regional Radio 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, and includes the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Central Minnesota Regional Radio Board (Continued)

The purpose of the Central Minnesota Regional Radio 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.

Control of the Central Minnesota Regional Radio Board is vested in the Central Minnesota Regional Radio Board, which is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Central Minnesota Regional Radio Board's by-laws.

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

The Central Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. Complete financial information can be obtained from:

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

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

D. Jointly-Governed Organizations

Stevens County, in conjunction with other governmental entities and various private organizations, formed the jointly-governed organizations listed below.

Western Area City/County Co-op

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

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.

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 No. 771, the Stevens Traverse Grant Public Health Nursing Service, the Stevens Community Medical Center, and Rural Minnesota CEP, Inc. The purpose of the Collaborative is to provide coordinated family services and to commit resources to an integrated fund.

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

7. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Stevens County Family Services Collaborative (Continued)

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

Financing is provided by state and federal grants and contributions from its member parties. Stevens County, in an agent capacity, reports the cash transactions of the Stevens County Family Services Collaborative as an agency fund on its financial statements. During 2008, the County did not contribute any funds to the Collaborative.

E. Related Organization

Stevens County Housing and Redevelopment Authority

The County Board chair appoints a voting majority on the Stevens County Housing and Redevelopment Authority (HRA). In 2008, Stevens County did not appropriate any funds to the HRA. The County's accountability for the organization does not extend beyond making the appointments.

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REQUIRED SUPPLEMENTARY INFORMATION

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STEVENS COUNTY
MORRIS, MINNESOTA

Schedule 1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,458,691	$ 2,458,691	$ 2,308,887	$ (149,804)
Licenses and permits	16,600	16,600	12,043	(4,557)
Intergovernmental	801,337	801,337	1,351,574	550,237
Charges for services	373,640	373,640	177,309	(196,331)
Fines and forfeits	15,500	15,500	15,473	(27)
Investment earnings	400,000	400,000	247,555	(152,445)
Miscellaneous	157,800	157,800	151,966	(5,834)
Total Revenues	**$ 4,223,568**	**$ 4,223,568**	**$ 4,264,807**	**$ 41,239**
Expenditures				
Current				
General government				
Commissioners	$ 260,190	$ 260,190	$ 271,370	$ (11,180)
Law library	17,000	17,000	6,044	10,956
County coordinator	83,464	83,464	73,205	10,259
County auditor/treasurer	320,290	320,290	324,654	(4,364)
County assessor	198,628	198,628	201,776	(3,148)
Elections	27,000	27,000	36,265	(9,265)
Accounting and auditing	44,000	44,000	67,723	(23,723)
Data processing	231,716	231,716	226,962	4,754
Attorney	193,060	193,060	185,688	7,372
Recorder	256,599	256,599	237,384	19,215
Planning and zoning	72,564	72,564	64,474	8,090
Buildings and plant	335,302	335,302	314,424	20,878
Jail/courthouse project	65,000	65,000	668,188	(603,188)
Veterans service officer	34,571	34,571	27,926	6,645
Unallocated	106,500	106,500	39,460	67,040
Total general government	**$ 2,245,884**	**$ 2,245,884**	**$ 2,745,543**	**$ (499,659)**
Public safety				
Sheriff	$ 1,132,359	$ 1,132,359	$ 1,135,067	$ (2,708)
Safety coordinator	25,812	25,812	34,393	(8,581)
Coroner	16,000	16,000	6,323	9,677
E-911 system	31,000	31,000	53,771	(22,771)
Probation and parole	92,622	92,622	38,116	54,506
SWAT	-	-	8,970	(8,970)
Civil defense	24,156	24,156	16,256	7,900
Total public safety	**$ 1,321,949**	**$ 1,321,949**	**$ 1,292,896**	**$ 29,053**

