STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2013

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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BIG STONE COUNTY
ORTONVILLE, MINNESOTA

For the Year Ended December 31, 2013

Audit Practice Division
Office of the State Auditor
State of Minnesota

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BIG STONE COUNTY
ORTONVILLE, MINNESOTA

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ORTONVILLE, MINNESOTA

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Introductory Section

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BIG STONE COUNTY
ORTONVILLE, MINNESOTA

ORGANIZATION
DECEMBER 31, 2013

Office	Name	Term Expires
Commissioners		
1st District	Walter Wulff	January 2015
2nd District	Wade Athey	January 2017
3rd District	Brent Olson**	January 2017
4th District	Roger Sandberg	January 2015
5th District	Joseph Berning*	January 2017
Officers		
Elected		
Attorney	William Watson	January 2015
Auditor	Michelle Knutson	January 2015
Recorder	Elaine Martig	January 2015
Sheriff	John Haukos	January 2015
Treasurer	Cindy Nelson	January 2015
Appointed		
Assessor	Sandra Vold	December 2016
Coroner	Robert Ross, M.D.	January 2015
Environmental Officer	Darren Wilke	Indefinite
Emergency Management Director	James Hasslen	Indefinite
Highway Engineer	Nicholas Anderson	May 2017
Human Resources Director	Dawn Gregoire	Indefinite
Information Technology Director	Terry Ocaña	Indefinite
Veterans Service Officer	Daniel Meyer	Indefinite
Family Services		
Board		
Chair	Brent Olson	January 2017
Vice Chair	Wade Athey	January 2017
Secretary	Kathy Morrill	July 2015
Member	Joseph Berning	January 2015
Member	Wade Athey	January 2017
Member	Walter Wulff	January 2017
Member	Alice Stielow	July 2014
Director	Pam Rud	Indefinite

*Chair 2013
**Chair 2014

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Financial Section

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Big Stone County

Report on the Financial Statements

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

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Big Stone County as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2014, on our consideration of Big Stone County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Stone County's internal control over financial reporting and compliance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

April 10, 2014

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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BIG STONE COUNTY
ORTONVILLE, MINNESOTA

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

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

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $31,823,190, of which $22,638,967 is net investment in capital assets, and $3,465,743 is restricted to specific purposes. The $5,718,480 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's net position increased by $402,407 for the year ended December 31, 2013.

- The net cost of governmental activities for the current fiscal year was $4,661,348. The net cost was funded by general revenues and other items totaling $5,063,755.

- The fund balances of the governmental funds increased by $262,321.

For the year ended December 31, 2013, the unrestricted fund balance of the General Fund was $2,504,511, or 71.2 percent of the total General Fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

The County adopts an annual appropriated budget for its General Fund, Highway Special Revenue Fund, Family Services Special Revenue Fund, Ditch Special Revenue Fund, and Debt Service Fund. Budgetary comparison schedules have been provided for each of these funds to demonstrate compliance with this budget.

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

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

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 23 through 56 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by $31,823,190 at the close of 2013. The largest portion of the net position (71.1 percent) reflects its net investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

Big Stone County
Net Position
(in thousands)

	Governmental Activities	
	2013	2012
Assets		
Current and other assets	$ 10,789	$ 9,471
Capital assets	23,384	24,138
Total Assets	$ 34,173	$ 33,609
Liabilities		
Long-term liabilities	$ 2,064	$ 1,938
Other liabilities	286	250
Total Liabilities	$ 2,350	$ 2,188

	Governmental Activities			
	2013		2012	
Net Position				
Net investment in capital assets	$	22,639	$	23,353
Restricted		3,466		1,922
Unrestricted		5,718		6,146
Total Net Position	$	31,823	$	31,421

Unrestricted net position--the part of net position that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--was 18.0 percent of the net position.

Governmental Activities

The County's activities increased net position by 1.3 percent ($31,823,190 for 2013, compared to $31,420,783 for 2012). Key elements of this increase in net position are as follows:

Big Stone County
Changes in Net Position
(in thousands)

	Governmental Activities			
	2013		2012	
Revenues				
Program revenues				
Charges for services	$	1,108	$	1,126
Operating grants and contributions		4,283		4,453
Capital grants and contributions		220		259
General revenues				
Property taxes		4,260		4,203
Other		803		912
Total Revenues	$	10,674	$	10,953
Expenses				
General government	$	1,873	$	1,857
Public safety		1,075		1,076
Highways		4,168		3,782
Sanitation		191		198
Human services		2,322		2,490
Health		95		87
Culture and recreation		149		173
Conservation of natural resources		294		292
Economic development		49		33
Interest		56		33
Total Expenses	$	10,272	$	10,021
Change in Net Position	$	402	$	932
Net Position - January 1		31,421		30,489
Net Position - December 31	$	31,823	$	31,421

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of $7,887,144, an increase of $262,321 in comparison with the prior year. Of the combined ending fund balances, $6,692,219 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is classified as either nonspendable or restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, or bond covenants, or is nonspendable.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of $2,504,511. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund unrestricted fund balance represents 71.2 percent of total General Fund expenditures. During 2013, the ending fund balance increased by $405,923.

The Highway Special Revenue Fund had an unrestricted fund balance of $1,617,325 at fiscal year-end, representing 47.2 percent of its annual expenditures. The ending fund balance decreased $295,867 during 2013.

The Family Services Special Revenue Fund had an unrestricted fund balance of $2,570,383 at fiscal year-end, representing 111.8 percent of its annual expenditures. The ending fund balance increased $76,716 during 2013.

The Ditch Special Revenue Fund had a restricted fund balance of $168,537 at fiscal year-end, representing 391.3 percent of its annual expenditures. The ending fund balance increased $66,562 during 2013.

The Debt Service Fund had a restricted fund balance of $98,194 at fiscal year-end, representing 116.1 percent of its annual expenditures. The ending fund balance increased $8,987 during 2013.

Governmental Activities

The County's total revenues were $10,674,767. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2013.

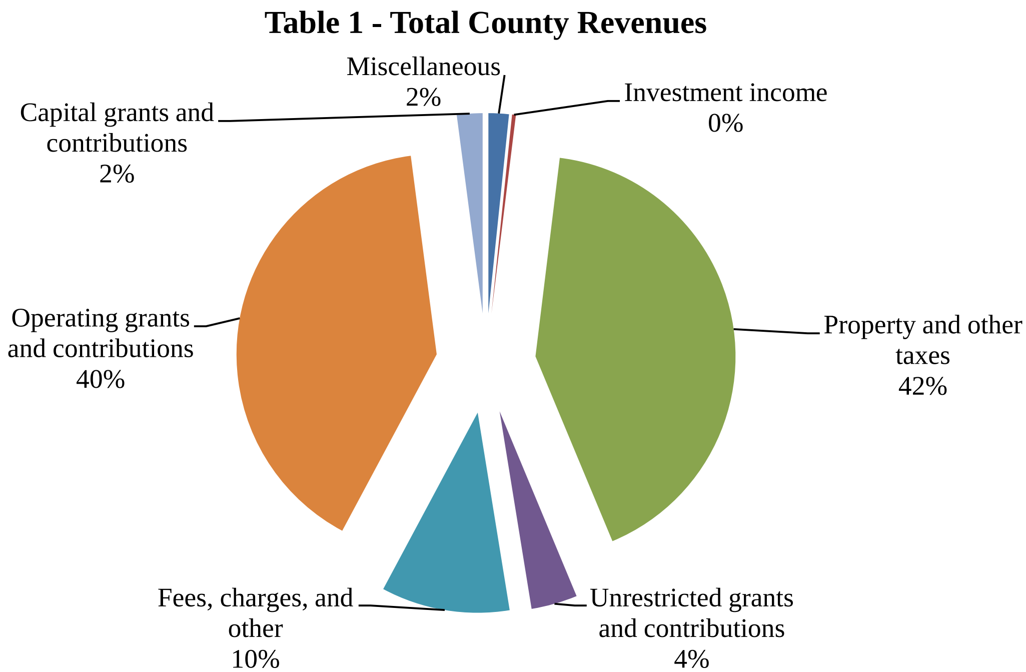

Table 2 presents the cost and revenue of each program, as well as the County's general revenues.

