BECKER COUNTY
DETROIT LAKES, MINNESOTA

YEAR ENDED DECEMBER 31, 2011

BECKER COUNTY
DETROIT LAKES, MINNESOTA

TABLE OF CONTENTS

BECKER COUNTY
DETROIT LAKES, MINNESOTA

TABLE OF CONTENTS

INTRODUCTORY SECTION

BECKER COUNTY
DETROIT LAKES, MINNESOTA

ORGANIZATION SCHEDULE
DECEMBER 31, 2011

Office	Name	Term Expires
Commissioners		
1st District	Larry Knutson	January 2013
2nd District	John Okeson	January 2015
3rd District	Gerald Schram	January 2013
4th District	Donald Skarie	January 2015
5th District	Barry Nelson, Chair	January 2013
Officers		
Elected:		
Attorney	Mike Fritz	January 2015
Auditor-Treasurer	Ryan Tangen	January 2015
Coroner	Knute Thorsgard	January 2015
Recorder	Darlene Maneval	January 2015
Registrar of Titles	Darlene Maneval	January 2015
Sheriff	Tim Gordon	January 2015
Surveyor	Roy Smith	January 2015
Appointed:		
Administrator	vacant	Indefinite
Assessor	Steven Skoog	January 2013
Highway Engineer	Brad Wentz	April 2013
Human Services Director	Nancy Nelson	Indefinite
Natural Resource Manager	vacant	Indefinite
Personnel Director	Nancy Grabanski	Indefinite
Solid Waste Officer	Steve Skoog	January 2013

FINANCIAL SECTION

HOFFMAN, DALE, & SWENSON, PLLC

GOVERNMENTAL AUDIT SERVICES

Colleen Hoffman, Manager
Gordon Dale, CPA
Audrey Swenson, CPA

1541 Hwy. 59 South
Thief River Falls, MN 56701
Phone: 218-681-4078
Fax: 218-681-4079
choffman@mncable.net

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Becker County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County, Minnesota, as of and for the year ended December 31, 2011, including the Sunnyside Care Center Enterprise Fund as of and for the year ended September 30, 2011, which comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sunnyside Care Center, the major enterprise fund which is the business-type activities of Becker County. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Sunnyside Care Center Enterprise Fund is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of December 31, 2011, including the Sunnyside Care Center Enterprise Fund as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I., Becker County has implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012, on our consideration of Becker County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the Sunnyside Care Center Enterprise Fund, which was audited by other auditors.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Becker County's basic financial statements as a whole. The introductory section, the supplementary information, and the other schedules section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole. The introductory and other schedules sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 26, 2012

COUNTY OF BECKER

Ryan L. Tangen • Auditor-Treasurer

915 Lake Ave. • Detroit Lakes, MN 56501-3403
Phone: 218-846-7311 • Fax: 218-846-7257
E-Mail: rltange@co.becker.mn.us

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The management of Becker County offers readers of the County's Financial Statements this narrative overview and analysis of the financial activities of Becker County for the fiscal year ended December 31, 2011. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net assets of governmental activities are $76,989,240, of which $53,640,122 is invested in capital assets, net of related debt, $2,595,198 is restricted for specific purposes, and $20,753,920 is unrestricted. The total net assets of governmental activities increased by $1,988,675 for the year ended December 31, 2011.

The total net assets of business-type activities are $1,334,176, of which $601,397 is invested in capital assets, net of related debt, $9,004 is restricted for capital projects, and $723,775 is unrestricted. The total net assets of business-type activities decreased by $51,091 for the year ended September 30, 2011.

At the close of 2011, the County's governmental funds reported combined ending fund balances of $24,919,620, a decrease of $567,943, from the prior year. Of the total fund balance amount, $1,561,439 is non-spendable, $4,520,111 is legally or contractually restricted, $7,258,480 is formally committed for specific purposes, $9,106,283 is assigned for specific purposes, and $2,473,307 is noted as unassigned fund balance in the General Fund. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

Becker County has been assessing and planning for the handling of solid waste and expanding the recycling program. Currently Becker County has little capacity for recycling and no capacity at the landfill for municipal solid waste. Becker County entered into an agreement for an incinerator expansion in Perham, Minnesota to meet future needs for waste management. Becker County is planning for construction of a new transfer station including the addition of an office building and a recycling facility. The recycling facility will handle triple, dual or single stream recyclables for sorting, preparation and marketing. These changes will require other updates in our existing recycling program. Our building needs will be addressed within five years including the relocation of the Highway Department and Maintenance buildings.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Becker County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

In the *Statement of Net Assets* and the *Statement of Activities*, we divide the County into two kinds of activities:

- Governmental activities—Most of the County's basic services are reported here, including general government, public safety, highways and streets, public transportation, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.

- Business-type activities—The County charges fees to cover the costs of certain services it provides. Included here are the operations of the Sunnyside Care Center.

- Component unit—The County includes one separate legal entity in its report. The Becker County Economic Development Authority is presented in a separate column. Although legally separate, this "component unit" is important because the County is financially accountable for it. Complete financial statements of the Becker County Economic Development Authority can be obtained from the Becker County Auditor-Treasurer's Office located at 915 Lake Avenue, Detroit Lakes, Minnesota 56501.

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Becker County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds 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, fund-level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 government's short-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County reports three governmental fund types: General, Special Revenue, and Debt Service. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Public Safety Special Revenue Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, and the Environmental Affairs Special Revenue Fund, all of which are considered to be major funds. Data from the other five Special Revenue Funds and the Debt Service Fund are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in combining statements after the notes to the financial statements.

Becker County adopts annual budgets for its general and special revenue funds. Budgetary comparisons have been provided for these funds to demonstrate compliance with their budgets.

Proprietary Funds Becker County maintains one proprietary fund. The Sunnyside Care Center Enterprise Fund is used to account for the operations of the Sunnyside Care Center. Financing is provided by charges to residents for services. Proprietary funds provide the same type of information as the government-wide financial statements, and are included in the Statement of Net Assets and the Statement of Activities as business-type activities.

Fiduciary Funds Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Becker County's fiduciary funds consist of three agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the Agency Funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. 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 Statement C-1, Combining Statement of Changes in Assets and Liabilities, All Agency Funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 34 of this report.

Other Information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The County also provides supplementary information and other including combining statements, budgetary comparison schedules and a schedule of intergovernmental revenue.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by $78,323,416 at the close of 2011. The largest portion of the County's net assets (approximately 69.3 percent) reflects its investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, land improvements, and machinery and equipment), net of related debt used to acquire those assets. It should be noted that this amount is not available for future spending. Approximately 3.3 percent of the County's net assets are restricted and 27.4 percent of the County's net assets are unrestricted. The unrestricted net asset amount of $21,477,695, as of December 31, 2011, may be used to meet the County's ongoing obligations to citizens.

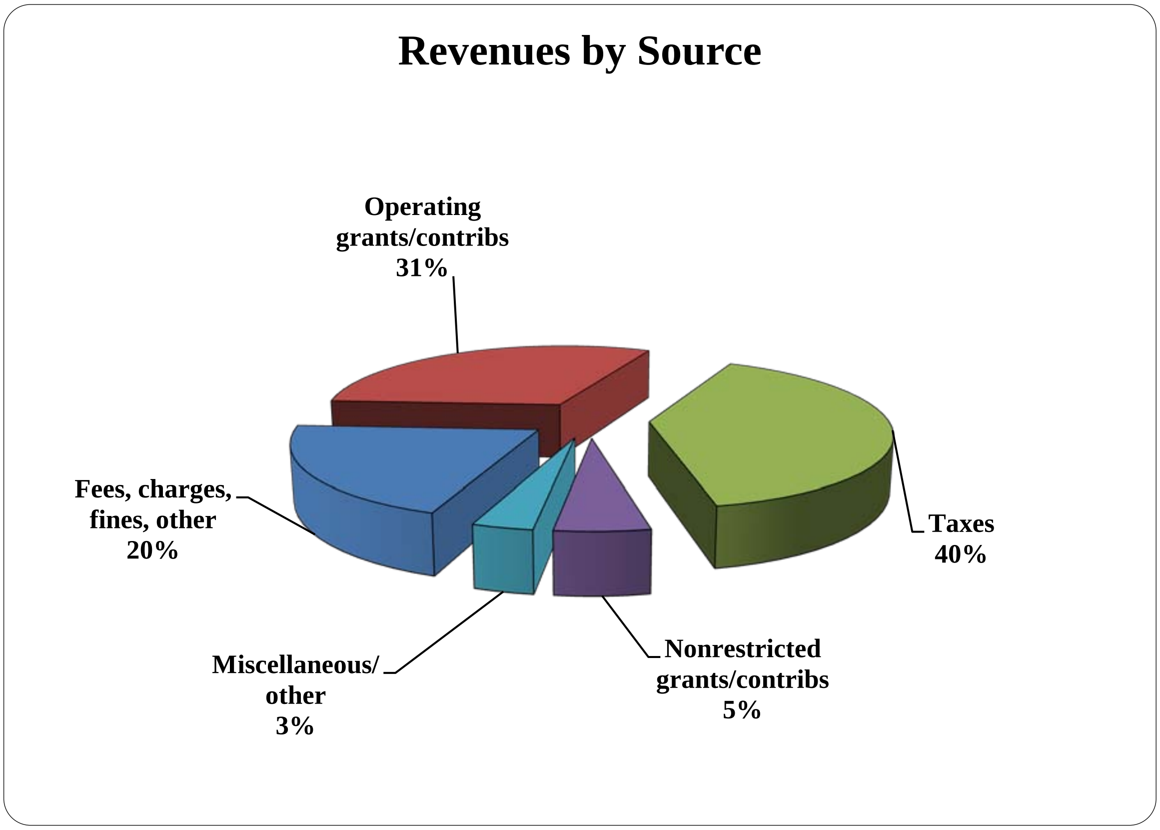
The County's overall financial position increased from last year. Total assets increased by $195,886 from the prior year as a result of various road projects that were added to the infrastructure. Total liabilities decreased by $1,741,698 from the prior year, as a result of the repayment of debt and other reduced liabilities. This resulted in increased net assets of $1,937,584 from the prior year.