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

STEVENS COUNTY
MORRIS, MINNESOTA

Schedule 1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Recycling	$ 112,020	$ 112,020	$ 107,202	$ 4,818
Hazardous waste	66,270	66,270	73,156	(6,886)
Total sanitation	**$ 178,290**	**$ 178,290**	**$ 180,358**	**$ (2,068)**
Health				
Nursing service	**$ 111,948**	**$ 111,948**	**$ 114,581**	**$ (2,633)**
Culture and recreation				
Historical society	$ 60,000	$ 60,000	$ 60,000	$ -
Regional library	52,910	52,910	52,910	-
Snowmobile trails	-	-	68,250	(68,250)
Total culture and recreation	**$ 112,910**	**$ 112,910**	**$ 181,160**	**$ (68,250)**
Conservation of natural resources				
County extension	$ 123,797	$ 123,797	$ 121,374	$ 2,423
Soil and water conservation	106,500	106,500	106,500	-
Agricultural inspections	12,750	12,750	8,626	4,124
Agricultural society/County fair	60,000	60,000	60,000	-
Predator control	2,000	2,000	1,737	263
Total conservation of natural resources	**$ 305,047**	**$ 305,047**	**$ 298,237**	**$ 6,810**
Economic development				
Housing and redevelopment	$ -	$ -	$ 4,512	$ (4,512)
Industrial development	66,000	66,000	66,000	-
Total economic development	**$ 66,000**	**$ 66,000**	**$ 70,512**	**$ (4,512)**
Intergovernmental				
Highways and streets	**$ -**	**$ -**	**$ 192,420**	**$ (192,420)**
Total Expenditures	**$ 4,342,028**	**$ 4,342,028**	**$ 5,075,707**	**$ (733,679)**
Excess of Revenues Over (Under) Expenditures	**$ (118,460)**	**$ (118,460)**	**$ (810,900)**	**$ (692,440)**

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

STEVENS COUNTY
MORRIS, MINNESOTA

Schedule 1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Other Financing Sources (Uses)				
Transfers in	$ 57,020	$ 57,020	$ 57,020	$ -
Transfers out	(60,060)	(60,060)	-	60,060
Total Other Financing Sources (Uses)	**$ (3,040)**	**$ (3,040)**	**$ 57,020**	**$ 60,060**
Net Change in Fund Balance	**$ (121,500)**	**$ (121,500)**	**$ (753,880)**	**$ (632,380)**
Fund Balance - January 1	**4,156,441**	**4,156,441**	**4,156,441**	**-**
Fund Balance - December 31	**$ 4,034,941**	**$ 4,034,941**	**$ 3,402,561**	**$ (632,380)**

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

STEVENS COUNTY
MORRIS, MINNESOTA

Schedule 2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 804,451	$ 804,451	$ 736,234	$ (68,217)
Intergovernmental	2,082,349	2,082,349	1,545,115	(537,234)
Charges for services	118,500	118,500	123,451	4,951
Miscellaneous	94,200	94,200	130,444	36,244
Total Revenues	**$ 3,099,500**	**$ 3,099,500**	**$ 2,535,244**	**$ (564,256)**
Expenditures				
Current				
Highways and streets				
Administration	$ 249,700	$ 249,700	$ 259,971	$ (10,271)
Maintenance	808,650	808,650	996,691	(188,041)
Construction	764,850	764,850	684,650	80,200
Equipment maintenance and shop	1,249,900	1,249,900	730,680	519,220
Materials and services for resale	26,400	26,400	17,800	8,600
Total Expenditures	**$ 3,099,500**	**$ 3,099,500**	**$ 2,689,792**	**$ 409,708**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (154,548)**	**$ (154,548)**
Fund Balance - January 1	**1,535,621**	**1,535,621**	**1,535,621**	**-**
Increase (decrease) in reserved for inventories	**-**	**-**	**(12,500)**	**(12,500)**
Fund Balance - December 31	**$ 1,535,621**	**$ 1,535,621**	**$ 1,368,573**	**$ (167,048)**

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

STEVENS COUNTY
MORRIS, MINNESOTA

Schedule 3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,250,205	$ 1,250,205	$ 1,144,170	$ (106,035)
Intergovernmental	1,341,972	1,341,972	1,526,411	184,439
Charges for services	33,102	33,102	110,506	77,404
Fines and forfeits	-	-	4,647	4,647
Miscellaneous	18,577	18,577	44,782	26,205
Total Revenues	**$ 2,643,856**	**$ 2,643,856**	**$ 2,830,516**	**$ 186,660**
Expenditures				
Current				
Human services				
Income maintenance	$ 478,742	$ 478,742	$ 539,387	$ (60,645)
Social services	2,165,114	2,165,114	1,872,941	292,173
Total Expenditures	**$ 2,643,856**	**$ 2,643,856**	**$ 2,412,328**	**$ 231,528**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 418,188**	**$ 418,188**
Fund Balance - January 1	**3,522,292**	**3,522,292**	**3,522,292**	**-**
Fund Balance - December 31	**$ 3,522,292**	**$ 3,522,292**	**$ 3,940,480**	**$ 418,188**

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

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch and Solid Waste Special Revenue Funds. All annual appropriations lapse at fiscal year-end. The County adopted only a tax levy for the Ditch Special Revenue Fund.

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

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no budgetary amendments.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The General Fund had expenditures in excess of budget for the year ended December 31, 2008. Final budget was $4,342,028, which was less than expenditures of $5,075,707 by $733,679.