Total program and general revenues for the County were $10,674,767, while total expenses were $10,272,360. This reflects a $402,407 increase in net position for the year ended December 31, 2013.

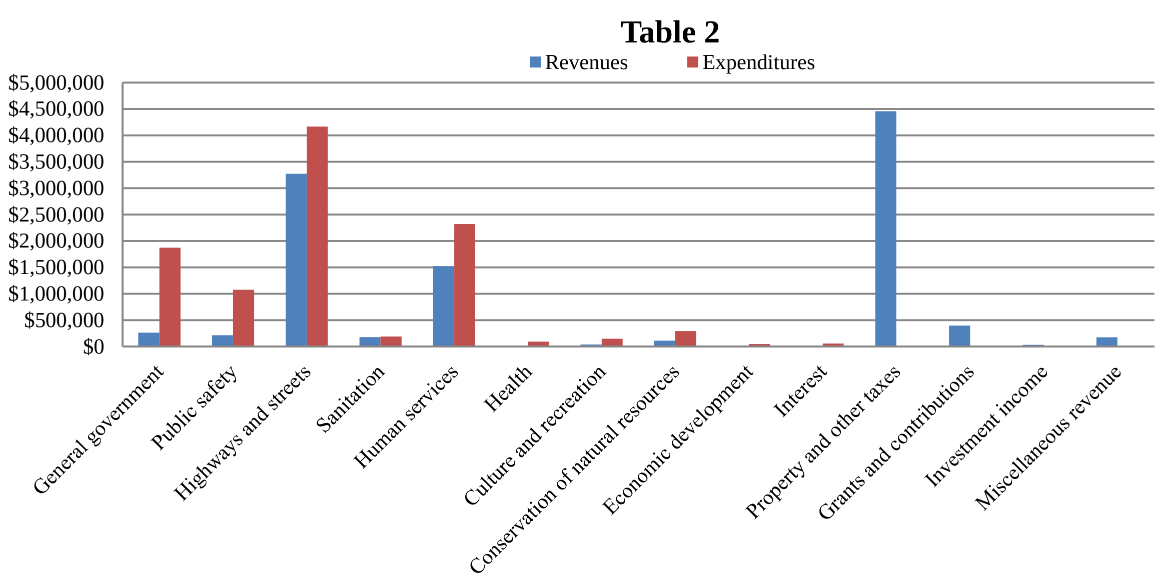

Table 3 presents the cost of each of the County's four largest program functions, as well as each function's net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013
Highways and streets	$ 4,167,935	$ 894,705
Human services	2,321,514	795,542
General government	1,872,727	1,609,795
Public safety	1,075,045	858,908
All others	835,139	502,398
Totals	$ 10,272,360	$ 4,661,348

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were $97,180 under the final budget amounts.

Resources available for appropriation were also $235,456 above the final budgeted amount. An insurance dividend, proceeds from the sale of vehicles, additional grant dollars, and delinquent tax collections that were not budgeted for were the cause of this.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2013, totaled $23,383,487 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, infrastructure, and intangibles. The investment in capital assets decreased $754,344, or 3.1 percent, from the previous year.

Table 4
Capital Assets at Year-End
(Net of depreciation, in thousands)

	2013	2012
Land	$ 696	$ 696
Infrastructure	18,939	20,324
Buildings	1,797	1,619
Improvements other than buildings	136	147
Machinery and equipment	1,510	1,335
Construction in progress	289	-
Intangibles	17	17
Total	$ 23,384	$ 24,138

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

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of $850,000 which was backed by the full faith and credit of the government.

Table 5
Outstanding Debt

	2013	2012
General obligation bonds - capital improvement	$ 850,000	$ 905,000

The County's debt related to general obligation bonds decreased by $55,000 (6.1 percent) during the fiscal year.

Minnesota statutes limit the amount of debt a county may carry to 3.0 percent of its total market value. At the end of 2013, the County's outstanding debt was .076 percent of its total estimated market value.

Additional information on the County's long-term debt can be found in Note 2.C.3. to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

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

- The average unemployment rate for Big Stone County for 2013 was 4.875 percent. This compares favorably with the state unemployment rate of 5.117 percent and shows a decrease from the County's 5.175 percent rate of one year ago. This could impact the level of services requested by County residents.

- The County's General Fund expenditures for 2014 are budgeted to increase 5.73 percent ($211,787) over the 2013 original budget. The 2014 anticipated revenues, other than tax levy, state aid, and special assessments, are budgeted to decrease 2.08 percent ($17,834) over the 2013 original budget.

- The gross property tax levy for the County increased 2.91 percent ($134,289) from 2013, and the net tax levy (the amount spread to taxpayers) increased 4.93 percent ($216,109) from 2013. This does not reflect the State’s elimination of the homestead credit.

County Tax Rate and Levy History

2014	42.654%	$	4,602,481
2013	49.597		4,386,372
2012	57.299		4,342,943
2011	49.428		3,963,884
2010	50.717		3,669,841
2009	57.715		3,541,235
2008	60.262		3,270,398
2007	62.681		3,014,191

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Big Stone County’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor, Michelle R. Knutson, Big Stone County Courthouse, 20 - 2nd Street S.E., Suite 103, Ortonville, Minnesota 56278.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013

Assets		
Cash and pooled investments	$	6,387,271
Investments		1,222,700
Receivables - net		2,958,152
Inventories		221,105
Capital assets		
Non-depreciable		1,002,071
Depreciable - net of accumulated depreciation		22,381,416
Total Assets	**$**	**34,172,715**
Liabilities		
Accounts payable and other current liabilities	$	273,894
Accrued interest payable		11,869
Long-term liabilities		
Due within one year		127,259
Due in more than one year		1,936,503
Total Liabilities	**$**	**2,349,525**
Net Position		
Net investment in capital assets	$	22,638,967
Restricted for		
Highways and streets		2,731,952
Debt service		87,343
Public safety		29,855
Family services		2,742
Conservation of natural resources		438,797
Other purposes		175,054
Unrestricted		5,718,480
Total Net Position	**$**	**31,823,190**