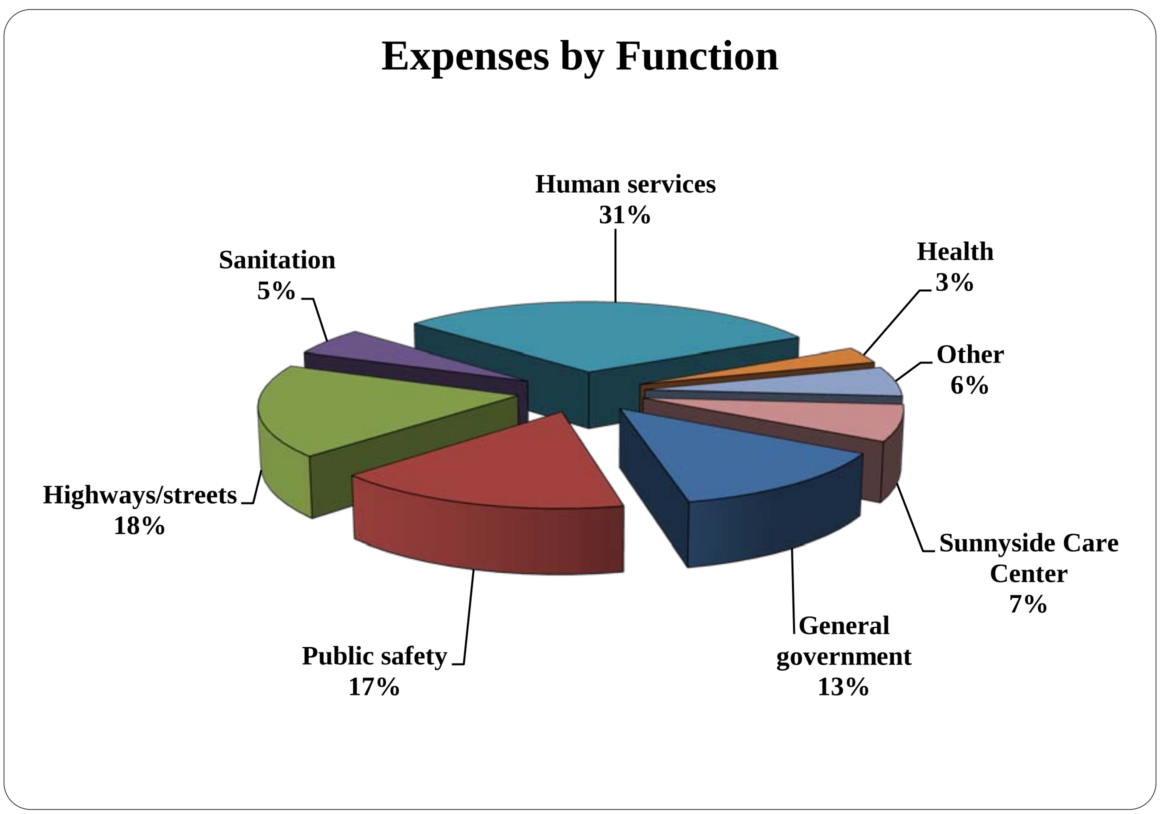
NET ASSETS

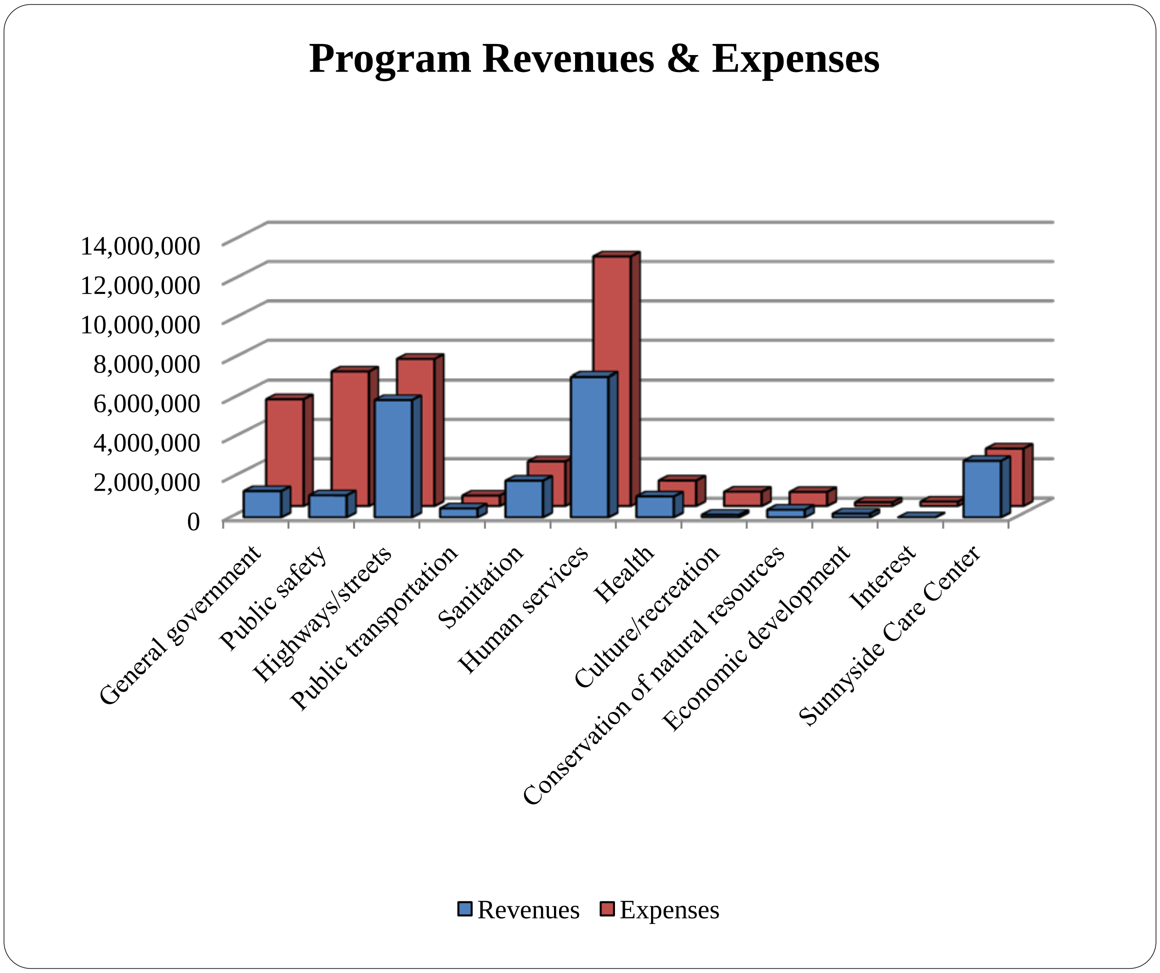
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 28,881,443	$ 29,798,276	$ (212,625)	$ 955,544	$ 28,668,818	$ 30,753,820
Capital assets	58,260,427	55,930,710	1,813,642	1,862,471	60,074,069	57,793,181
Total assets	$ 87,141,870	$ 85,728,986	$ 1,601,017	$ 2,818,015	$ 88,742,887	$ 88,547,001
Other liabilities	$ 2,096,790	$ 2,512,830	$ 118,101	$ 97,197	$ 2,214,891	$ 2,610,027
Long-term liabilities outstanding	8,055,840	8,215,591	148,740	1,335,551	8,204,580	9,551,142
Total liabilities	$ 10,152,630	$ 10,728,421	$ 266,841	$ 1,432,748	$ 10,419,471	$ 12,161,169
Net assets						
Invested in capital assets, net of related debt	$ 53,640,122	$ 50,276,131	$ 601,397	$ 618,421	$ 54,241,519	$ 50,894,552
Restricted	2,595,198	2,303,708	9,004	7,899	2,604,202	2,311,607
Unrestricted	20,753,920	22,420,726	723,775	758,947	21,477,695	23,179,673
Total net assets	$ 76,989,240	$ 75,000,565	$ 1,334,176	$ 1,385,267	$ 78,323,416	$ 76,385,832

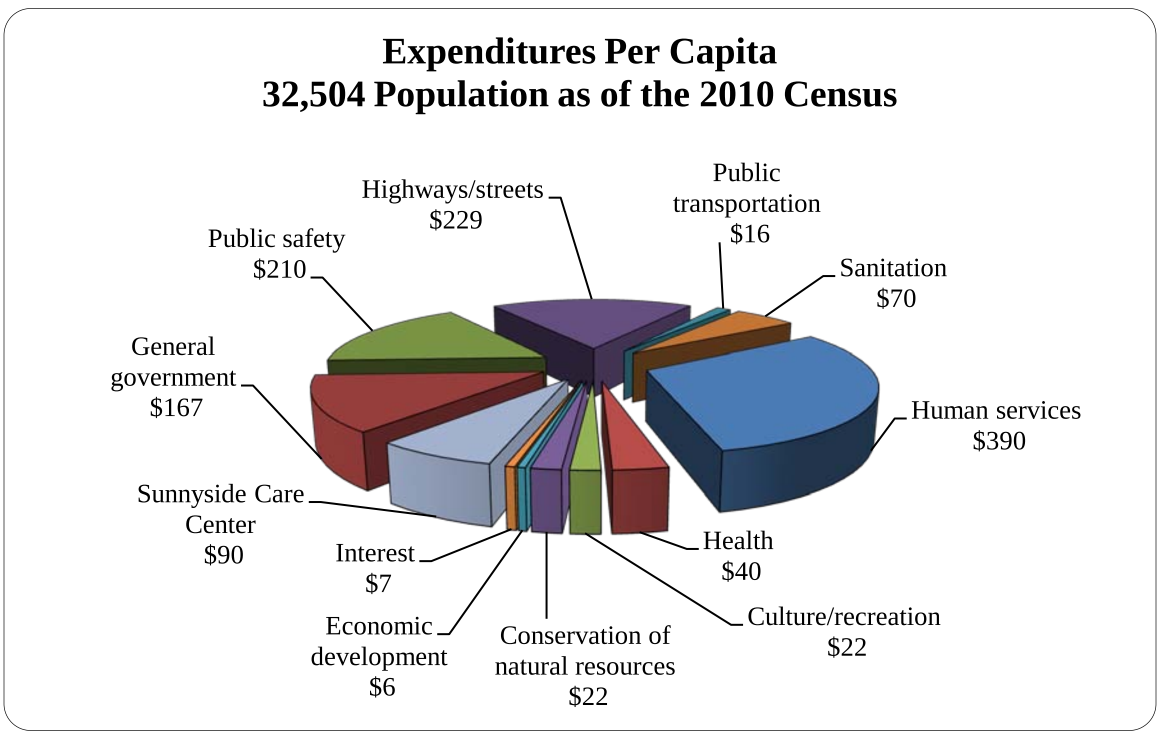
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Fees, charges, fines and other	$ 5,991,399	$ 6,282,232	$ 2,814,748	$ 2,962,959	$ 8,806,147	$ 9,245,191
Operating grants and contributions	13,312,976	12,928,280	56,810	3,858	13,369,786	12,932,138
Capital grants and contributions	362,367	417,433	1,134	4,428	363,501	421,861
General Revenues						
Property taxes	17,069,923	16,393,181	-	-	17,069,923	16,393,181
Other taxes	151,806	175,582	-	-	151,806	175,582
Grants and contributions not restricted to specific programs	2,314,191	2,324,905	-	-	2,314,191	2,324,905
Other general revenues	1,119,950	936,897	485	2,673	1,120,435	939,570
Total revenues	$ 40,322,612	$ 39,458,510	$ 2,873,177	$ 2,973,918	$ 43,195,789	$ 42,432,428
Expenses						
General government	$ 5,434,755	$ 5,601,712	$ -	$ -	$ 5,434,755	$ 5,601,712
Public safety	6,813,522	6,911,554	-	-	6,813,522	6,911,554
Highways and streets	7,452,188	7,178,463	-	-	7,452,188	7,178,463
Public transportation	533,420	498,371	-	-	533,420	498,371
Sanitation	2,272,001	1,720,509	-	-	2,272,001	1,720,509
Human services	12,666,243	12,314,788	-	-	12,666,243	12,314,788
Health	1,298,615	1,274,938	-	-	1,298,615	1,274,938
Culture and recreation	730,696	595,288	-	-	730,696	595,288
Conservation of natural resources	717,875	692,223	-	-	717,875	692,223
Economic development	190,336	187,916	-	-	190,336	187,916
Interest	224,286	237,726	-	-	224,286	237,726
Sunnyside Care Center	-	-	2,924,268	3,072,297	2,924,268	3,072,297
Total expenses	$ 38,333,937	$ 37,213,488	$ 2,924,268	$ 3,072,297	$ 41,258,205	$ 40,285,785
Increase (decrease) in net assets	$ 1,988,675	$ 2,245,022	$ (51,091)	$ (98,379)	$ 1,937,584	$ 2,146,643
Net assets, January 1	75,000,565	72,755,543	1,385,267	1,483,646	76,385,832	74,239,189
Net assets, December 31	$ 76,989,240	$ 75,000,565	$ 1,334,176	$ 1,385,267	$ 78,323,416	$ 76,385,832