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SUPPLEMENTARY INFORMATION

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FIDUCIARY FUNDS

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STEVENS COUNTY
MORRIS, MINNESOTA

Statement 1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Balance January 1	Additions	Deductions	Balance December 31
MID-STATE COMMUNITY HEALTH SERVICE				
Assets				
Cash and pooled investments	**$ 146,200**	**$ 780,945**	**$ 780,964**	**$ 146,181**
Liabilities				
Accounts payable	$ 3,357	$ -	$ 3,357	$ -
Due to other governments	142,843	780,945	777,607	146,181
Total Liabilities	**$ 146,200**	**$ 780,945**	**$ 780,964**	**$ 146,181**
SCHOOL DISTRICTS				
Assets				
Cash and pooled investments	**$ -**	**$ 3,613,659**	**$ 3,613,659**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 3,613,659**	**$ 3,613,659**	**$ -**
STATE REVENUE				
Assets				
Cash and pooled investments	$ 20,241	$ 997,320	$ 996,153	$ 21,408
Due from other funds	598	-	598	-
Total Assets	**$ 20,839**	**$ 997,320**	**$ 996,751**	**$ 21,408**
Liabilities				
Due to other governments	**$ 20,839**	**$ 997,320**	**$ 996,751**	**$ 21,408**

STEVENS COUNTY
MORRIS, MINNESOTA

Statement 1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Balance January 1	Additions	Deductions	Balance December 31
STEVENS COUNTY FAMILY SERVICES COLLABORATIVE				
Assets				
Cash and pooled investments	**$ 100,822**	**$ 63,742**	**$ 60,418**	**$ 104,146**
Liabilities				
Due to other governments	**$ 100,822**	**$ 63,742**	**$ 60,418**	**$ 104,146**
STEVENS TRAVERSE GRANT PUBLIC HEALTH NURSING SERVICE				
Assets				
Cash and pooled investments	**$ 546,393**	**$ 1,755,955**	**$ 1,864,944**	**$ 437,404**
Liabilities				
Accounts payable	$ 13,125	$ -	$ 13,125	$ -
Due to other governments	533,268	1,755,955	1,851,819	437,404
Total Liabilities	**$ 546,393**	**$ 1,755,955**	**$ 1,864,944**	**$ 437,404**
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 54,084**	**$ 6,935,943**	**$ 6,934,061**	**$ 55,966**
Liabilities				
Accounts payable	$ 26	$ -	$ 26	$ -
Due to other governments	40,609	6,924,701	6,920,586	44,724
Advance taxes	13,449	11,242	13,449	11,242
Total Liabilities	**$ 54,084**	**$ 6,935,943**	**$ 6,934,061**	**$ 55,966**

STEVENS COUNTY
MORRIS, MINNESOTA

Statement 1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Balance January 1	Additions	Deductions	Balance December 31
TOWNS AND CITIES				
Assets				
Cash and pooled investments	**$ -**	**$ 3,866,702**	**$ 3,866,702**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 3,866,702**	**$ 3,866,702**	**$ -**
WATERSHED				
Assets				
Cash and pooled investments	**$ -**	**$ 90,746**	**$ 90,746**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 90,746**	**$ 90,746**	**$ -**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 867,740	$ 18,105,012	$ 18,207,647	$ 765,105
Due from other funds	598	-	598	-
Total Assets	**$ 868,338**	**$ 18,105,012**	**$ 18,208,245**	**$ 765,105**
Liabilities				
Accounts payable	$ 16,508	$ -	$ 16,508	$ -
Due to other governments	838,381	18,093,770	18,178,288	753,863
Advance taxes	13,449	11,242	13,449	11,242
Total Liabilities	**$ 868,338**	**$ 18,105,012**	**$ 18,208,245**	**$ 765,105**

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OTHER SCHEDULES

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STEVENS COUNTY
MORRIS, MINNESOTA

Schedule 4

SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Number	Interest Rate (%)	Maturity Dates	Fair Value
Cash and Pooled Investments				
Interest-bearing checking	One	0.05	Continuous	$ 104,146
Repurchase agreements	Two	Variable	Continuous	1,809,560
Certificates of deposit	Thirty-two	3.20 to 4.30	January 28, 2009 to March 14, 2011	3,090,971
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	One	1.18	Continuous	1,269,663
Federal Home Loan Mortgage Corporation	Three	4.00 to 4.50	May 28, 2013 to September 1, 2018	420,710
Federal Home Loan Bank	One	5.00	October 22, 2012	216,557
Federal National Mortgage Association	Seven	4.00 to 6.00	July 1, 2011 to June 30, 2023	2,525,239
Small Business Administration	Ten	Variable	September 25, 2012 to November 25, 2025	486,977
Farm Service Agency	Two	5.75	April 1, 2011 to March 2, 2012	387,723
Total cash and pooled investments				**$ 10,311,546**
Designated Investments				
Fish and Wildlife certificate of deposit	One	3.00	December 3, 2009	84,496
Total Deposits and Investments				**$ 10,396,042**