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

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

		Program Revenues			Net (Expense)
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
General government	$ 1,872,727	$ 177,010	$ 85,922	$ -	$ (1,609,795)
Public safety	1,075,045	76,257	139,880	-	(858,908)
Highways and streets	4,167,935	267,588	2,785,631	220,011	(894,705)
Sanitation	190,723	120,671	58,350	-	(11,702)
Human services	2,321,514	376,263	1,149,709	-	(795,542)
Health	95,437	1,000	-	-	(94,437)
Culture and recreation	149,360	11,504	28,720	-	(109,136)
Conservation of natural resources	294,133	77,902	34,594	-	(181,637)
Economic development	49,003	-	-	-	(49,003)
Interest	56,483	-	-	-	(56,483)
Total Governmental Activities	**$ 10,272,360**	**$ 1,108,195**	**$ 4,282,806**	**$ 220,011**	**$ (4,661,348)**

General Revenues	
Property taxes	$ 4,260,438
Gravel taxes	72,001
Mortgage registry and deed tax	4,685
Payments in lieu of tax	120,129
Grants and contributions not restricted to specific programs	398,362
Unrestricted investment income	32,882
Miscellaneous	175,258
Total general revenues	**$ 5,063,755**
Change in net position	**$ 402,407**
Net Position - Beginning	**31,420,783**
Net Position - Ending	**$ 31,823,190**

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

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General		Highway	
Assets				
Cash and pooled investments	$	2,734,265	$	725,087
Undistributed cash in agency funds		6,527		72,001
Petty cash and change funds		1,020		75
Investments		-		1,222,700
Taxes receivable				
Prior		36,606		12,317
Special assessments receivable				
Prior		9,444		-
Noncurrent		-		-
Accounts receivable		19,071		349
Accrued interest receivable		4,675		-
Due from other governments		136,961		2,533,588
Advance to other funds		51,900		-
Advance to other governments		-		-
Inventories		-		221,105
Total Assets	**$**	**3,000,469**	**$**	**4,787,222**
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$	9,569	$	4,992
Salaries payable		41,012		27,292
Contracts payable		35,230		14,474
Due to other governments		46,478		2,315
Advance from other funds		-		-
Total Liabilities	**$**	**132,289**	**$**	**49,073**
Deferred Inflows of Resources				
Unavailable revenue	**$**	**48,231**	**$**	**2,510,810**
Fund Balances				
Nonspendable	$	51,900	$	221,105
Restricted		263,538		388,909
Committed		744,879		201,505
Assigned		40,630		1,415,820
Unassigned		1,719,002		-
Total Fund Balances	**$**	**2,819,949**	**$**	**2,227,339**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$**	**3,000,469**	**$**	**4,787,222**

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

EXHIBIT 3

Family Services	Ditch	Debt Service	Total
$ 2,527,365	$ 220,437	$ 98,194	$ 6,305,348
-	-	-	78,528
2,300	-	-	3,395
-	-	-	1,222,700
11,950	-	1,018	61,891
-	-	-	9,444
-	56,181	-	56,181
24,306	-	-	43,726
-	-	-	4,675
104,597	-	-	2,775,146
-	-	-	51,900
7,089	-	-	7,089
-	-	-	221,105
$ 2,677,607	**$ 276,618**	**$ 99,212**	**$ 10,841,128**
$ 56,105	$ -	$ -	$ 70,666
29,144	-	-	97,448
-	-	-	49,704
7,283	-	-	56,076
-	51,900	-	51,900
$ 92,532	**$ 51,900**	**$ -**	**$ 325,794**
$ 11,950	**$ 56,181**	**$ 1,018**	**$ 2,628,190**
$ -	$ -	$ -	$ 273,005
2,742	168,537	98,194	921,920
150,000	-	-	1,096,384
2,420,383	-	-	3,876,833
-	-	-	1,719,002
$ 2,573,125	**$ 168,537**	**$ 98,194**	**$ 7,887,144**
$ 2,677,607	**$ 276,618**	**$ 99,212**	**$ 10,841,128**

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BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT 4

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

Fund balance - total governmental funds (Exhibit 3)		**$ 7,887,144**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		23,383,487
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		2,628,190
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (850,000)	
Compensated absences	(516,405)	
Net OPEB obligation	(697,357)	
Accrued interest payable	(11,869)	(2,075,631)
Net Position of Governmental Activities (Exhibit 1)		**$ 31,823,190**

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

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

	General	Highway
Revenues		
Taxes	$ 2,612,588	$ 905,485
Special assessments	122,671	-
Licenses and permits	22,518	-
Intergovernmental	704,742	1,955,673
Charges for services	198,771	198,127
Gifts and contributions	2,500	-
Investment earnings	33,700	5,522
Miscellaneous	213,956	31,840
Total Revenues	**$ 3,911,446**	**$ 3,096,647**
Expenditures		
Current		
General government	$ 1,745,957	$ -
Public safety	1,036,134	-
Highways and streets	-	3,253,483
Sanitation	187,905	-
Human services	-	-
Health	43,967	-
Culture and recreation	154,642	-
Conservation of natural resources	248,658	-
Economic development	49,003	-
Intergovernmental	51,470	176,050
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal) fees	-	-
Total Expenditures	**$ 3,517,736**	**$ 3,429,533**
Excess of Revenues Over (Under) Expenditures	**$ 393,710**	**$ (332,886)**
Other Financing Sources (Uses)		
Proceeds from the sale of assets	12,213	37,621
Net Change in Fund Balance	**$ 405,923**	**$ (295,265)**
Fund Balance - January 1	**2,414,026**	**2,523,206**
Increase (decrease) in inventories	**-**	**(602)**
Fund Balance - December 31	**$ 2,819,949**	**$ 2,227,339**

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

EXHIBIT 5

Family Services		Ditch		Debt Service		Total	
$	775,838	$	-	$	90,307	$	4,384,218
	-		107,608		-		230,279
	-		-		-		22,518
	1,223,725		1,972		3,265		3,889,377
	324,605		-		-		721,503
	-		-		-		2,500
	-		54		-		39,276
	48,757		-		-		294,553
$	**2,372,925**	**$**	**109,634**	**$**	**93,572**	**$**	**9,584,224**
$	-	$	-	$	-	$	1,745,957
	-		-		-		1,036,134
	-		-		-		3,253,483
	-		-		-		187,905
	2,299,109		-		-		2,299,109
	-		-		-		43,967
	-		-		-		154,642
	-		43,072		-		291,730
	-		-		-		49,003
	-		-		-		227,520
	-		-		55,000		55,000
	-		-		29,035		29,035
	-		-		550		550
$	**2,299,109**	**$**	**43,072**	**$**	**84,585**	**$**	**9,374,035**
$	**73,816**	**$**	**66,562**	**$**	**8,987**	**$**	**210,189**
	2,900		-		-		52,734
$	**76,716**	**$**	**66,562**	**$**	**8,987**	**$**	**262,923**
	2,496,409		**101,975**		**89,207**		**7,624,823**
	-		-		-		**(602)**
$	**2,573,125**	**$**	**168,537**	**$**	**98,194**	**$**	**7,887,144**

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT 6

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

Net change in fund balance - total governmental funds (Exhibit 5)		**$ 262,923**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Deferred inflows of resources - December 31	$ 2,628,190	
Deferred inflows of resources - January 1	(1,590,382)	1,037,808
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.		
Expenditures for general capital assets and infrastructure	$ 1,028,166	
Net book value of assets disposed of	(116,234)	
Current year depreciation and depletion	(1,666,276)	(754,344)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repayments		
General obligation bonds		55,000
Amortization of discount on bonds and issuance costs		(27,356)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	$ 458	
Change in compensated absences	4,398	
Change in net OPEB liability	(175,878)	
Change in inventories	(602)	(171,624)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 402,407**

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

FIDUCIARY FUNDS

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BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2013

Assets		
Cash and pooled investments	**$**	**251,920**
Liabilities		
Accounts payable	$	5,922
Due to other governments		245,998
Total Liabilities	**$**	**251,920**

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

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1. Summary of Significant Accounting Policies

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

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of GASB Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.8. in the notes to the financial statements for additional information regarding the County's deferred inflows/outflows of resources.