Revenues by Source
Operating grants/contribs 31%
Fees, charges, fines, other 20%
Taxes 40%
Miscellaneous/ other 3%
Nonrestricted grants/contribs 5%


Expenses by Function
Human services 31%
Sanitation 5%
Health 3%
Other 6%
Highways/streets 18%
Sunnyside Care Center 7%
General government 13%
Public safety 17%


Program Revenues & Expenses
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
General government
Public safety
Highways/streets
Public transportation
Sanitation
Human services
Health
Culture/recreation
Conservation of natural resources
Economic development
Interest
Sunnyside Care Center
Revenues
Expenses


Expenditures Per Capita
32,504 Population as of the 2010 Census
Highways/streets $229
Public transportation $16
Public safety $210
Sanitation $70
General government $167
Human services $390
Sunnyside Care Center $90
Interest $7
Health $40
Economic development $6
Conservation of natural resources $22
Culture/recreation $22

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

Governmental Funds

At the end of 2011, the County's governmental funds reported combined ending fund balances of $24,919,620. Of this amount, approximately six percent constitutes non-spendable fund balance, 18 percent constitutes legally or contractually restricted fund balance, 29 percent constitutes formally committed fund balance, 37 percent constitutes specifically assigned fund balance, and 10 percent constitutes unassigned fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was $8,042,574. The General Fund's non-spendable fund balance was $1,128,244, restricted fund balance was $2,191,023, committed fund balance was $2,250,000, and unassigned fund balance was $2,473,307. As a measure of the General Fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures for 2011. Unrestricted fund balance represents 74 percent of total General Fund expenditures, while total fund balance represents 126 percent of that same amount.

In 2011, the fund balance amount in the General Fund increased by $1,087,390. The increase is due to State funding that had been reduced or eliminated in previous years. Other revenues were higher than they had been in previous years and expenditures were contained in other areas.

The fund balance of the Public Safety Special Revenue Fund increased $33,692 from the prior year, due primarily to the timing of squad purchases in 2011.

The fund balance of the Road and Bridge Special Revenue Fund decreased $99,592 in 2011, due to the increased cost of road construction as a result of bituminous prices.

The fund balance of the Human Services Special Revenue Fund decreased $910,052 from the prior year, due mainly to a transfer of fund balance of $1,125,000 to Public Safety for the purchase of the Minimum Security Building.

The fund balance of the Environmental Affairs Special Revenue Fund decreased $619,090 from the prior year, due to the purchase of a recycling truck and other recycling equipment.

Proprietary Fund

The Sunnyside Care Center Enterprise Fund's total operating revenues decreased $148,211 or approximately five percent. Net resident services revenues decreased 4.5 percent from $2,862,663 in fiscal year 2010 to $2,734,423 in fiscal year 2011. There were payment rate increases in October 2011 and 2010; however, nursing facility occupancy for fiscal year 2011 was 80 percent compared to 81 percent in fiscal year 2010, and six beds were de-licensed during fiscal year 2011, contributing to the overall decrease in net resident services revenue. Operating expenses decreased $144,082 or approximately five percent, as a result of cost containment efforts to address decreases in occupancy. This combination of a decrease in operating revenues and a decrease in operating expenses yielded an operating loss of $50,747. However, when the nonoperating revenues and expenses and capital contributions are added to our analysis, the total change in net assets was $(51,091).

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget as approved for 2011.

Actual revenues were more than overall final budgeted revenues by $717,980, with the largest positive variances in intergovernmental and miscellaneous revenues due to conservative budgeting for the County Program Aid. The Aid had been reduced in previous years so a conservative budget was set. The full certified amount was received in 2011.

Actual expenditures were less than overall final budgeted expenditures by $295,035, mainly as a result of vacancies not being filled and consolidation of Recorder's Enhancement Funds.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2011 and business-type activities as of September 30, 2011, amounted to $60,074,069 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately four percent. This was primarily due to the completion of various highway projects and the Minimum Security Building purchase.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	$ 1,530,982	$ 1,520,926	$ 118,625	$ 118,625	$ 1,649,607	$ 1,639,551
Right-of-Way	663,135	663,135	-	-	663,135	663,135
Construction in progress	69,199	26,986	-	-	69,199	26,986
Infrastructure	41,906,393	40,226,256	-	-	41,906,393	40,226,256
Buildings and improvements	11,697,123	11,131,821	1,515,339	1,582,045	13,212,462	12,713,866
Land improvements	943,231	996,106	26,853	29,216	970,084	1,025,322
Machinery and equipment	1,450,364	1,365,480	152,825	132,585	1,603,189	1,498,065
Total capital assets	$ 58,260,427	$ 55,930,710	$ 1,813,642	$ 1,862,471	$ 60,074,069	$ 57,793,181

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of $6,554,478 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General obligation bonds	$ 5,295,000	$ 5,570,000	$ -	$ -	$ 5,295,000	$ 5,570,000
General obligation revenue notes	-	-	84,000	91,000	84,000	91,000
Note payable	-	-	1,128,245	1,153,050	1,128,245	1,153,050
Capital leases	47,232	84,579	-	-	47,232	84,579
	$ 5,342,232	$ 5,654,579	$ 1,212,245	$ 1,244,050	$ 6,554,477	$ 6,898,629

The County's net decrease in debt of $344,152 during the fiscal year was primarily due to the repayment of debt.

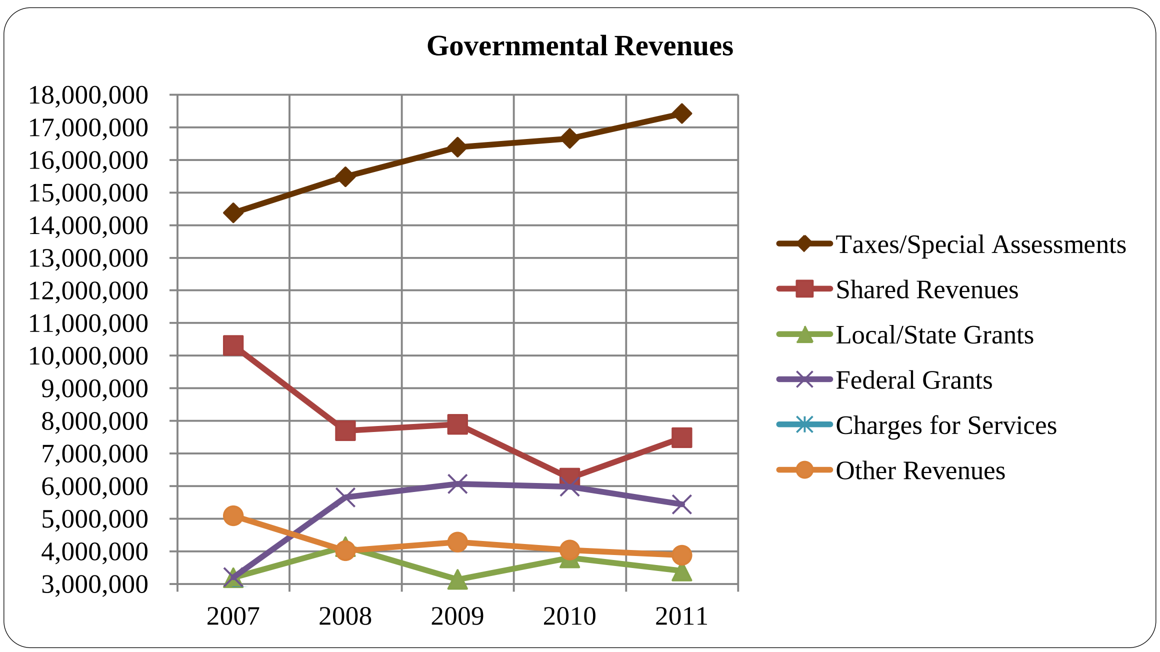
Minnesota Statutes limit the amount of debt that a County may have to three percent of its total market value, excluding revenue bonds. At the end of 2011, overall debt of the County is below the three percent debt limit.

Becker County's bond rating is "A1" from Moody's.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The County depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities. The five-year analysis below focuses on the revenues of the County's governmental funds taken from Exhibit 5 and the Schedule of Intergovernmental Revenue.



- The unemployment rate for Becker County was 6.4 percent as of December 31, 2011. This is higher than the statewide rate of 5.7 percent and lower than the national average rate of 8.3 percent.

- Becker County's 2010 population was 32,504, an increase of 2,504 since the 2000 census of 30,000.

- On December 27, 2011, Becker County set its 2012 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of Becker County for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ryan L. Tangen, Becker County Auditor-Treasurer, 915 Lake Avenue, Detroit Lakes, Minnesota 56501.