STEVENS COUNTY
MORRIS, MINNESOTA

BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2008

	Assets				
		Undistributed	Special Assessments Receivable		
	Cash	Cash	Current	Deferred	Total
County Ditches					
1	$ 22,350	$ 406	$ -	$ 6,000	$ 28,756
2	14,375	428	-	4,399	19,202
3	13,503	61	-	2,210	15,774
4	2,211	1	-	13,974	16,186
5	6,771	-	-	2,500	9,271
6	11,070	-	-	2,500	13,570
7	4,381	33	-	500	4,914
8	3,589	262	-	500	4,351
10	13,795	49	-	2,500	16,344
11	1,284	70	-	21,371	22,725
12	1,473	-	-	500	1,973
13	7,724	569	-	4,050	12,343
14	1,745	-	-	661	2,406
15	28,831	3	-	15,002	43,836
16	3,554	-	-	3,000	6,554
17	7,835	123	-	3,000	10,958
18	26,106	285	-	10,926	37,317
20	2,370	-	-	1,000	3,370
21	6,137	36	6,202	83,584	95,959
22	4,884	207	-	1,000	6,091
25	12,996	15	-	5,766	18,777
27	3,920	-	-	1,000	4,920
29	6,032	66	-	2,500	8,598
30	12,077	94	-	5,000	17,171
31	6,288	248	272	2,961	9,769
38	3,818	-	-	1,000	4,818
43	5,310	-	-	500	5,810
Judicial Ditches					
2	4,902	-	-	2,501	7,403
9	12,734	-	109	69,120	81,963
10/11	-	-	-	2,500	2,500
Total	**$ 252,065**	**$ 2,956**	**$ 6,583**	**$ 272,025**	**$ 533,629**

Schedule 5

Liabilities					Fund	Total
Accounts Payable	Due to Other Governments	Deferred Revenue	Advance from Other Funds	Total	Fund Balance Unreserved Undesignated	Total Liabilities and Fund Balance
$ 115	$ -	$ 6,000	$ -	$ 6,115	$ 22,641	$ 28,756
18	-	4,399	-	4,417	14,785	19,202
6	-	2,210	-	2,216	13,558	15,774
8	-	13,974	50,000	63,982	(47,796)	16,186
3	-	2,500	-	2,503	6,768	9,271
3	-	2,500	-	2,503	11,067	13,570
2	-	500	-	502	4,412	4,914
2	-	500	-	502	3,849	4,351
8	-	2,500	-	2,508	13,836	16,344
7	-	21,371	13,000	34,378	(11,653)	22,725
1	-	500	-	501	1,472	1,973
2	-	4,050	-	4,052	8,291	12,343
1	-	661	-	662	1,744	2,406
28	-	15,002	-	15,030	28,806	43,836
3	-	3,000	-	3,003	3,551	6,554
3	-	3,000	-	3,003	7,955	10,958
22	-	10,926	-	10,948	26,369	37,317
2	-	1,000	-	1,002	2,368	3,370
14	-	89,786	50,000	139,800	(43,841)	95,959
2	-	1,000	-	1,002	5,089	6,091
16	-	5,766	-	5,782	12,995	18,777
1	-	1,000	-	1,001	3,919	4,920
2	-	2,500	-	2,502	6,096	8,598
8	-	5,000	-	5,008	12,163	17,171
6	-	2,961	-	2,967	6,802	9,769
1	-	1,000	-	1,001	3,817	4,818
1	-	500	-	501	5,309	5,810
-	1,022	2,501	-	3,523	3,880	7,403
-	6,152	69,120	30,000	105,272	(23,309)	81,963
-	-	2,500	-	2,500	-	2,500
$ 285	**$ 7,174**	**$ 278,227**	**$ 143,000**	**$ 428,686**	**$ 104,943**	**$ 533,629**