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

A. Financial Reporting Entity

Big Stone County was established February 20, 1862, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. § 373.01. As required by accounting principles generally accepted in the United States of America, these financial statements present Big Stone County. 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. The County Auditor serves as the clerk of the Board of Commissioners, but has no vote.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in several joint ventures described in Note 4.C. The County also participates in jointly-governed organizations described in Note 4.D. and a related organization described in Note 4.E.

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements (Continued)

      2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

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

Additionally, the County reports the following fund type:

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

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities, and Net Position 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.

1. Summary of Significant Accounting Policies

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

      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, 2013, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2013 were $18,568.

      3. Receivables and Payables

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

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

         All receivables are shown net of an allowance for uncollectibles.

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

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items

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

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

5. Capital Assets

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

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

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

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

Assets	Years
Buildings	25 - 125
Land improvements	15 - 35
Public domain infrastructure	15 - 70
Machinery and equipment	3 - 20

1. Summary of Significant Accounting Policies

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

6. Compensated Absences

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

7. Long-Term Obligations

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

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

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has no items that qualify for reporting in this category.

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

9. Classification of Net Position

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

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

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

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

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances

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

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

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

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

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

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

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

10. Classification of Fund Balances (Continued)

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

11. Minimum Fund Balance

Big Stone County has adopted a minimum fund balance policy for the General Fund, the Highway Special Revenue Fund, and the Family Services Special Revenue Fund. All three funds are heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. At December 31, 2013, unrestricted fund balances for all three funds were at or above the minimum fund balance levels.

12. Use of Estimates

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	6,387,271
Investments		1,222,700
Statement of fiduciary net position		
Cash and pooled investments		251,920
Total Cash and Investments	$	7,861,891

a. Deposits

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

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk by obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2013, the County's deposits in banks were entirely covered by federal depository insurance or by collateral in accordance with Minnesota statutes.

b. Investments

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

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

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

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

2. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments (Continued)

            (4) bankers' acceptances of United States banks;

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

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

            Interest Rate Risk

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

            Credit Risk

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

2. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage are available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. On December 31, 2013, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

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

The following table presents the County's cash and deposit balances at December 31, 2013. The County has no investments subject to investment risks.

Checking	$ 1,059,880
Savings	5,298,616
Certificates of deposit	1,500,000
Petty cash	3,395
Total Cash and Investments	$ 7,861,891

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2013, for the County's governmental activities, net of the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 61,891	$ -
Special assessments	65,625	55,774
Accounts receivable	43,726	-
Interest	4,675	-
Due from other governments	2,775,146	-
Advance to other governments	7,089	-
Total Governmental Activities	$ 2,958,152	$ 55,774

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 297,590	$ -	$ -	$ 297,590
Gravel pits	350,742	-	428	350,314
Right-of-way	47,695	-	-	47,695
Construction in progress	-	289,489	-	289,489
Intangible assets	16,983	-	-	16,983
Total capital assets not depreciated	$ 713,010	$ 289,489	$ 428	$ 1,002,071
Capital assets depreciated				
Buildings	$ 3,667,645	$ 254,604	$ 24,485	$ 3,897,764
Land improvements	245,352	-	-	245,352
Machinery and equipment	4,536,859	484,073	411,508	4,609,424
Infrastructure	41,678,424	-	-	41,678,424
Total capital assets depreciated	$ 50,128,280	$ 738,677	$ 435,993	$ 50,430,964

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	$ 2,048,358	$ 71,454	$ 18,921	$ 2,100,891
Land improvements	98,529	11,289	-	109,818
Machinery and equipment	3,202,124	197,658	300,838	3,098,944
Infrastructure	21,354,448	1,385,447	-	22,739,895
Total accumulated depreciation	$ 26,703,459	$ 1,665,848	$ 319,759	$ 28,049,548
Total capital assets depreciated, net	$ 23,424,821	$ (927,171)	$ 116,234	$ 22,381,416
Governmental Activities Capital Assets, Net	$ 24,137,831	$ (637,682)	$ 116,662	$ 23,383,487

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

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

Governmental Activities	
General government	$ 96,923
Public safety	41,486
Highways and streets, including depreciation of infrastructure assets	1,504,463
Sanitation	428
Human services	7,158
Culture and recreation	15,390
Total Depreciation Expense - Governmental Activities	$ 1,665,848

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

Governmental Activities	
Highways and streets	$ 428

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue	$ 51,900

The Ditch Special Revenue Fund advance is to provide working capital to a ditch system with low reserves and current operating costs in excess of its revenues. This balance will be paid from future ditch special assessments.

2. Transfers

There were no interfund transfers for the year ended December 31, 2013.

C. Liabilities

1. Payables

Payables at December 31, 2013, were as follows:

Accounts payable	$ 70,666
Salaries payable	97,448
Contracts payable	49,704
Due to other governments	56,076
Total Payables	$ 273,894

2. Construction Commitments

The County has active construction projects as of December 31, 2013. The projects include the following:

	Spent-to-Date	Remaining Commitment
Roofing project	$ 253,222	$ -

2. Detailed Notes on All Funds

C. Liabilities

2. Construction Commitments (Continued)

The remaining commitment for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2013.

3. Long-Term Debt

On September 15, 2009, Big Stone County issued General Obligation Capital Improvement Bonds, Series 2009A, in the amount of $1,000,000, with interest rates of 1.5 percent to 4.0 percent, to finance capital improvements to County roads.

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2013
General obligation bonds					
2009 G.O. Capital Improvement Bonds	2025	$40,000 - $85,000	1.5 - 4.0	$ 1,000,000	$ 850,000

4. Debt Service Requirements

Debt payments on the capital improvement bonds are made from the Debt Service Fund. Debt service requirements at December 31, 2013, were as follows:

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2014	$ 60,000	$ 27,885
2015	60,000	26,535
2016	60,000	25,035
2017	65,000	23,310
2018	65,000	21,360
2019 - 2023	370,000	70,035
2024 - 2025	170,000	6,800
Total	$ 850,000	$ 200,960

2. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds					
Capital improvement	$ 905,000	$ -	$ 55,000	$ 850,000	$ 60,000
Less: unamortized discount	(9,168)	-	(9,168)	-	-
Total bonds payable	$ 895,832	$ -	$ 45,832	$ 850,000	$ 60,000
Compensated absences	520,803	327,424	331,822	516,405	67,259
Other postemployment benefits	521,479	325,530	149,652	697,357	-
Governmental Activities Long-Term Liabilities	$ 1,938,114	$ 652,954	$ 527,306	$ 2,063,762	$ 127,259