BASIC FINANCIAL STATEMENTS

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 1

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	**Business-type Activities**	**Total**	
Assets				
Cash and pooled investments	$ 23,629,925	$ 593,600	$ 24,223,525	$ 1,207,064
Restricted cash	-	-	-	519,353
Petty cash and change funds	9,850	-	9,850	-
Cash with fiscal agent	251,650	-	251,650	-
Taxes receivable				
Current - net	481,741	-	481,741	3,742
Prior - net	314,380	-	314,380	8,128
Special assessments receivable				
Current - net	6,758	-	6,758	-
Prior - net	4,613	-	4,613	-
Accounts receivable - net	1,117,349	272,663	1,390,012	14,646
Accrued interest receivable	49,355	-	49,355	-
Loans receivable	-	-	-	35,000
Property held for resale	-	-	-	123,806
Due from other governments	1,454,383	-	1,454,383	49,846
Internal balances	1,128,244	(1,128,244)	-	-
Prepaid items	-	22,482	22,482	-
Inventories	433,195	-	433,195	-
Loans receivable - noncurrent	-	-	-	1,244,675
Investment in joint ventures	-	-	-	2,700
Restricted assets				
Donor-restricted assets	-	9,004	9,004	-
Resident trust funds	-	17,870	17,870	-
Capital assets -				
Non-depreciable	2,263,316	118,625	2,381,941	326,354
Depreciable - net of accumulated depreciation	55,997,111	1,695,017	57,692,128	3,746,340
Total Assets	**$ 87,141,870**	**$ 1,601,017**	**$ 88,742,887**	**$ 7,281,654**
Liabilities				
Accounts payable	$ 770,077	$ 50,218	$ 820,295	$ 4,043
Salaries payable	624,005	31,546	655,551	19,509
Due to other governments	609,715	-	609,715	21,211
Accrued interest payable	92,993	4,701	97,694	-
Deferred revenue - unearned	-	13,766	13,766	-
Security deposits	-	-	-	13,449
Prepaid rent	-	-	-	382
Payable from restricted assets				
Residents trust funds	-	17,870	17,870	-
Long-term liabilities				
Due within one year	306,678	71,739	378,417	18,000
Due in more than one year	7,749,162	77,001	7,826,163	2,427,800
Total Liabilities	**$ 10,152,630**	**$ 266,841**	**$ 10,419,471**	**$ 2,504,394**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-type Activities	Total	
Net Assets				
Invested in capital assets, net of related debt	$ 53,640,122	$ 601,397	$ 54,241,519	$ 1,527,319
Restricted for				
General government	853,958	-	853,958	-
Public safety	659,388	-	659,388	-
Conservation of natural resources	354,220	-	354,220	-
Capital projects	-	9,004	9,004	-
Debt service	721,927	-	721,927	-
Minnesota Housing Revolving Loan Fund	-	-	-	1,878,636
Other purposes	5,705	-	5,705	-
Unrestricted	20,753,920	723,775	21,477,695	1,371,305
Total Net Assets	**$ 76,989,240**	**$ 1,334,176**	**$ 78,323,416**	**$ 4,777,260**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Program Revenues Fees, Charges, Fines and Other	Program Revenues Operating Grants and Contributions
<u>Functions/Programs</u>			
Primary Government			
Governmental activities			
General government	$ 5,434,755	$ 1,104,727	$ 233,588
Public safety	6,813,522	413,580	706,739
Highways and streets	7,452,188	947,624	4,660,187
Public transportation	533,420	175,037	280,049
Sanitation	2,272,001	1,750,874	116,294
Human services	12,666,243	927,392	6,212,031
Health	1,298,615	158,653	906,691
Culture and recreation	730,696	3,090	127,829
Conservation of natural resources	717,875	319,734	69,568
Economic development	190,336	190,688	-
Interest	224,286	-	-
Total governmental activities	**$ 38,333,937**	**$ 5,991,399**	**$ 13,312,976**
Business-type activities			
Sunnyside Care Center	$ 2,924,268	$ 2,814,748	$ 56,810
Total primary government	**$ 41,258,205**	**$ 8,806,147**	**$ 13,369,786**
Component Unit			
Housing and Economic Development Authority	$ 1,690,249	$ 345,027	$ 968,856

General revenues
- Property taxes
- Gravel taxes
- Mortgage registry and deed tax
- Payments in lieu of tax
- Grants and contributions not restricted to specific programs
- Investment earnings
- Miscellaneous

Total general revenues

Change in net assets

Net assets - January 1

Net assets - December 31

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

EXHIBIT 2

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Discretely Presented Component Unit
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
$ -	$ (4,096,440)	$ -	$ (4,096,440)	
-	(5,693,203)	-	(5,693,203)	
362,367	(1,482,010)	-	(1,482,010)	
-	(78,334)	-	(78,334)	
-	(404,833)	-	(404,833)	
-	(5,526,820)	-	(5,526,820)	
-	(233,271)	-	(233,271)	
-	(599,777)	-	(599,777)	
-	(328,573)	-	(328,573)	
-	352	-	352	
-	(224,286)	-	(224,286)	
$ 362,367	**$ (18,667,195)**	**$ -**	**$ (18,667,195)**	
$ 1,134	$ -	$ (51,576)	$ (51,576)	
$ 363,501	**$ (18,667,195)**	**$ (51,576)**	**$ (18,718,771)**	
$ 81,927				$ (294,439)
	$ 17,069,923	$ -	$ 17,069,923	$ 164,422
	119,902	-	119,902	-
	31,904	-	31,904	-
	378,059	-	378,059	-
	2,314,191	-	2,314,191	12,217
	285,020	485	285,505	3,750
	456,871	-	456,871	2,929
	$ 20,655,870	**$ 485**	**$ 20,656,355**	**$ 183,318**
	$ 1,988,675	**$ (51,091)**	**$ 1,937,584**	**$ (111,121)**
	75,000,565	**1,385,267**	**76,385,832**	**4,888,381**
	$ 76,989,240	**$ 1,334,176**	**$ 78,323,416**	**$ 4,777,260**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	Public Safety
Assets		
Cash and pooled investments	$ 6,937,194	$ 3,983,931
Petty cash and change funds	8,050	450
Undistributed cash in agency funds	3,544	-
Cash with fiscal agent	-	-
Taxes receivable		
Current	83,504	153,110
Prior	45,169	105,675
Special assessments receivable		
Current	-	-
Prior	-	-
Accounts receivable	25,560	18,424
Accrued interest receivable	49,355	-
Due from other funds	18,853	-
Due from other governments	80,934	131,321
Inventories	-	-
Advances to other funds	1,128,244	-
Total Assets	**$ 8,380,407**	**$ 4,392,911**
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 62,831	$ 87,992
Salaries payable	134,936	171,974
Due to other funds	10,032	7,528
Due to other governments	31,452	102,951
Deferred revenue - unavailable	98,582	202,872
Total Liabilities	**$ 337,833**	**$ 573,317**

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

EXHIBIT 3

Special Revenue Funds			Other Governmental Funds (Statement A-1)	Total Governmental Funds
Road and Bridge	Human Services	Environmental Affairs		
$ 1,443,215	$ 5,173,476	$ 4,436,605	$ 1,651,960	$ 23,626,381
300	200	850	-	9,850
-	-	-	-	3,544
-	-	-	251,650	251,650
71,529	159,504	-	14,094	481,741
45,566	109,573	-	8,397	314,380
-	-	6,758	-	6,758
701	-	3,912	-	4,613
1,043	854,572	170,081	47,669	1,117,349
-	-	-	-	49,355
41,933	-	-	-	60,786
328,340	913,727	61	-	1,454,383
433,195	-	-	-	433,195
-	-	-	-	1,128,244
$ 2,365,822	**$ 7,211,052**	**$ 4,618,267**	**$ 1,973,770**	**$ 28,942,229**
$ 102,947	$ 430,491	$ 29,312	$ 56,504	$ 770,077
83,635	210,253	17,932	5,275	624,005
-	18,189	2,200	22,837	60,786
7,567	313,238	11,945	142,562	609,715
626,374	1,004,237	8,550	17,411	1,958,026
$ 820,523	**$ 1,976,408**	**$ 69,939**	**$ 244,589**	**$ 4,022,609**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	Public Safety
Fund Balances		
Nonspendable		
Advance to other funds	$ 1,128,244	$ -
Inventories	-	-
Restricted for		
Missing heirs	5,705	-
Law library	43,529	-
Recorder's equipment	431,536	-
Enhancement	356,939	-
Transit	137,870	-
Employee health insurance (OPEB)	1,193,490	-
Elections	21,954	-
Debt service	-	-
Enhanced 911	-	659,388
DARE	-	9,737
Drug Contingency	-	5,000
Conservation of natural resources	-	-
Gravel pit closure	-	-
Unrestricted		
Committed to		
Sheriff's equipment and education	-	105,068
Buildings	-	-
Computer program	-	-
Highway Road Projects	-	-
Sheriff's auxiliary	-	3,412
Human resources software payroll program	250,000	-
Public works building	2,000,000	-
Assigned to		
Highways and streets	-	-
Human services	-	-
Sanitation	-	-
Public Safety	-	3,036,989
Culture and recreation	-	-
Unassigned	2,473,307	-
Total Fund Balances	**$ 8,042,574**	**$ 3,819,594**
Total Liabilities and Fund Balances	**$ 8,380,407**	**$ 4,392,911**

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

EXHIBIT 3
(Continued)

Special Revenue Funds				
Road and Bridge	**Human Services**	**Environmental Affairs**	**Other Governmental Funds (Statement A-1)**	**Total Governmental Funds**
$ -	$ -	$ -	$ -	$ 1,128,244
433,195	-	-	-	433,195
-	-	-	-	5,705
-	-	-	-	43,529
-	-	-	-	431,536
-	-	-	-	356,939
-	-	-	-	137,870
-	-	-	-	1,193,490
-	-	-	-	21,954
-	-	-	721,927	721,927
-	-	-	-	659,388
-	-	-	-	9,737
-	-	-	-	5,000
-	-	-	621,977	621,977
-	-	-	311,059	311,059
-	-	-	-	105,068
-	-	3,750,000	-	3,750,000
-	150,000	-	-	150,000
1,000,000	-	-	-	1,000,000
-	-	-	-	3,412
-	-	-	-	250,000
-	-	-	-	2,000,000
112,104	-	-	-	112,104
-	5,084,644	-	-	5,084,644
-	-	798,328	-	798,328
-	-	-	-	3,036,989
-	-	-	74,218	74,218
-	-	-	-	2,473,307
$ 1,545,299	**$ 5,234,644**	**$ 4,548,328**	**$ 1,729,181**	**$ 24,919,620**
$ 2,365,822	**$ 7,211,052**	**$ 4,618,267**	**$ 1,973,770**	**$ 28,942,229**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2011