STEVENS COUNTY
MORRIS, MINNESOTA

Schedule 6

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Funds	Enterprise Fund	Total
Shared Revenue			
State			
Highway users tax	$ 1,524,192	$ -	$ 1,524,192
County program aid	806,880	-	806,880
PERA rate reimbursement	21,742	-	21,742
Police aid	38,952	-	38,952
Market value credit	340,578	-	340,578
Disparity reduction aid	50,308	-	50,308
Total Shared Revenue	**$ 2,782,652**	**$ -**	**$ 2,782,652**
Reimbursement for Services			
State			
Minnesota Department of Human Services	**$ 152,243**	**$ -**	**$ 152,243**
Payments			
Local			
Payments in lieu of taxes	**$ 45,029**	**$ -**	**$ 45,029**
Grants			
State			
Minnesota Department/Board of			
Public Safety	$ 82,281	$ -	$ 82,281
Natural Resources	68,250	-	68,250
Human Services	534,584	-	534,584
Corrections	18,458	-	18,458
Water and Soil Resources	112,347	-	112,347
Pollution Control Agency	55,000	-	55,000
Peace Officer Standards and Training Board	3,605	-	3,605
Veterans Affairs Board	1,400	-	1,400
Total State	**$ 875,925**	**$ -**	**$ 875,925**
Federal			
Department of			
Agriculture	$ 52,368	$ -	$ 52,368
Justice	2,092	-	2,092
Transportation	1,000	-	1,000
Health and Human Services	477,722	-	477,722
Homeland Security	34,069	79,144	113,213
Total Federal	**$ 567,251**	**$ 79,144**	**$ 646,395**
Total State and Federal Grants	**$ 1,443,176**	**$ 79,144**	**$ 1,522,320**
Total Intergovernmental Revenue	**$ 4,423,100**	**$ 79,144**	**$ 4,502,244**

STEVENS COUNTY
MORRIS, MINNESOTA

Schedule 6
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008

Revenues on this schedule differ from expenditures on the Schedule of Expenditures of Federal Awards (Schedule 8) due to timing differences in revenue recognition under the modified accrual basis of accounting. The individual grants affected are:

Total Federal Revenue per Schedule of Intergovernmental Revenue (Schedule 6)		$	646,395
State Administrative Matching Grant	CFDA No. 10.561		708
Help America Vote Act	CFDA No. 90.401		7,800
Family Preservation and Support Services	CFDA No. 93.556		(1,708)
Temporary Assistace for Needy Families	CFDA No. 93.558		213
Foster Care Title IV-E	CFDA No. 93.658		18
Independent Living Grant	CFDA No. 93.674		(53)
Medical Assistance Program	CFDA No. 93.778		6,437
Total Federal Awards per Schedule of Expenditures of Federal Awards (Schedule 8)		**$**	**659,810**

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**Management and
Compliance Section**

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STEVENS COUNTY
MORRIS, MINNESOTA

Schedule 7

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

I. SUMMARY OF AUDITOR'S RESULTS

A. Our report expresses unqualified opinions on the basic financial statements of Stevens County.

B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Stevens County and are reported in the "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*." One of the significant deficiencies is a material weakness.

C. No instances of noncompliance material to the financial statements of Stevens County were disclosed during the audit.

D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."

E. The Auditor's Report on Compliance for the major federal award programs for Stevens County expresses an unqualified opinion.

F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

G. The major programs are:

Child Support Enforcement Title IV-D	CFDA #93.563
Social Services Block Grant Title XX	CFDA #93.667
Medical Assistance Program	CFDA #93.778

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

I. Stevens County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-4 Segregation of Duties

Due to the limited number of office personnel within Stevens County, segregation of accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Stevens County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

Without proper segregation of duties, errors or irregularities may not be detected timely.

We recommend that Stevens County's management be aware of the lack of segregation of duties within the accounting functions and, if possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

Client's Response:

The County's management is aware of the situation and continues to monitor it to ensure that internal control policies and procedures are being followed. We are also forming a committee in 2009 to look for areas that we can improve on in regards to these issues.

06-1 Preparation of Financial Statements

Stevens County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal control over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Stevens County has established controls and procedures for the recording, processing, and summarizing of its accounting data used in the preparation of its financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition was caused by the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of obtaining the necessary training and expertise to prepare the financial statements internally. As a result of this condition, the County lacks internal control over the preparation and reporting of financial statements in accordance with GAAP.

We recommend Stevens County obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If Stevens County still intends to have staff from the Office of the State Auditor assist in preparation, then at a minimum, it must identify and train individuals to obtain the expertise that can sufficiently review, understand, and approve the County's financial statements, including notes.

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

The County Board has approved a transfer of an employee from the IT Department to the Auditor-Treasurer staff that will allow the Auditor-Treasurer to pursue the necessary training and allow for the time needed to prepare the financial statements.