D. Fund Balance

Fund Balances	General	Highway	Family Services	Ditch	Debt Service	Total
Nonspendable						
Advances	$ 51,900	$ -	$ -	$ -	$ -	$ 51,900
Inventory	-	221,105	-	-	-	221,105
Restricted for						
Law library	2,528	-	-	-	-	2,528
Recorder’s Technology Fund	71,976	-	-	-	-	71,976
Recorder’s Compliance Fund	83,498	-	-	-	-	83,498
Enhanced 911	13,909	-	-	-	-	13,909
Sheriff’s contingency	3,575	-	-	-	-	3,575
Gravel pit restoration	-	155,450	-	-	-	155,450
Gun permit fees	12,371	-	-	-	-	12,371
Highway allotments	-	233,459	-	-	-	233,459
Unspent grant monies	75,681	-	2,742	-	-	78,423
Ditch	-	-	-	168,537	-	168,537
Debt service	-	-	-	-	98,194	98,194
Committed to						
Capital projects	168,127	-	-	-	-	168,127
Building maintenance	530,286	-	-	-	-	530,286
MSI equipment and building repair	46,466	-	-	-	-	46,466
County road projects	-	200,618	-	-	-	200,618
Fuel pumps	-	887	-	-	-	887
Out-of-home placements	-	-	150,000	-	-	150,000
Assigned to						
Library capital	9,000	-	-	-	-	9,000
Enhanced 911	15,556	-	-	-	-	15,556
Elections	16,074	-	-	-	-	16,074
Highway	-	1,415,820	-	-	-	1,415,820
Family Services	-	-	2,420,383	-	-	2,420,383
Unassigned	1,719,002	-	-	-	-	1,719,002
Total Fund Balances	$ 2,819,949	$ 2,227,339	$ 2,573,125	$ 168,537	$ 98,194	$ 7,887,144

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

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

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description (Continued)

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 all General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent.

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Funding Policy (Continued)

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

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

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

	2013	2012	2011
General Employees Retirement Fund	$ 185,078	$ 178,209	$ 173,687
Public Employees Police and Fire Fund	44,919	44,422	40,970

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share.

3. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

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

	Employee	Employer
Contribution amount	$ 2,939	$ 2,939
Percentage of covered payroll	5.0%	5.0%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

Big Stone County pays the health insurance for qualified retired employees and elected officials. This is a single-employer defined benefit health care plan. To be eligible, employees must have worked for Big Stone County on a full-time basis or been elected to office for a minimum of 10 years, be at least 55 years old, and retire while in active service. Those eligible shall be entitled to the cost of their individual health insurance coverage up to a maximum monthly figure not to exceed the monthly premium for a Minnesota Comprehensive Health Association's (MCHA) medical coverage for their age group. However, all eligible retirees shall be required to apply for Medicare coverage and Blue Cross Blue Shield Senior Gold Medicare Supplement (including the additional preventative care) at their earliest eligibility. The retiree must purchase Medicare Parts A & B at their own expense. For eligible employees hired prior to January 1, 1991, the premium for the individual health insurance coverage or the Medicare supplement and the County's Group Medicare Part D coverage will be paid by Big Stone County until the death of the retiree.

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

Any eligible employee hired between January 1, 1991, and December 31, 2011, shall be eligible for one year of employer retiree insurance contributions for each five years of service with the County to a maximum of three years of contributions.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Big Stone County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. The County has no implicit rate subsidy. The County had 9 elected officials and 24 employees eligible for this benefit in 2013. The cost from this program totaled $149,652 ($23,321 for elected officials and $126,331 for employees) in 2013.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	$	335,096
Interest on net OPEB obligation		20,859
Adjustment to ARC		(30,425)
Annual OPEB cost (expense)	$	325,530
Contributions made during the year		(149,652)
Increase in net OPEB obligation	$	175,878
Net OPEB Obligation - Beginning of Year		521,479
Net OPEB Obligation - End of Year	$	697,357

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2011, 2012, and 2013, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	$ 293,285	$ 184,012	62.7%	$ 355,089
December 31, 2012	328,779	162,389	49.4	521,479
December 31, 2013	325,530	149,652	46.0	697,357

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was $3,991,730, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $3,991,730. The covered payroll (annual payroll of active employees covered by the plan) was $2,695,105, and the ratio of the UAAL to the covered payroll was 148.1 percent.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a four percent investment rate of return (net of investment expenses), which is Big Stone County's implicit rate of return on the General Fund.

The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2013, was 25 years.

4. Summary of Significant Contingency and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For all 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.

4. Summary of Significant Contingency and Other Items

A. Risk Management (Continued)

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

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

B. 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.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Joint Ventures

Countryside Public Health Service

The Countryside Public Health Service was established July 1, 1979, by a joint powers agreement among Big Stone, Chippewa, Lac qui Parle, Swift, and Yellow Medicine Counties. The agreement was established to provide community health care for the residents of the five-county area. Each county's proportionate share of the total responsibility of the project is established on a per capita basis as determined by the most recent statistical estimates provided by the Minnesota Board of Health.

4. Summary of Significant Contingency and Other Items

C. Joint Ventures

Countryside Public Health Service (Continued)

In the event of termination of the joint powers agreement, any property acquired as a result of the agreement and any surplus monies on hand at that time shall be divided among the counties in the same proportions as their respective proportionate financial responsibilities.

Control is vested in the Countryside Public Health Service Board of Health. The Board consists of 11 persons, 2 from each county, except the county with the largest population, which has 3 members. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Big Stone County's contribution for 2013 was $51,470.

Complete financial statements for the Countryside Public Health Service can be obtained from its administrative office at P. O. Box 313, Benson, Minnesota 56215, or from the County Auditor's Office at the Courthouse.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; and Southwest Health and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

The Board takes actions and enters into such agreements as necessary to plan and develop within the Board's geographic jurisdiction, a system of care that serves the needs of adults with serious and persistent mental illness. The governing board is composed of one board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

4. Summary of Significant Contingency and Other Items

C. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at the Cottonwood County Family Services Agency, Windom, Minnesota 56101.

Prime West Health System

In December 1998, Big Stone County became a member of the Prime West Central County-Based Purchasing Initiative Joint Powers Board (since renamed Prime West Health System) with Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to the Prime West Health System. Big Stone County, in partnership with these 12 counties, is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

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

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

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

4. Summary of Significant Contingency and Other Items

C. Joint Ventures

Prime West Health System (Continued)

Complete financial information can be obtained from its administrative office at Prime West Health, 2209 Jefferson Street, Suite 101, Alexandria, Minnesota 56308.

Pomme de Terre River Association

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

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

Complete financial information for the Pomme de Terre River Association Joint Powers Board can be obtained from its administrative offices at 900 Roberts Street, Suite 104, St. Paul, Minnesota 55103-2108.

Central Minnesota Emergency Services Board

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

4. Summary of Significant Contingency and Other Items

C. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota. Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the Board include a member of the Central Minnesota Regional Advisory Committee, a member of the Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee.

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

During 2013, Big Stone County contributed $1,837 to the Joint Powers Board. Complete financial information for the Central Minnesota Emergency Services Joint Powers Board can be obtained from the City of St. Cloud at 400 - 2nd Street South, St. Cloud, Minnesota 56301.

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership was established in July 2007 by a joint powers agreement among Big Stone County and 11 other counties under the authority of Minn. Stat. §§ 471.59 and 145A.17. Big Stone County is part of the Countryside Public Health Service and is required to have this joint agreement. The purpose of this agreement is to organize, govern, plan, and administer a multi-county based Nurse Family Partnership Program specifically within the jurisdictional boundaries of the counties involved. There are currently 20 counties in the Partnership.