Fund balances - total governmental funds (Exhibit 3)		**$ 24,919,620**
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		58,260,427
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		1,958,026
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (5,295,000)	
Capital leases	(47,232)	
Other post-employment benefits	(530,033)	
Compensated absences payable	(2,183,575)	
Accrued interest payable	(92,993)	(8,148,833)
Net assets of governmental activities (Exhibit 1)		**$ 76,989,240**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Public Safety
Revenues		
Taxes	$ 3,181,461	$ 5,363,405
Special assessments	-	-
Licenses and permits	199,143	14,125
Intergovernmental	1,980,234	1,037,503
Charges for services	1,017,813	171,036
Fines and forfeitures	57,646	13,753
Gifts and contributions	1,496	1,200
Investment earnings	281,525	532
Miscellaneous	653,091	214,666
Sale of land and timber	26,050	-
Total Revenues	**$ 7,398,459**	**$ 6,816,220**
Expenditures		
Current		
General government	$ 4,958,158	$ -
Public safety	-	7,907,528
Public transportation	497,714	-
Highways and streets	-	-
Sanitation	-	-
Human services	-	-
Health	9,537	-
Culture and recreation	371,937	-
Conservation of natural resources	366,166	-
Economic development	190,336	-
Debt service		
Principal retirement	1,614	-
Interest	607	-
Total Expenditures	**$ 6,396,069**	**$ 7,907,528**
Excess of Revenues Over (Under) Expenditures	**$ 1,002,390**	**$ (1,091,308)**

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

EXHIBIT 5

Special Revenue Funds			Other	Total
Road and Bridge	Human Services	Environmental Affairs	Other Governmental Funds (Statement A-2)	Total Governmental Funds
$ 2,583,235	$ 5,589,094	$ -	$ 522,645	$ 17,239,840
340	-	184,562	-	184,902
15,402	-	-	-	228,670
5,443,494	7,462,414	167,231	222,191	16,313,067
190,503	-	1,348,526	3,090	2,730,968
-	-	-	-	71,399
-	-	-	-	2,696
-	-	-	3,495	285,552
741,719	1,054,762	221,773	311,934	3,197,945
-	-	-	65,124	91,174
$ 8,974,693	**$ 14,106,270**	**$ 1,922,092**	**$ 1,128,479**	**$ 40,346,213**
$ -	$ -	$ -	$ -	$ 4,958,158
-	-	-	-	7,907,528
-	-	-	-	497,714
9,008,320	-	-	-	9,008,320
-	-	2,456,182	-	2,456,182
-	12,602,244	-	-	12,602,244
-	1,289,078	-	-	1,298,615
-	-	-	340,791	712,728
-	-	-	347,348	713,514
-	-	-	-	190,336
35,732	-	-	275,000	312,346
5,055	-	-	225,631	231,293
$ 9,049,107	**$ 13,891,322**	**$ 2,456,182**	**$ 1,188,770**	**$ 40,888,978**
$ (74,414)	**$ 214,948**	**$ (534,090)**	**$ (60,291)**	**$ (542,765)**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Public Safety
Other Financing Sources (Uses)		
Transfers in	$ 85,000	$ 1,125,000
Transfers out	-	-
Total Other Financing Sources (Uses)	**$ 85,000**	**$ 1,125,000**
Net Change in Fund Balance	**$ 1,087,390**	**$ 33,692**
Fund Balance - January 1	**6,955,184**	**3,785,902**
Increase (decrease) in reserved for inventories	**-**	**-**
Fund Balance - December 31	**$ 8,042,574**	**$ 3,819,594**

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

EXHIBIT 5
(Continued)

Special Revenue Funds			Other Governmental Funds (Statement A-2)	Total Governmental Funds
Road and Bridge	**Human Services**	**Environmental Affairs**		
$ -	$ -	$ -	$ -	$ 1,210,000
-	(1,125,000)	(85,000)	-	(1,210,000)
$ -	**$ (1,125,000)**	**$ (85,000)**	**$ -**	**$ -**
$ (74,414)	**$ (910,052)**	**$ (619,090)**	**$ (60,291)**	**$ (542,765)**
1,644,891	**6,144,696**	**5,167,418**	**1,789,472**	**25,487,563**
		-		
(25,178)	**-**	**-**	**-**	**(25,178)**
$ 1,545,299	**$ 5,234,644**	**$ 4,548,328**	**$ 1,729,181**	**$ 24,919,620**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - total governmental funds (Exhibit 5)			**$**	**(542,765)**
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.				
Expenditures for general capital assets and infrastructure	$	5,947,605		
Current year depreciation		(3,617,888)		2,329,717
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.				
Change in deferred revenue				60,144
Repayment of debt principal is an expenditure in the governmental funds. but the repayment reduces long-term liabilities in the Statement of Net Assets.				
Principal repayments				
General obligation bonds	$	275,000		
Capital leases		37,347		312,347
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	$	7,006		
Other post-employment benefits		(99,345)		
Compensated absences payable		(53,251)		
Inventories		(25,178)		(170,768)
Change in net assets of governmental activities (Exhibit 2)			**$**	**1,988,675**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 7

STATEMENT OF NET ASSETS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2011

Assets		
Current Assets		
Cash and pooled investments	$	593,600
Accounts receivable - net of allowance for uncollectible accounts of $5,000		272,663
Prepaid items		22,482
Total Current Assets	**$**	**888,745**
Restricted Assets		
Donor-restricted assets	$	9,004
Resident trust funds		17,870
Total Restricted Assets	**$**	**26,874**
Noncurrent Assets		
Capital assets		
Non-depreciable	$	118,625
Depreciable - net of accumulated depreciation		1,695,017
Total Noncurrent Assets	**$**	**1,813,642**
Total Assets	**$**	**2,729,261**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 7
(Continued)

STATEMENT OF NET ASSETS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2011

Liabilities		
Current Liabilities		
Accounts payable	$	50,218
Salaries payable		31,546
Compensated absences payable		64,739
Notes payable		26,061
General obligation revenue notes payable		7,000
Interest payable		4,701
Deferred revenue		13,766
Total Current Liabilities	**$**	**198,031**
Current Liabilities Payable from Restricted Assets		
Resident trust funds	$	17,870
Noncurrent Liabilities		
Notes payable	$	1,102,184
General obligation revenue notes payable		77,000
Total Noncurrent Liabilities	**$**	**1,179,184**
Total Liabilities	**$**	**1,395,085**
Net Assets		
Invested in capital assets, net of related debt	$	601,397
Restricted for capital acquisitions		9,004
Unrestricted		723,775
Total Net Assets	**$**	**1,334,176**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Operating Revenues		
Net resident service revenue	$	2,734,423
Other operating revenue		80,325
Total Operating Revenues	**$**	**2,814,748**
Operating Expenses		
Employee benefits	$	497,690
Nursing services		1,008,978
Administration and fiscal services		355,155
Social service and activities		80,295
Ancillary services		131,916
Plant operations		157,896
Laundry and linen		55,359
Dietary		240,394
Housekeeping		67,630
Medical care surcharge		133,009
Depreciation		108,216
Other		28,957
Total Operating Expenses	**$**	**2,865,495**
Operating Income (Loss)	**$**	**(50,747)**
Nonoperating Revenues (Expenses)		
Noncapital grants and contributions	$	56,810
Investment earnings		485
Interest expense		(58,773)
Total Nonoperating Revenues (Expenses)	**$**	**(1,478)**
Income (Loss) Before Contributions	**$**	**(52,225)**
Capital contributions		1,134
Change in Net Assets	**$**	**(51,091)**
Net Assets - October 1		**1,385,267**
Net Assets - September 30	**$**	**1,334,176**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities		
Receipts from customers and users	$	2,818,432
Payments to suppliers		(852,855)
Payments to employees		(1,930,840)
Net cash provided by (used in) operating activities	**$**	**34,737**
Cash Flows from Noncapital Financing Activities		
Grants and contributions	$	56,810
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	$	(59,387)
Principal paid on long-term debt		(31,805)
Interest paid on long-term debt		(58,876)
Capital grants and contributions		1,134
Net cash provided by (used in) capital and related financing activities	**$**	**(148,934)**
Cash Flows from Investing Activities		
Investment earnings received	$	485
Increase in restricted assets		(1,105)
Net cash provided by (used in) investing activities	**$**	**(620)**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(58,007)**
Cash and Cash Equivalents at October 1		**651,607**
Cash and Cash Equivalents at September 30	**$**	**593,600**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 9
(Continued)

STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
Increase (Decrease) in Cash and Cash Equivalents

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	$	(50,747)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	108,216
Provision for bad debts		10,562
Changes in operating assets and liabilities		
Accounts receivable		(20,644)
Prepaid items		(2,540)
Accounts payable		1,794
Accrued expenses		(25,670)
Deferred revenue		13,766
Total adjustments	**$**	**85,484**
Net cash provided by (used in) operating activities	**$**	**34,737**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

		Agency (Statement C-1)
Assets		
Cash and pooled investments	**$**	**1,171,002**
Liabilities		
Accounts payable	$	170,770
Due to other governments		856,393
Deferred credits		143,839
Total Liabilities	**$**	**1,171,002**

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

I. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Becker County was established March 18, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes, Chapter 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Becker County (primary government) and its component unit for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Unit

The Becker County Economic Development Authority (EDA) provides services pursuant to Minnesota Statutes, §§ 469.090 to 469.1081 and Minnesota Statutes, §§ 469.001 to 469.047, and is reported in a separate column in the County's basic financial statements to emphasize that the EDA is legally separate from Becker County. The EDA is governed by a seven-member Board appointed by the Becker County Board of Commissioners, and Becker County is financially accountable for the EDA.

Complete financial statements of the Becker County Economic Development Authority can be obtained from the Becker County Auditor-Treasurer's Office located at 915 Lake Avenue, Detroit Lakes, Minnesota 56501.

Joint Ventures

The County participates in joint ventures, related organizations, and jointly-governed organizations which are described in Notes section V, subdivisions E, F, and G, respectively.

I. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) include the financial activities of the overall County government, except for the fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

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

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds. Separate statements for each fund category–governmental, proprietary, and fiduciary–are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for in another fund.

The Public Safety Special Revenue Fund is used to account for and report all funds to be used for public safety. Some of the activities covered under this fund include County Sheriff, County Jail, Sentence to Serve, Probation and Parole, County Coroner, Emergency Services, and Boat and Water Safety. Financing is provided by annual property tax levy and special appropriations from the State of Minnesota restricted, committed, and assigned to various public safety purposes.