06-2 <u>Audit Adjustments</u>

A control deficiency 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 misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified a material adjustment in the General Fund. Investments were increased by $56,407 to reflect the correct fair value at December 31, 2008, mainly due to differences in the fair value of Small Business Administration loans and certificates of deposit. We also identified four material adjustments in the Ambulance Enterprise Fund. An adjustment was made to increase accounts receivable and charges for services by $396,024 to correct a reversal entry error. Allowance for doubtful accounts was increased by $186,937 to reflect old outstanding receivables in the amount of $120,329, dating back to 2002, that are not likely collectible, and a net increase in current estimated uncollectible receivables of $66,608 due to contractual adjustments. A reclassification adjustment was made to increase operating expense and intergovernmental revenue by $79,144 to properly reflect the federal Assistance to Firefighters Grant. Adjustments were made to capital assets to recognize the 2008 purchase of a defibrillator for $20,348 and depreciation expense of $2,713. This asset was purchased under a federal grant with the intent of passing it along to another local government; however, the County later decided to retain the asset. Audit adjustments were also necessary to adjust modified accrual financial statements to the full accrual basis for the government-wide financial statements.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. However, the inability to detect a material misstatement in the financial statements increases the likelihood that the financial statements would not be fairly presented.

We recommend that the County establish internal controls necessary to determine that all adjusting entries are made to ensure the County's annual financial statements are reported in accordance with GAAP.

Client's Response:

With the addition of staff to the Auditor-Treasurer Office and with additional training of the staff, both the investment issue and improved control over eliminating errors made during the year should improve, as should the ability of the County to prepare the financial statements internally. In regards to the Ambulance Fund, the County Board is hoping to either sell or lease this service to an outside interest by 2010, which should eliminate the current ambulance issues.

07-1 Monitoring of Compensatory and Compensated Absence Balances

At December 31, 2008, payroll records show two of the six full-time employees in the Ambulance Department had compensatory balances in excess of the maximum 40-hour balance permitted in Section 10.13 of the General Unit Labor Agreement. The policy provides that hours earned in excess of 40 shall be paid in cash at the appropriate rate. One of the employees was over the 40-hour balance by 1.5 hours, and the other was over the balance by 144 hours.

The excess compensatory balances resulted from an increase in ambulance calls over recent years and additional time for one of the employees to fill in as acting Administrator in the absence of the Ambulance Administrator. The department head and payroll clerk approve leave slips when a leave request is made; however, the County did not provide documentation of the procedures in place to ensure employees are notified and adjustments are made when their balances exceed policy. There appears to be a lack of understanding of responsibilities in that area.

We recommend the County Board provide the directive needed to ensure written procedures are in place defining the controls and oversight responsibilities for compliance with the County payroll policies in place.

Client's Response:

The sale or lease of the Ambulance Service should also permanently eliminate the compensatory issues, and currently, closer monitoring of these balances have been put into effect within the payroll department.

ITEM ARISING THIS YEAR

08-1 Documenting and Monitoring Internal Controls

County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. Although the County may informally assess risks and adjust internal control procedures to address those risks, there are no formal procedures or documentation of those procedures in place.

At a minimum, the following significant internal control areas should be documented:

- cash and investment activities;
- capital assets (capitalization process and related depreciation);
- major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items);

- expenditure/expense processing;
- payroll; and
- inventories.

We recommend that County management document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. We also recommend that a formal plan be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

Client's Response:

The County is in the process of forming a committee that is planning to meet twice a year to assess and address these issues.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

04-1 Publishing Board Minutes and Claims Paid

Minn. Stat. § 375.12 requires County Board minutes to be published within 30 days of the meeting and that this publication is to include an individualized, itemized list of County Board-approved payments over $300. A statement showing the total number of claims that do not exceed the threshold amount and their dollar amounts must be stated. Minn. Stat. § 331A.01 discusses how the County can publish summaries. This section does not change the requirement that payments be published monthly as discussed in Minn. Stat. § 375.12. Also, this section requires that the full data be available at a specified County location or by standard or electronic mail.

When the County published the Board minutes, only a summary of fund payments was published.

The County Board should comply with the above-noted statutes and publish the County Board minutes with vendor payments. During the 2005 legislative session, attempts were made through the Association of Minnesota Counties, the Metropolitan Inter-County Association, and the Office of the State Auditor toward changing and updating the law in a way that benefits counties, but they were unsuccessful.

Client's Response:

In response to Minn. Stat. § 375.17 regarding the monthly publication of vendor payments, the County Board has taken this under advisement, continues to encourage AMC to pursue the change of this statute due to the significant cost of publication, and continues to make the information physically available at the County Courthouse.

PREVIOUSLY REPORTED ITEM RESOLVED

Collateral Assignments, Substitutions, and Depository Pledge Agreements (07-2)

Bank of the West did not notify the County Auditor/Treasurer prior to withdrawal or substitution of collateral in accordance with the requirements under Minn. Stat. § 118A.03, subd. 5. The language in the depository pledge agreement with Bremer Bank did not comply with the requirements of Minn. Stat. § 118A.03, subd. 4, as it allowed the bank an opportunity to cure the default before the custodian could release the collateral in the event of a default.