4. Summary of Significant Contingency and Other Items

C. Joint Ventures

Supporting Hands Nurse Family Partnership (Continued)

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2013, Big Stone County did not make a contribution to the Partnership, as a contribution was made by the Countryside Public Health Service.

McLeod County acts as fiscal agent for Supporting Hands Nurse Family Partnership. A complete financial report of the Supporting Hands Nurse Family Partnership can be obtained from McLeod County at 830 - 11th Street East, Glencoe, Minnesota 55336.

Pioneerland Regional Library System

Big Stone County, along with 32 cities and 9 other counties, participates in the Pioneerland Regional Library System in order to provide efficient and improved regional public library service. The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties. During the year, the County contributed $63,677 to the System.

Southwest Minnesota Private Industry Council, Inc.

The Southwest Minnesota Private Industry Council, Inc., (SW MN PIC) is a private nonprofit corporation which was created through a Joint Powers Agreement on October 1, 1983, and began operations in 1985 under the Job Training Partnership Act (JTPA) authorized by Congress to administer and operate job training programs in a 14-county area of Southwestern Minnesota. These counties include Big Stone, Chippewa, Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, Swift, and Yellow Medicine. SW MN PIC is governed by the Chief Elected Official Board, which is composed of one representative from each member county.

Separate financial information for SW MN PIC can be obtained from the Lyon County Government Center, 607 West Main Street, Marshall, Minnesota 56258.

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

D. Jointly-Governed Organizations

Big Stone County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The County participates along with other governments in the following organizations:

Minnesota River Board

The Minnesota River Board (formerly the Minnesota River Basin Joint Powers Board) was established July 12, 1995, by an agreement between Big Stone County and 30 other counties. According to the latest information available, 38 counties are members under this agreement. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

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

Control is vested in an executive board of five officers elected from the membership of the Minnesota River Board, consisting of one representative and alternate from each County Board of Commissioners included in this agreement. During 2013, Big Stone County contributed $313 to the Board.

A vote was taken on December 16, 2013, to terminate the Joint Powers Agreement. The County was asked to pass a resolution of termination at their February 18, 2014, Board meeting, which the County voted to do. Effective February 18, 2014, the County is no longer a member of the Minnesota River Board.

Complete financial statements for the Minnesota River Board can be obtained from its administrative office at Administration Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

4. Summary of Significant Contingency and Other Items

D. Jointly-Governed Organizations (Continued)

West Central S.W.A.T. Team

In July 2008, Big Stone County, along with several cities and other counties, entered into an agreement to create a feasible economical way by sharing the costs to protect the citizens of the cities and counties involved. During the year, the County contributed $770 to the Team. Big Stone County opted out of the team, effective January 1, 2014.

E. Related Organization - Upper Minnesota River Watershed District

The County Board is responsible for appointing a majority of the Board of Managers for the Upper Minnesota River Watershed District, but the County's responsibility does not extend beyond making the appointments.

F. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and local lending institutions to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for repayment of the loans in any manner, it does have certain responsibilities under the agreement.

REQUIRED SUPPLEMENTARY INFORMATION

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BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT A-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,552,713	$ 2,552,713	$ 2,612,588	$ 59,875
Special assessments	118,125	118,125	122,671	4,546
Licenses and permits	17,550	17,550	22,518	4,968
Intergovernmental	653,180	653,180	704,742	51,562
Charges for services	179,920	179,920	198,771	18,851
Gifts and contributions	-	-	2,500	2,500
Investment earnings	45,400	45,400	33,700	(11,700)
Miscellaneous	109,102	109,102	213,956	104,854
Total Revenues	**$ 3,675,990**	**$ 3,675,990**	**$ 3,911,446**	**$ 235,456**
Expenditures				
Current				
General government				
Commissioners	$ 149,735	$ 149,735	$ 151,943	$ (2,208)
Court administrator	-	-	4	(4)
Law library	6,000	6,000	5,326	674
Auditor	187,159	187,159	210,231	(23,072)
Treasurer	93,434	93,434	91,782	1,652
Accounting and auditing	39,360	39,360	34,634	4,726
Information technology	180,559	180,559	184,876	(4,317)
Human resources	98,285	98,285	98,213	72
General administration	154,660	154,660	108,480	46,180
Elections	20,000	20,000	3,926	16,074
Attorney	80,970	80,970	79,391	1,579
Recorder	168,320	168,320	157,270	11,050
Assessor	248,426	248,426	251,686	(3,260)
Planning and zoning	91,728	91,728	49,550	42,178
Buildings and plant	181,994	181,994	212,515	(30,521)
Veterans service officer	98,691	98,691	106,130	(7,439)
Total general government	**$ 1,799,321**	**$ 1,799,321**	**$ 1,745,957**	**$ 53,364**
Public safety				
Sheriff	$ 860,083	$ 860,083	$ 857,648	$ 2,435
Boat and water safety	2,265	2,265	1,299	966
Coroner	5,000	5,000	200	4,800
Probation	51,000	51,000	46,476	4,524
Emergency management	28,022	28,022	35,051	(7,029)
E-911 system	108,500	108,500	95,460	13,040
Total public safety	**$ 1,054,870**	**$ 1,054,870**	**$ 1,036,134**	**$ 18,736**

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

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	**$ 190,814**	**$ 190,814**	**$ 187,905**	**$ 2,909**
Health				
Public health	**$ 44,092**	**$ 44,092**	**$ 43,967**	**$ 125**
Culture and recreation				
Culture and recreation	$ 103,427	$ 103,427	$ 99,046	$ 4,381
Historical society	21,000	21,000	20,920	80
Toqua Park	43,173	43,173	34,676	8,497
Total culture and recreation	**$ 167,600**	**$ 167,600**	**$ 154,642**	**$ 12,958**
Conservation of natural resources				
Extension	$ 112,357	$ 112,357	$ 107,470	$ 4,887
Conservation	91,508	91,508	90,896	612
Feedlot management	16,005	16,005	15,968	37
Water planning	37,875	37,875	34,324	3,551
Total conservation of natural resources	**$ 257,745**	**$ 257,745**	**$ 248,658**	**$ 9,087**
Economic development				
Other	**$ 49,004**	**$ 49,004**	**$ 49,003**	**$ 1**
Intergovernmental				
Health	**$ 51,470**	**$ 51,470**	**$ 51,470**	**$ -**
Total Expenditures	**$ 3,614,916**	**$ 3,614,916**	**$ 3,517,736**	**$ 97,180**
Excess of Revenues Over (Under) Expenditures	**$ 61,074**	**$ 61,074**	**$ 393,710**	**$ 332,636**
Other Financing Sources (Uses)				
Proceeds from the sale of assets	-	-	12,213	12,213
Net Change in Fund Balance	**$ 61,074**	**$ 61,074**	**$ 405,923**	**$ 344,849**
Fund Balance - January 1	**2,414,026**	**2,414,026**	**2,414,026**	**-**
Fund Balance - December 31	**$ 2,475,100**	**$ 2,475,100**	**$ 2,819,949**	**$ 344,849**