The Road and Bridge Special Revenue Fund is used to account for and report financial transactions of County highway operations. Financing is provided by annual tax levy, intergovernmental revenues, and charges for services restricted, committed, and assigned to various highways and streets purposes.

The Human Services Special Revenue Fund is used to account for and report financial services provided to persons receiving public assistance. Financing is provided by annual tax levy and intergovernmental revenues committed and assigned to various human services purposes.

The Environmental Affairs Special Revenue Fund is used to account for and report the operations of a solid waste transfer station. Revenues are provided by charges for services and a special assessment against property owners committed and assigned to various sanitation purposes.

The County reports the following major enterprise fund:

The Sunnyside Care Center Enterprise Fund is used to account for the operations of the Sunnyside Care Center. The Care Center's financial position and operations are presented as of and for the year ended September 30, 2011.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report resources for that are restricted, committed, or assigned to expenditure for principal and interest.

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 agency capacity.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be 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.

As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

I. Summary of Significant Accounting Policies

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2011, based on market prices. Pursuant to Minnesota Statute, § 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 2011 were $252,992. Total investment earnings for 2011 were $286,037.

Becker County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minnesota Statute, § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

3. Receivables and Payables

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 on May 15 and the second half due on October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as current and prior taxes receivable.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances from/to other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables, including those of the discretely presented component unit, are shown net of an allowance for uncollectible amounts, if applicable.

4. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds and at the government-wide level are recorded as expenses when consumed.

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Inventories and Prepaid Items (Continued)

Inventories, as reported in the fund financial statements, are offset by a fund balance reserve to indicate that they do not constitute available spendable resources.

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. Restricted Assets

Certain funds of the County are classified as restricted on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

6. Capital Assets

Capital assets, which include land, right-of-way, construction in progress, infrastructure (e.g., roads, bridges, and similar items), buildings and improvements, land improvements, and machinery and equipment, are reported in the applicable government-wide financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per asset of $25,000, except all land, buildings and improvements, construction in progress, and infrastructure which are capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market 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 extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Infrastructure, buildings and improvements, land improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	25-50
Buildings and improvements	5-40
Land improvements	8-22
Machinery and equipment	4-12

I. Summary of Significant Accounting Policies

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

7. Employee Benefits

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

The County uses the actuarial method of valuation to determine its Other Post-Employment Benefit liability.

8. Deferred Revenue

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

9. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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 when issued. 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.

10. Net Assets and Fund Balance

Certain funds of the County are classified as restricted net assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantor, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

10. Net Assets and Fund Balance (Continued)

In the fund financial statements and in accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the County classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact.

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the County Board and do not lapse at year-end. To remove the constraint on specified use of committed resources the County Board shall pass a resolution.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The County Board has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the County Auditor-Treasurer.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above mentioned categories, and negative fund balances in other governmental funds.

The County will maintain an unrestricted fund balance in the General Fund of an amount not less than 35 to 50 percent of next year's budgeted expenditures of the General Fund. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall in excess of $150,000. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the County Administrator shall create a plan to restore fund balance to an appropriate level and provide this to the County Board for action. The plan for replenishment should be not longer than three years.

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The County Board will set aside amounts by resolution as deemed necessary that can only be expended when budgeted state and federal revenues are reduced within a budget year or other major changes in funding exist as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely.

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

10. Net Assets and Fund Balance (Continued)

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the County's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

11. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget – Nonmajor Funds

As of December 31, 2011, the Parks and Recreation Special Revenue Fund had expenditures in excess of budget in the amount of $155,165.

B. Land Management

The County manages approximately 74,326 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the County's total deposits and investments to the basic financial statements, as of December 31, 2011, are reported as follows:

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Primary government	
Cash and pooled investments	$ 24,223,525
Petty cash and change funds	9,850
Cash with fiscal agent	251,650
Restricted assets	
Donor-restricted assets	9,004
Resident trust funds	17,870
Fiduciary funds	
Cash and pooled investments	1,171,002
Component unit	
Cash and pooled investments	1,207,064
Restricted cash	519,353
Total cash and investments	$ 27,409,318
Deposits	$ 22,035,188
Cash on hand	13,122
Investments	5,400,920
Change in Enterprise Funds' cash from September 30 to December 31, 2011	(39,912)
Total deposits, cash on hand, and investments	$ 27,409,318

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all County deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to limit investments to the types of securities listed in Sections 6 and 9 of its Investment Policy. As of December 31, 2011, the County's deposits were not exposed to custodial credit risk.

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investments

Minnesota Statutes, §§ 118A.04 and 118A.05 generally authorize the following types of investments available to the County:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, § 118A.04, subdivision 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 certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At December 31, 2011, the County had the following investments and maturities:

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Interest Rate Risk (Continued)

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
Federal Home Loan Bank	$ 875,368	$ -	$ 875,368	$ -
Federal National Mortgage Association	512,309	499,890	353	12,066
Government Bonds	3,932,436	1,794,982	2,137,454	-
Money Market	8,126	8,126	-	-
Minnesota Association of Governments Investing for Counties (MAGIC)	72,681	72,681	-	-
Total Investments	$ 5,400,920	$ 2,375,679	$ 3,013,175	$ 12,066
	100%	43.99%	55.79%	0.22%

Credit Risk

Generally, a 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.

The County's exposure to credit risk as of December 31, 2011, is as follows:

	Moody's or S&P Rating	Fair Value
Federal Home Loan Bank	AAA	$ 875,368
Federal National Mortgage Association	AAA	499,890
Federal National Mortgage Association	N/R	12,419
Government Bonds		
Chicago, IL Taxable Series D, MBIA	A+	450,000
Collinsville, IL General Obligation Bonds	Aa3	106,477
Evansville, IN Sewer Revenue Bonds	AA	343,512
IL State General Obligation Bonds	A	507,710
Kentucky Asset/Liability	Aa3	1,001,470
Lake Park - Audubon, MN	AA+	561,420
Renewable Water Sewer System Revenue Bonds	AA	961,847
Money Market	N/A	8,126
Minnesota Association of Governments Investing Counties (MAGIC)	N/A	72,681
		$ 5,400,920

N/R – not rated
N/A – not applicable

III. Detailed Notes on All Funds

A. Assets

1. Deposits and 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 that are in the possession of an outside party. It is the County's policy to limit investments to the types of securities listed in Sections 6 and 9 of its Investment Policy and as prescribed by Minnesota Statute, § 118A.01 through 118A.08.

At December 31, 2011, 80 percent of the County's investments may be subject to custodial credit risk in the following amounts by issuer.

Issuer		Amount
Federal Home Loan Bank	$	784,560
Federal National Mortgage Association		11,057
Government Bonds		3,524,496
	$	4,320,113

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, excluding U.S. guaranteed investments, external investment pools, and mutual funds.

Investments in any one issuer that represent five percent or more of the County's investments are:

Issuer		Reported Amount	
Federal Home Loan Bank	$	875,368	16%
Federal National Mortgage Association		512,309	9%
Government Bonds			
Chicago, IL Taxable Sewer Revenue Bonds		450,000	8%
Evansville, IN Sewer Revenue Bonds		343,512	6%
IL State General Obligation Bonds		507,710	9%
Kentucky Asset/Liability		1,001,470	19%
Lake Park - Audubon, MN		561,420	10%
Renewable Water Sewer System Revenue Bonds		961,847	18%

2. Receivables

Receivables as of December 31, 2011, for the County's governmental activities and as of September 30, 2011, for the County's business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

III. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 796,121	$ -
Special assessments	11,371	-
Accounts	1,117,349	-
Accrued interest	49,355	-
Due from other governments	1,454,383	-
Advances to other funds	1,128,244	1,128,244
Total Governmental Activities	$ 4,556,823	$ 1,128,244
Business-Type Activities		
Accounts	$ 272,663	$ -

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2011, and for the business-type activities for the year ended September 30, 2011, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 1,520,926	$ 93,800	$ 83,744	$ 1,530,982
Right-of-way	663,135	-	-	663,135
Construction in progress	26,986	42,213	-	69,199
Total capital assets not depreciated	$ 2,211,047	$ 136,013	$ 83,744	$ 2,263,316
Capital assets being depreciated				
Infrastructure	$ 75,876,707	$ 4,430,823	$ -	$ 80,307,530
Buildings and improvements	17,979,209	1,072,429	-	19,051,638
Land improvements	1,268,931	8,900	-	1,277,831
Machinery and equipment	5,448,196	383,184	143,727	5,687,653
Total capital assets being depreciated	$ 100,573,043	$ 5,895,336	$ 143,727	$ 106,324,652
Less: accumulated depreciation for				
Infrastructure	$ 35,650,451	$ 2,750,686	$ -	$ 38,401,137
Buildings and improvements	6,847,388	507,127	-	7,354,515
Land improvements	272,825	61,775	-	334,600
Machinery and equipment	4,082,716	298,300	143,727	4,237,289
Total accumulated depreciation	$ 46,853,380	$ 3,617,888	$ 143,727	$ 50,327,541
Total capital assets, depreciated, net	$ 53,719,663	$ 2,277,448	$ -	$ 55,997,111
Governmental Activities Capital Assets, Net	$ 55,930,710	$ 2,413,461	$ 83,744	$ 58,260,427

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 118,625	$ -	$ -	$ 118,625
Capital assets being depreciated				
Buildings and improvements	$ 2,598,947	$ 13,261	$ -	$ 2,612,208
Land improvements	165,090	-	-	165,090
Machinery and equipment	537,370	46,126		583,496
Total capital assets being depreciated	$ 3,301,407	$ 59,387	$ -	$ 3,360,794
Less: accumulated depreciation for				
Buildings and improvements	$ 1,016,902	$ 79,967	$ -	$ 1,096,869
Land improvements	135,874	2,363	-	138,237
Machinery and equipment	404,785	25,886		430,671
Total accumulated depreciation	$ 1,557,561	$ 108,216	$ -	$ 1,665,777
Total capital assets, depreciated, net	$ 1,743,846	$ (48,829)	$ -	$ 1,695,017
Business-Type Activities Capital Assets, Net	$ 1,862,471	$ (48,829)	$ -	$ 1,813,642

Depreciation Expense

Depreciation expense was charged to functions of the County as follows:

Governmental Activites	
General government	$ 456,742
Public safety	39,292
Highways and streets, including depreciation of infrastructure assets	3,028,553
Public transportation	35,705
Sanitation	38,969
Culture and recreation	17,968
Conservation of natural resources	659
Total Depreciation Expense - Governmental Activities	$ 3,617,888
Business-Type Activities	
Sunnyside Care Center	$ 108,216

Construction Commitments

The County had no active construction commitments as of December 31, 2011.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2011, is as follows:

III. Detailed Notes on All Funds

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

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Human Services SRF	$ 16,482	Charges for services
	Other Governmental	2,371	Gravel tax
Total Due to General Fund		$ 18,853	
Road and Bridge Special Revenue Fund	General Fund	$ 10,032	Charges for services
	Public Safety SRF	7,528	Charges for services
	Human Services SRF	1,707	Charges for services
	Environmental Affairs SRF	2,200	Charges for services
	Other Governmental	20,466	Gravel tax and charges for services
Total Due to Road and Bridge Special Revenue Fund		$ 41,933	
Total Due To/From Other Funds		$ 60,786	

C. Liabilities

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of December 31, 2011, governmental funds reported the following various components of deferred unavailable revenue:

	Deferred Unavailable
Taxes	$ 603,467
Special Assessments	26,662
Long-term receivables	793,382
Contracts	534,515
Total Deferred Revenue	$ 1,958,026

Compensated Absences

Under the County's personnel policies and union contracts, employees are granted vacation in varying amounts based on their length of service. Vacation leave accrual varies from 12 to 24 days per year. Sick leave accrual is 12 days per year. Leave may be accumulated to a maximum of 24 days vacation and 120 days sick leave under the County's employment policy.