Resolution

Although Bank of the West has not changed its procedures for substitution of collateral, deposits with Bank of the West are kept under the FDIC insurance coverage, so the County deposits are not relying on the collateral for protection. The County received a new depository pledge agreement from Bremer Bank which complies with Minn. Stat. § 118A.03, subd. 4.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

05-1 Ditch Fund Balance Deficits

Four of the 30 individual ditch systems had deficit unreserved, undesignated fund balances at December 31, 2008, totaling $126,599, the largest being $47,796, which is a significant improvement over previous years. In fact, if we consider deferred levies collectible in 2009, Stevens County has levied amounts sufficient to cover the individual ditch systems deficits, with the exception of County Ditch Four.

Minn. Stat. § 103E.735, subd. 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or $40,000, whichever is larger.

We recommend that the County Board continue its efforts to eliminate the individual ditch system fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1.

Client's Response:

Stevens County's Administration and Ditch Authority maintains the belief that the financial condition of the County Ditch Fund when viewed from a full accrual basis is sound and continues to improve as we work towards the resolution of this issue by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1.

ITEMS ARISING THIS YEAR

08-2 Health Care Savings Plan

The labor agreement between Stevens County and the General Unit of the American Federation of State, County, and Municipal Employees, Council #65, Article XIII, states that "after 100 days of sick leave accumulation, ½ of each day earned shall be credited to sick leave accrual and the equivalent of ½ day's pay shall be credited to the employee's Health Care Savings Plan as administered by the Minnesota State Retirement System."

During our audit, we noted that there were three employees who had accumulated balances of over 100 days of sick leave in 2008, but no contributions have been made by the County to a health care savings plan for those employees.

We recommend that management establish the necessary procedures to ensure that the health care savings plan is established and the appropriate amounts are accounted for in the plan.

Client's Response:

The Coordinator's Office is working with the payroll administrator to establish health care savings accounts with the Minnesota State Retirement System in accordance with the bargaining unit's agreement. The appropriate allocations to these accounts will be made no later than October 2009. The County will create a system to monitor accumulations of sick leave for all employees who are due this benefit in order to contribute to the system or to create an account when the threshold is met.

08-3 Ambulance Receivables

During our audit of the Ambulance Enterprise Fund, we noted that Stevens County has no formal policy in place that details the monitoring of outstanding receivables including a timetable with steps to be taken to collect outstanding receivables; guidance on how to determine that a particular receivable is uncollectible; the process and documentation needed for obtaining appropriate approval for write-off; and the entries needed for recording the write-off of receivables on the receivable system and the financial system.

Due to the lack of policy as well as changes in administration, the ambulance receivables system included receivables dating back to 2002, which ambulance employees have estimated $120,329 to be uncollectible.

We recommend management establish an appropriate policy that details the monitoring, approval, and write-off of accounts receivables not collectible.

Client's Response:

As stated earlier, the County plans to sell or lease the ambulance service; but if it does not, then an aging of accounts receivable will be done a minimum of annually. Other OSA recommended guidelines related to A/R would also be established if the sale/lease does not occur.

08-4 Difficulties Encountered While Performing the Audit

The Office of the State Auditor (OSA) encountered delays in obtaining the necessary information for the audit, making it difficult to complete the audit in an efficient, effective, and timely manner.

- On May 10, 2009, OSA staff discussed with the Interim Ambulance Administrator and the Ambulance Bookkeeper the need to review old outstanding receivables to determine the amounts that should be deemed uncollectible and written off. On June 8, 2009, we received an e-mail providing an estimate of the amount that they determined to be uncollectible. We requested additional detail, which was promptly provided after that request.

- On May 22, 2009, a question was presented to the Interim Ambulance Administrator relating to a defibrillator that was purchased with federal funds but not shown on the capital asset listing. We received a response on May 26, 2009, which resulted in an additional question regarding ownership of the asset by OSA staff that same day. After follow-up requests on June 12, 2009, the second question was answered a few days later.

- On June 16, 2009, OSA staff contacted the Stevens County Coordinator requesting an update on the jail and law enforcement center construction and courthouse remodeling project. OSA staff received the response that at a special meeting on June 9, 2009, the County Board passed a resolution that all bids received for the project be returned. The Board had decided to proceed with the project but without the jail. At that time, OSA staff contacted the Coordinator's Office to request a breakdown of expenses incurred through December 31, 2008, relating to the jail portion of the project and the courthouse remodeling and law enforcement center portion that is expected to be completed. The breakdown was needed to determine the portion that should be shown as construction in progress. Even with several follow-up requests, the necessary information was not received until July 29, 2009.