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

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT A-2

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

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 858,054	$ 858,054	$ 905,485	$ 47,431
Intergovernmental	3,888,796	3,888,796	1,955,673	(1,933,123)
Charges for services	167,000	167,000	198,127	31,127
Investment earnings	15,000	15,000	5,522	(9,478)
Miscellaneous	32,000	32,000	31,840	(160)
Total Revenues	**$ 4,960,850**	**$ 4,960,850**	**$ 3,096,647**	**$ (1,864,203)**
Expenditures				
Current				
Highways and streets				
Administration	$ 361,090	$ 361,090	$ 389,354	$ (28,264)
Other - highways and streets	17,150	17,150	7,822	9,328
Construction	2,868,490	2,868,490	994,174	1,874,316
Maintenance	688,180	688,180	756,982	(68,802)
Equipment and maintenance shops	840,760	840,760	1,096,794	(256,034)
Material and services for resale	18,950	18,950	8,357	10,593
Total highways and streets	**$ 4,794,620**	**$ 4,794,620**	**$ 3,253,483**	**$ 1,541,137**
Intergovernmental				
Highways and streets	170,000	170,000	176,050	(6,050)
Total Expenditures	**$ 4,964,620**	**$ 4,964,620**	**$ 3,429,533**	**$ 1,535,087**
Excess of Revenues Over (Under) Expenditures	**$ (3,770)**	**$ (3,770)**	**$ (332,886)**	**$ (329,116)**
Other Financing Sources (Uses)				
Proceeds from the sale of assets	1,000	1,000	37,621	36,621
Net Change in Fund Balance	**$ (2,770)**	**$ (2,770)**	**$ (295,265)**	**$ (292,495)**
Fund Balance - January 1	**2,523,206**	**2,523,206**	**2,523,206**	**-**
Increase (decrease) in inventories	**-**	**-**	**(602)**	**(602)**
Fund Balance - December 31	**$ 2,520,436**	**$ 2,520,436**	**$ 2,227,339**	**$ (293,097)**

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

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT A-3

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

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 765,344	$ 765,344	$ 775,838	$ 10,494
Intergovernmental	1,336,033	1,336,033	1,223,725	(112,308)
Charges for services	244,310	244,310	324,605	80,295
Miscellaneous	36,194	36,194	48,757	12,563
Total Revenues	**$ 2,381,881**	**$ 2,381,881**	**$ 2,372,925**	**$ (8,956)**
Expenditures				
Current				
Human services				
Income maintenance	$ 690,499	$ 690,499	$ 709,359	$ (18,860)
Social services	1,691,382	1,691,382	1,589,750	101,632
Total Expenditures	**$ 2,381,881**	**$ 2,381,881**	**$ 2,299,109**	**$ 82,772**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 73,816**	**$ 73,816**
Other Financing Sources (Uses)				
Proceeds from the sale of assets	-	-	2,900	2,900
Net Change in Fund Balance	**$ -**	**$ -**	**$ 76,716**	**$ 76,716**
Fund Balance - January 1	**2,496,409**	**2,496,409**	**2,496,409**	**-**
Fund Balance - December 31	**$ 2,496,409**	**$ 2,496,409**	**$ 2,573,125**	**$ 76,716**

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

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT A-4

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

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Special assessments	$ 81,725	$ 81,725	$ 107,608	$ 25,883
Intergovernmental	-	-	1,972	1,972
Investment earnings	-	-	54	54
Total Revenues	**$ 81,725**	**$ 81,725**	**$ 109,634**	**$ 27,909**
Expenditures				
Current				
Conservation of natural resources				
Other	82,100	82,100	43,072	39,028
Excess of Revenues Over (Under) Expenditures	**$ (375)**	**$ (375)**	**$ 66,562**	**$ 66,937**
Fund Balance - January 1	**101,975**	**101,975**	**101,975**	**-**
Fund Balance - December 31	**$ 101,600**	**$ 101,600**	**$ 168,537**	**$ 66,937**

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

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT A-5

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	$ -	$ 3,542,463	$ 3,542,463	0.0%	$ 2,461,776	143.9%
January 1, 2012	-	3,991,730	3,991,730	0.0	2,695,105	148.1

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

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

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

1. General Budget Policies

   The County Board adopts estimated revenue and expenditure budgets for the General Fund and the special revenue funds. The expenditure budget is approved at the fund level.

   The budgets may be amended or modified at any time by the County Board. Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund and special revenue funds.

2. Budget Basis of Accounting

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

3. Budget Amendments

   There were no budget amendments in 2013.

4. Excess of Expenditures Over Budget

   Expenditures did not exceed final budgets in any of the funds.

5. Other Postemployment Benefits Funding Status

   Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero. Currently, two actuarial valuations are available. As the information becomes available, future reports will provide additional trend analysis to meet the three valuation funding status requirement.

   See Note 3.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

6. Other Postemployment Benefits – Significant Plan Provisions and Actuarial Assumption Changes

2012

Plan Provisions

- Employees hired after January 1, 2012, are not eligible for the postemployment medical subsidy.

- Reimbursement for the Medicare Part D premium is limited to $50 per month for eligible employees who retire on or after January 1, 2012. Current retirees are grandfathered to full Part D premium.

- Non-union retirees who retire on or after January 1, 2012, receive a reimbursement limited to the $1,000 Minnesota Comprehensive Health Association (MCHA) premium amount, and they do not receive the $50 per month subsidy before reaching Medicare eligibility. Their reimbursement had been limited to the $500 MCHA premium amount, and employees hired before January 1, 1991, were eligible for the $50 per month subsidy before reaching Medicare eligibility.

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT B-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 92,910	$ 92,910	$ 90,307	$ (2,603)
Intergovernmental	-	-	3,265	3,265
Total Revenues	**$ 92,910**	**$ 92,910**	**$ 93,572**	**$ 662**
Expenditures				
Debt service				
Principal	$ 55,000	$ 55,000	$ 55,000	$ -
Interest	29,035	29,035	29,035	-
Administrative (fiscal) fees	550	550	550	-
Total Expenditures	**$ 84,585**	**$ 84,585**	**$ 84,585**	**$ -**
Excess of Revenues Over (Under) Expenditures	**$ 8,325**	**$ 8,325**	**$ 8,987**	**$ 662**
Fund Balance - January 1	**89,207**	**89,207**	**89,207**	**-**
Fund Balance - December 31	**$ 97,532**	**$ 97,532**	**$ 98,194**	**$ 662**

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AGENCY FUNDS

Family Services Collaborative - to account for the collection and disbursement of funds for the local collaborative.

Social Welfare - to account for the collection and disbursement of funds held on behalf of individuals in the Social Welfare program.

State - to account for the collection and disbursement of the state's share of fees, fines, and mortgage registry and state deed taxes collected by the County.

Taxes and Penalties - to account for the collection of taxes and penalties and their distribution to the various funds and governmental units.