III. Detailed Notes on All Funds

C. Liabilities

Compensated Absences (Continued)

For the governmental activities, compensated absences are generally liquidated by the General Fund, the Public Safety Special Revenue Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the Environmental Affairs Special Revenue Fund, and the Natural Resource Management Special Revenue Fund.

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately $926,718 at December 31, 2011, is available to employees in the event of illness-related absences and is not paid to them at termination.

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The capital leases consist of the following at December 31, 2011:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental Activities					
2010 Postage machine	2015	Annual	$ 2,221	$ 9,029	$ 6,291
2007 Loader	2011	Annual	18,612	83,851	-
2009 Bituminus Distributor	2013	Annual	22,175	99,900	40,941
Less: Accumulated depreciation				(94,927)	-
Total Governmental Activities Capital Leases				$ 97,853	$ 47,232

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

Year Ending December 31	Governmental Activities
2012	$ 24,396
2013	24,396
2014	2,221
2015	555
Total minimum lease payments	$ 51,568
Less amount representing interest	(4,336)
Present Value of Minimum Lease Payments	$ 47,232

III. Detailed Notes on All Funds

C. Liabilities (Continued)

Long-Term Debt

Governmental Activities

	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2011
G.O. Courthouse Expansion Bonds of 2007	2027	$250,000-$435,000	4.00-4.25	$ 6,395,000	$ 5,295,000

Business-Type Activities

	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance September 30, 2011
2004 G.O. Revenue Note	2022	$7,000-$8,000	1.68	$ 135,430	$ 84,000
Note Payable	2035	$24,805-$77,239	5.00	1,165,000	1,128,244
					$ 1,.212,244

Debt Service Requirements

Debt service requirements at December 31, 2011, for governmental activities and September 30, 2011, for business-type activities were as follows:

Governmental Activities

Year Ending December 31	Principal	Interest
2012	$ 306,678	$ 215,150
2013	272,929	203,198
2014	262,078	191,675
2015	270,547	180,939
2016	280,000	169,932
2017-2021	1,575,000	668,525
2022-2026	1,940,000	305,350
2027	435,000	9,244
Total	$ 5,342,232	$ 1,944,013

Business-Type Activities

Year Ending December 31	Principal	Interest
2012	$ 33,061	$ 57,501
2013	34,380	56,066
2014	35,767	54,561
2015	37,223	52,987
2016	39,752	51,339
2017-2021	224,566	228,881
2022-2026	244,258	174,630
2027-2031	302,432	108,324
2032-2035	260,805	26,724
Total	$ 1,212,244	$ 811,013

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2011, and for the business-type activities for the year ended September 30, 2011, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	$ 84,579	$ -	$ 37,347	$ 47,232	$ 21,678
General obligation bonds	5,570,000	-	275,000	5,295,000	285,000
Net OPEB payable	430,688	145,952	46,607	530,033	-
Compensated absences	2,130,324	1,348,345	1,295,094	2,183,575	-
Governmental Activities Long-Term Liabilities	$ 8,215,591	$ 1,494,297	$ 1,654,048	$ 8,055,840	$ 306,678

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation revenue notes	$ 91,000	$ -	$ 7,000	$ 84,000	$ 7,000
Note Payable	1,153,050	-	24,806	1,128,244 *	26,061
Compensated absences	91,501	-	26,762	64,739	64,739
Business-Type Activities Long-Term Liabilities	$ 1,335,551	$ -	$ 58,568	$ 1,276,983	$ 97,800

*Payable to the General Fund, therefore reported as internal balances on Exhibit 1.

IV. Pension Plans

A. Defined Benefits Plans

Plan Description

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

IV. Pension Plans

A. Defined Benefits Plans

Plan Description (Continued)

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members, who are employed in a county correctional institution and have direct contact with inmates, are covered by the Public Employees Correctional Fund.

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity is accrual rate is 3 percent for each year of service. For Public Employees Correctional Fund Members, the annuity accrual rate is 1.9 percent for each year of service.

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

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional 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.

IV. Pension Plans

A. Defined Benefits Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. 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. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2011. Public Employees Police and Fire Fund members were required to contribute 9.60 percent of their annual covered salary in 2011. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2011 and 2012:

Public Employees Retirement Fund	
Basic Plan Members	11.78%
Coordinated Plan Members	7.25
Public Employees Police and Fire Fund	14.40
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2011, 2010, and 2009, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2011	$ 829,633	$ 217,709	$ 112,319
2010	797,614	215,076	105,152
2009	771,085	215,822	100,507

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

B. Defined Contribution Plan

Six eligible elected officials of Becker County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minnesota Statute, Chapter 353D. 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.

IV. Pension Plans

B. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2011, were:

	Employee	Employer
Contribution amount	$ 7,520	$ 7,520
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Post-Employment Benefits – (OPEB)

Plan Description

Becker County provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides for retirees by Minnesota Statute § 471.61, subdivision 2b. The retiree healthcare plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Becker County Board of Commissioners. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This post-employment benefit is funded on a pay-as-you-go basis usually paying retiree benefits out of the General Fund. As of the January 1, 2010 actuarial valuation, there were approximately 230 participants in the plan, including 6 retirees.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), 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 liabilities (or funding excess) over a period not to exceed 30 years.

IV. Pension Plans

C. Other Post-Employment Benefits – (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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.

Annual Required Contribution	$	152,910
Interest on net OPEB obligation		19,381
Adjustments to Annual Required Contribution		(26,339)
Annual OPEB cost (expense)	$	145,952
Contributions made		(46,607)
Increase in net OPEB obligation	$	99,345
Net OPEB Obligation - January 1, 2011		430,688
Net OPEB Obligation - December 31, 2011	$	530,033

The County's annual OPEB cost for December 31, 2011, was $145,952. The percentage of annual OPEB cost contributed to the plan was 31.9 percent, and the net OPEB obligation for 2011 was $530,033. Currently, only two year's actuarial data is available. Future notes will provide additional trend information as it becomes available. For more information, refer to the Notes to the Required Supplementary Information, Section II.

Fund Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was $1,159,017, and the actuarial value of assets was zero, resulting in an unfunded actuarial liability (UAAL) of $1,159,017. The covered payroll (annual payroll of active employees covered by the plan) was $11,016,972, and the ratio of the UAAL to the covered payroll was 10.5 percent.

Actuarial valuations for 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 healthcare cost trends. 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, 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.

IV. Pension Plans

C. Other Post-Employment Benefits – (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are 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, 2010 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Becker County's implicit rate of return on the General Fund. The annual healthcare cost trend is 8.5 percent initially reduced to an ultimate rate of 5.0 percent over seven years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2011, was 26 years.

V. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

The County, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

B. Management Agreement

The Sunnyside Care Center is managed by Ecumen Services, Inc. The Care Center is under a three-year agreement, which expires July 31, 2012. Effective August 1, 2009, the monthly management fee is 3.0 percent of annual operating revenues. Management fees for the year ending September 30, 2011 amounted to $84,013. Certain employees of Ecumen perform services for the Care Center. The Care Center had unpaid amounts pertaining to the above transactions at September 30, 2011 amounting to $19,558.

C. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT) to cover workers' compensation and property and casualty liabilities. To cover other risk, the County carries commercial insurance. There were no

V. Summary of Significant Contingencies and Other Items

C. Risk Management (Continued)

significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

The Worker's 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 $450,000 per claim in 2011 and $460,000 per claim in 2012. 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. The 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.

D. Subsequent Event

On July 17, 2012, the County issued $5,340,000 General Obligation Capital Improvement Plan Refunding Bonds, Series 2012A to refund the Public Facilities Lease Revenue Bonds, Series 2007A on their call date of February 1, 2016. The County is responsible for the payment of debt service on the General Obligation Capital Improvement Plan Refunding Bonds, Series 2012A beginning on February 1, 2013. This refunding resulted in a savings of $397,658, with a net present value savings of $177,804.

E. Joint Ventures

Becker County Children's Initiative

The Becker County Children's Initiative (BCCI) collaborative was established in 1995, under the authority of the Joint Powers Acts, pursuant to Minnesota Statutes, §§ 471.59 and 124D.23. The BCCI includes Becker County and the Multi-County Board of Health. The purpose of the BCCI is to provide coordinated family services and to commit resources to an integrated fund. Control of the BCCI is vested in a Board of Directors. Becker County has two members on the Board.

In the event of a withdrawal from the BCCI collaborative, the withdrawing party shall give a 180-day notice. This also means that the BCCI may no longer meet the requirements of Minnesota Statute, § 124D.23 as a family service collaborative.

The withdrawing party shall not be entitled to any compensation as long as the BCCI continues its existence. Should the BCCI cease to exist, all surplus funds shall be returned to the parties in proportion to their contributions. All other assets will be disposed of by law and to best accomplish the continuation purposes of the BCCI.

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Becker County Children's Initiative (Continued)

The BCCI has no long-term debt. Financing is provided by state and federal grants, appropriations from joint powers members, and miscellaneous revenues. In 2011, Becker County contributed $206,771 to the BCCI. Separate financial information can be obtained from the Becker County Children's Initiative, P.O. Box 24, Detroit Lakes, Minnesota 56502-0024.

Homeland Security Emergency Management (HSEM) Region 3 Emergency Managers Joint Powers Board

The HSEM Region 3 Emergency Managers Joint Powers Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, § 471.59 and Minnesota Statutes, Chapter 12. Members include Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties.