- On July 21, 2009, OSA staff requested a copy of the closeout report for the Assistance to Firefighters Grant Program, CFDA #97.044. The Interim Ambulance Administrator responded timely that he had checked with the Federal Emergency Management Agency, and the report had not been submitted. As of August 6, 2009, we had not been provided a copy of the report.

Several of the delays were due to the resignation of the former Ambulance Administrator and the decision of the Board to contract outside of the County for an Interim Ambulance Administrator. These issues originated prior to the Interim Ambulance Administrator arriving at the County. Some of the issues relate to County policy, which the Interim Ambulance Administrator is unsure of the authority that should be exercised as an outside contracted service.

As stated in our engagement letter dated April 3, 2009, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free from material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. The County's management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is responsible for making all financial records and information available to us and for the accuracy and completeness of that information. Communicating with County personnel on issues multiple times before getting answers adds to audit costs and impacts the timeliness of the audit.

We recommend the County Board address the above issues so future audits can be completed in a more efficient, effective, and timely manner.

Client's Response:

The County acknowledges the difficulties faced by the State Auditor during the 2008 audit and will probably address these issues by the sale or lease of the ambulance service, and by having resolved the jail/renovation issue, will not be facing the expense breakdown issue in the future.

PREVIOUSLY REPORTED ITEM RESOLVED

Compensatory Time - Ambulance Administrator (07-3)

The December 31, 2007, payroll records show the Ambulance Administrator had an accumulated compensatory balance of 431.70 hours. During our procedures to determine the authority for the accumulation of compensatory time by the Ambulance Administrator, we found there is confusion within the County on how the Ambulance Administrator fits into the personnel policy and the status of the Ambulance Administrator under the Fair Labor Standards Act.

Resolution

The Ambulance Administrator resigned his position effective December 1, 2008. The County entered into an interim management contract with North Memorial Ambulance under the provisions of Minn. Stat. § 471.476. The County currently has no exempt employees under the Fair Labor Standards Act in the Ambulance Department.

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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*

Board of County Commissioners
Stevens County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stevens County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 8, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stevens County's internal control over financial reporting as a basis for designing our auditing procedures 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 preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-4, 06-1, 06-2, 07-1, and 08-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Stevens County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 06-2 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stevens County's financial statements are free of 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in public indebtedness because Stevens County has no debt.

The results of our tests indicate that, for the items tested, Stevens County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 04-1.

Also included in the Schedule of Findings and Questioned Costs are management practices comments. We believe these recommendations and information to be of benefit to Stevens County, and they are reported for that purpose.

Stevens County's written responses to the significant deficiencies, material weakness, legal compliance finding, and the management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Stevens County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

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

October 8, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Stevens County

Compliance

We have audited the compliance of Stevens County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Stevens County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stevens County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Stevens County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Stevens County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Stevens County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stevens County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 8, 2009. Our audit was performed for the purpose of forming opinions on Stevens County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

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

October 8, 2009

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STEVENS COUNTY
MORRIS, MINNESOTA

Schedule 8

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for Food Stamp Program	10.561	**$ 53,076**
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety		
Law Enforcement Assistance - Narcotics and Other Dangerous Drugs Training	16.004	**$ 2,092**
U.S. Department of Transportation		
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	**$ 1,000**
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State		
Help America Vote Act Requirements Payments	90.401	**$ 7,800**
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Temporary Assistance for Needy Families (TANF)	93.558	$ 21,628
Child Support Enforcement Title IV-D	93.563	90,784
Refugee and Entrant Assistance	93.566	348
Child Care Cluster		
Child Care Mandatory and Matching Funds	93.596	25,454
Child Care Development Block Grant	93.575	53,957
Child Welfare Services - State Grants	93.645	3,113
Foster Care Title IV-E	93.658	30,196
Social Services Block Grant Title XX	93.667	80,952
Chafee Foster Care Independence Program	93.674	758
State Children's Insurance Program	93.767	138
Medical Assistance Program	93.778	172,289
Community Mental Health Block Grant	93.958	3,012
Total U.S. Department of Health and Human Services		**$ 482,629**

STEVENS COUNTY
MORRIS, MINNESOTA

Schedule 8
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Direct		
Assistance to Firefighters Grant	97.044	$ 79,144
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	6,191
Homeland Security Grant Program	97.067	2,352
Passed Through Minnesota Department of Public Safety and West Central Minnesota EMS Corporation		
Homeland Security Grant Program	97.067	25,526
Total U.S. Department of Homeland Security		**$ 113,213**
Total Federal Awards		**$ 659,810**

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the County. The County's reporting entity is defined in Note 1 to the basic financial statements.

2. The expenditures on this schedule are on the modified accrual basis of accounting.

3. Pass-through grant numbers were not assigned by the pass-through agencies.