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BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT C-1

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

	Balance January 1	Additions	Deductions	Balance December 31
FAMILY SERVICES COLLABORATIVE				
Assets				
Cash and pooled investments	$ 128,279	$ 69,907	$ 71,532	$ 126,654
Liabilities				
Due to other governments	$ 128,279	$ 69,907	$ 71,532	$ 126,654
SOCIAL WELFARE				
Assets				
Cash and pooled investments	$ 5,835	$ 53,637	$ 53,550	$ 5,922
Liabilities				
Accounts payable	$ 5,835	$ 53,637	$ 53,550	$ 5,922
STATE				
Assets				
Cash and pooled investments	$ 20,259	$ 633,133	$ 635,079	$ 18,313
Liabilities				
Due to other governments	$ 20,259	$ 633,133	$ 635,079	$ 18,313

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT C-1
(Continued)

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

	Balance January 1	Additions	Deductions	Balance December 31
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 89,614**	**$ 12,703,853**	**$ 12,692,436**	**$ 101,031**
Liabilities				
Due to other governments	$ 87,641	$ 12,703,853	$ 12,690,463	$ 101,031
Advance from other funds	1,973	-	1,973	-
Total Liabilities	**$ 89,614**	**$ 12,703,853**	**$ 12,692,436**	**$ 101,031**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	**$ 243,987**	**$ 13,460,530**	**$ 13,452,597**	**$ 251,920**
Liabilities				
Accounts payable	$ 5,835	$ 53,637	$ 53,550	$ 5,922
Due to other governments	236,179	13,406,893	13,397,074	245,998
Advance from other funds	1,973	-	1,973	-
Total Liabilities	**$ 243,987**	**$ 13,460,530**	**$ 13,452,597**	**$ 251,920**

OTHER SCHEDULES

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BIG STONE COUNTY
ORTONVILLE, MINNESOTA

EXHIBIT D-1

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

Shared Revenue		
State		
Highway users tax	$	1,097,041
County program aid		224,840
PERA rate reimbursement		11,447
Disparity reduction aid		85,374
Police aid		36,192
Enhanced 911		75,107
Market value credit		76,701
Total shared revenue	**$**	**1,606,702**
Reimbursement for Services		
Minnesota Department of Human Services	**$**	**260,811**
Payments		
Local		
Payments in lieu of taxes	$	120,129
Local contributions		12,400
Total payments	**$**	**132,529**
Grants		
State		
Minnesota Department/Board/Office of		
Public Safety	$	12,248
Corrections		9,075
Human Services		443,204
Natural Resources		24,360
Transportation		533,629
Water and Soil Resources		83,912
Veterans Affairs		7,500
Peace Officer Standards and Training Board		2,051
Pollution Control Agency		55,950
Total state	**$**	**1,171,929**
Federal		
Department of		
Agriculture	$	48,024
Health and Human Services		412,267
Homeland Security		37,104
Transportation		220,011
Total federal	**$**	**717,406**
Total state and federal grants	**$**	**1,889,335**
Total Intergovernmental Revenue	**$**	**3,889,377**

EXHIBIT D-2

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	**$ 48,024**
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	$ **220,011**
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	$ 1,950
Temporary Assistance for Needy Families	93.558	23,218
Child Support Enforcement	93.563	84,070
Refugee and Entrant Assistance - State-Administered Programs	93.566	142
Child Care and Development Block Grant	93.575	1,594
Stephanie Tubbs Jones Child Welfare Services Program	93.645	300
Foster Care - Title IV-E	93.658	35,027
Social Services Block Grant	93.667	49,740
Chafee Foster Care Independence Program	93.674	701
Children's Health Insurance Program	93.767	21
Medical Assistance Program	93.778	215,504
Total U.S. Department of Health and Human Services		**$ 412,267**
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	$ 2,591
Emergency Management Performance Grants	97.042	13,466
Passed Through United Way		
Emergency Food and Shelter National Board Program	97.024	2,535
Total U.S. Department of Homeland Security		**$ 18,592**
Total Federal Awards		**$ 698,894**

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

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

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

1. Reporting Entity

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

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 717,406
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036) monies received in 2013, but expended in 2010 and 2011	(18,512)
Expenditures per Schedule of Expenditures of Federal Awards	$ 698,894

5. Subrecipients

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

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Management and Compliance Section

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

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

Federal Awards

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

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

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

The major program is:

Highway Planning and Construction	CFDA #20.205

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

Big Stone County qualified as a low-risk auditee? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS RESOLVED

Segregation of Duties (1997-001)

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

Resolution

Big Stone County implemented additional controls in departments to include recording receipts directly into the general ledger system and then remitting funds to the County Treasurer, who balances Integrated Financial System receipts to the funds received. The County also enhanced reviewing and monitoring procedures to mitigate segregation of duties risks by improving controls over collecting, recording, and depositing receipts.

Itemized Receipts for Credit Card Purchases (2012-001)

Two credit card claims tested did not include all necessary itemized vendor receipts or other documentation to support all charges on the monthly billing to adhere to Minn. Stat. §§ 375.171 and 471.38, subd. 1, and to the County's credit card policy.

Resolution

All credit card claims tested during the audit included itemized vendor receipts or other documentation to support charges on the monthly billing.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2012-002

Eligibility Testing

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

Pass-Through Agency: Minnesota Department of Human Services

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all documentation was available to support participant eligibility. We also noted instances where information was input into MAXIS incorrectly. The following instances were noted in our sample of 42 cases tested:

- Two cases did not have verification of asset requirements. For these cases, the most recent bank account balance for each case was not updated in MAXIS.

- One case did not have verification of income. The amount in MAXIS for an individual's income was supported only by an illegible check stub with a handwritten amount and no employer information.

- One individual who was receiving benefits did not have a birth certificate copy on record to document their U.S. citizenship.

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

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

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

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

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

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Diana Hults, Financial Assistance Supervisor

Corrective Action Planned:

Workers were already notified the day of the audit of the issues that were presented.

They were reminded to follow Health Care Policy when verifying citizenship for those applying for health care programs. In one case, a person was added to an open case and the verification coding came across on MAXIS from the previous case. The worker failed to check the closed case file for the documentation.

In the instance with the pay stub, there was no name of employer or signature by the employer on the pay stub provided by the client. In the past, the worker had verified wages using a signed release form by the client that provided the verification lacking in the pay stub. In the future, she will have the client sign an employer release of information.

The Supervisor will again review proper verification procedures with the workers in the unit, remind them to use the internal checklist developed, and to make sure that they review each and every panel in background at initial applications and renewals. Workers are reminded to make notations on the paper applications and double check the data entry of the information. They must also include the information in their case/notes.

Anticipated Completion Date:

Reminders at the next weekly Financial Staffing. Workers will be asked to review various items in the Health Care Policy Manual with follow up by the workers.

Agency will plan to schedule a Supervisor Case Review to review a sample of cases looking at asset information on MAXIS, information on the paper application and or renewal forms, and case/notes as a follow up after discussion with workers.

While none of the cases pulled resulted in incorrect eligibility determinations, workers will be reminded to always double check their work, use the internal tools developed, and refer to the Health Care Manual for guidance.

The County would like to mention that with the Affordable Health Care Act, many individuals will no longer be subject to an asset test as a determination of their eligibility for Medical Assistance. This change should greatly reduce some of the verification and update issues.

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

Independent Auditor's Report

Board of County Commissioners
Big Stone County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Stone County, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 10, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Big Stone County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Purpose of This Report

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

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

April 10, 2014

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

Independent Auditor's Report

Board of County Commissioners
Big Stone County

Report on Compliance for Each Major Federal Program

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

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for Big Stone County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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 Big Stone County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2012-002. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-002, that we consider to be a significant deficiency.

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

Purpose of This Report

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

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

April 10, 2014