The purpose of the HSEM Region 3 Emergency Managers Joint Powers Board is to engage in planning, training, and/or the purchase of equipment in order to better respond to emergencies and natural and other disasters within HSEM Region 3; specifically within the jurisdictional boundaries of the member counties.

Control is vested in the HSEM Region 3 Emergency Managers Joint Powers Board, which is composed of one representative from each member county, appointed by their respective governing bodies as provided in the HSEM Region 3 Emergency Managers Board's Joint Powers Agreement.

The HSEM Region 3 Emergency Managers Joint Powers Board has no long-term debt. Financing will be provided by a Homeland Security Grant Program and other grant programs and awards.

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, §§ 403.39 and 471.59. Members include Becker, Beltrami, Clearwater, Clay, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties and the City of Moorhead. The purpose of the Northwest Minnesota Regional Radio Board is to provide regional administration for the installation, operation, and maintenance of local and regional enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in the Northwest Minnesota Regional Radio Board, which is composed of one county commissioner from each member county and one city council member from the member city appointed by their respective governing bodies, and one representative appointed by the Tribal Council from each participating tribal entity, as provided in the Northwest Minnesota Regional Radio Board's Joint Powers Agreement.

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by annual contributions from members, reflective of the extent of participation and use of services. Becker County contributed $1,048 to the Northwest Regional Radio Board for the year ended December 31, 2011. Complete financial information can be obtained from Headwaters Regional Development Commission, P.O. Box 906, Bemidji, Minnesota 56619.

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the Association is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and back-up system.

Control of the Association is vested in the Northwestern Counties Data Processing Security Association Joint Powers Board, which is composed of one county commissioner appointed by each member county board. In the event of dissolution, the net assets of the Association at that time shall be distributed to the respective member counties in proportion to the contribution of each.

The Northwestern Counties Data Processing Security Association has no long-term debt. Financing is provided by state grants and appropriations from member counties when needed. Becker County did not contribute to the Association for the year ended December 31, 2011. Lake of the Woods County, in an agent capacity, reports the cash transactions of the Association as an agency fund on its financial statements. Complete financial information can be obtained from the Lake of the Woods County Auditor's Office, 206 8th Avenue SE, Suite 260, Baudette, MN 56623.

Prairie Lakes Municipal Solid Waste Authority

The Prairie Lakes Municipal Solid Waste Authority was formed in 2010 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Becker, Otter Tail, Todd, and Wadena Counties. The purpose of the Authority is to provide a mechanism whereby the counties may jointly exercise ownership and cooperatively provide for solid waste management activities that affect the operations of the Perham Resource Recovery Facility.

Control of the Authority is vested in the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board, which is composed of one county commissioner appointed by each of the Counties of Becker, Todd, and Wadena, and two county commissioners from Otter Tail County. In the event of dissolution, the net assets of the Authority at that time shall be distributed to the respective member counties in proportion to the contribution of each.

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Prairie Lakes Municipal Solid Waste Authority (Continued)

The Prairie Lakes Municipal Solid Waste Authority has revenue debt. Financing is provided by state grants and appropriations from member counties when needed. Becker County contributed $105,680 for the purpose of land acquisition for the year ended December 31, 2011. Otter Tail County, in an agent capacity, reports the cash transactions of the Authority as an agency fund on its financial statements. Complete financial information can be obtained from the Otter Tail County Auditor's Office, 510 Fir Avenue West, Fergus Falls, MN 56537.

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1982, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in the carrying out of this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county. In 2011, Becker County paid $4,454 to the West Central Area Agency on Aging as its share of the 2011 assessment.

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

Control is vested in the West Central Board on Aging. The Board consists of one commissioner from each of the counties. The county commissioners of the county he or she represents appoint each member of the Board. Complete financial information can be obtained from the Area Agency on Aging, P.O. Box 726, Fergus Falls, Minnesota 56537.

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, and Todd Counties, and the Cities of Alexandria, Breckenridge, Detroit Lakes, Fargo, Fergus Falls, Moorhead, Pelican Rapids, Perham, and Wahpeton. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the six-county area.

Control of the Task Force is vested in a Board of Directors. The Board of Directors consists of department heads or a designee from each participating full-time member agency. In the event of dissolution of the Task Force, the equipment will be divided and returned to the appropriate agencies. If only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

Beginning January 1, 2004, Douglas County became the fiscal agent for the Task Force. Financing and equipment will be provided by the full-time and associate member agencies. Becker County provided $1,000 to this organization in 2011.

F. Related Organizations

The County Board is responsible for appointing the members of other organizations, but the County's accountability, for these organizations, does not extend beyond making the appointments. The County Board appoints the Board Members of the Pelican River Watershed District and the Cormorant Lakes Watershed District.

G. Jointly-Governed Organizations

Becker County Airport Commission

Becker County and the City of Detroit Lakes created the Becker County Airport commission. The County and the City each appoint two members to the Commission. The County and the City alternately appoint the fifth Commission member for a three-year term. The Commission is reported as a special revenue fund in the financial statements of City of Detroit Lakes. The County appropriated $40,500 for airport operations in 2011.

District IV Transportation Planning

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

Lake Agassiz Regional Library

The Lake Agassiz Regional Library, a consolidated public library system serving over 134,228 residents, was formed in 1961 pursuant to Minnesota Statutes, §§ 134.20 and 471.59, and includes the counties of Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin, as well as the cities of Breckenridge, Crookston, Detroit Lakes, Mahnomen, and Moorhead. Control of the Library is vested in the Lake Agassiz Regional Library Board of trustees which is composed of 23 individuals who represent 12 signatory entities. Becker County appropriated $302,335 to the Lake Agassiz Regional Library for the year ended December 31, 2011.

V. Summary of Significant Contingencies and Other Items

G. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake, Lake of the Woods, Mahnomen, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee which is composed of ten directors, each with an alternate, who are appointed annually by each respective county board. The County did not contribute to the Caucus for the year ended December 31, 2011.

Western Area City/County Co-Op

Becker County and 24 other cities and counties created the Western Area City/County Co-Op (WACCO). Each member of WACCO is authorized to appoint one member to the Board of Directors. The County did not contribute during 2011.

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969 pursuant to Minnesota Statutes, Chapter 103D, and includes Becker, Clay, Clearwater, Mahnomen, Norman, and Polk Counties. The purpose of the Wild Rice Watershed District is to oversee watershed projects, conduct studies for future project planning, administer legal drainage systems, issue applications and permits, educate the public on conservation issues, and provide dispute resolution. Control of the Wild Rice Watershed District is vested in a Board of Managers which is composed of seven members appointed by the county commissioners of Becker, Clay, Mahnomen, and Norman Counties. Norman County appoints three members, Clay County appoints two members, and the remaining counties each appoint one member.

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

The Becker County Economic Development Authority's (EDA) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2011, and include the financial statements of the Housing Department for the 18-month period ended December 31, 2011. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the EDA has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the EDA has chosen not to do so. The more significant accounting policies established in GAAP and used by the EDA are discussed below.

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies (Continued)

1. Financial Reporting Entity

The EDA was established May 27, 1997, having all of the powers and duties of an economic development authority under Minnesota Statutes, §§ 469.090 to 469.1081. The Housing Department was added May 1, 1999, and has all of the powers and duties of a housing and redevelopment authority under Minnesota Statutes, §§ 469.001 to 469.047. The EDA is governed by a seven-member Board appointed by the Becker County Board of Commissioners.

The EDA is a component unit of Becker County because Becker County is financially accountable for the EDA. The EDA's financial statements are discretely presented in the Becker County financial statements.

2. Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) display information about the financial activities of the overall EDA. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The EDA's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The EDA 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 EDA's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are 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.

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

2. Basic Financial Statements (Continued)

Fund Financial Statements

The fund financial statements provide information about the EDA's funds. Separate statements for each fund category–governmental and proprietary–are presented.

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

The EDA reports the following major governmental fund:

The General Fund is the EDA's primary operating fund. It accounts for and reports all financial resources of the EDA not accounted for in another fund.

The EDA reports the following major enterprise funds:

The EDA Activities are used to account for the operations of buildings the EDA built and is leasing out. The EDA activities comprise the following funds which have a December 31 year-end:

- West River Town Homes Enterprise Fund
- Becker Workshop Enterprise Fund
- Highway 34 Group Home Enterprise Fund

The Housing Department Activities are used to account for the operations of the EDA's housing department. The funds that comprise the Housing Department now have a December 31 year-end and are reported on an 18-month period for this report due to a change in fiscal year-end. These funds account for the EDA's federal expenditures and are as follows:

- Community Development Block Grant Enterprise Fund
- MURL Home Investment Partnership Enterprise Fund
- Low Rent Public Housing and Capital Enterprise Fund
- Housing Choice Vouchers Enterprise Fund
- All Other Housing Enterprise Fund

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies (Continued)

3. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The EDA considers all revenues to be available if they are collected within 30 days after the end of the current period. Property and other taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt 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.

The EDA purchases employee services from Becker County. These expenses are broken down and reported as salaries and employee benefits in the Housing Fund.

4. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

The EDA has defined cash and cash equivalents to include cash on hand and demand deposits.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances from/to other funds" (i.e., the non-current portion of interfund loans).

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

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

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Assets or Equity

Receivables and Payables (Continued)

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half due on October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as taxes receivable.

Property Held for Resale

Real property acquired for subsequent resale for redevelopment purposes and not as an investment program is recorded at the lesser of cost or net realizable value. Property held for resale is offset by a fund balance reserve account in the General Fund.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the EDA as assets with 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 market 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Buildings	40
Building improvements	40
Furniture, equipment, and vehicles	3-7

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

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

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Long-Term Obligations

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

In the governmental fund financial statements, the face amount of the debt issued is reported as an other financing source. 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.

Net Assets and Fund Balance

Certain funds of the EDA are classified as restricted net assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantor, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

In the fund financial statements and in accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the EDA classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact. At December 31, 2011, the EDA does not have any non-spendable fund balance in the General Fund.

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes imposed by formal action of the EDA Board of Directors and do not lapse at year-end. Amendments or modifications of committed fund balance must also be approved by formal action of the Board.

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Assets or Equity

Net Assets and Fund Balance (Continued)

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The Board has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the Housing Director. At December 31, 2011, the EDA does not have any assigned fund balance in the General Fund.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above mentioned categories, and negative fund balances in other governmental funds.

The EDA's unassigned fund balance in the General Fund will be maintained to provide the EDA with sufficient working capital and a margin of safety to address emergencies, revenue shortfalls and other unanticipated expenditures without borrowing.

The EDA shall strive to maintain a yearly unassigned fund balance in the General Fund of 35 to 50 percent of the prior year's total expenditures of the General Fund. In the event that amounts fall above or below the desired range, these amounts shall be reported as soon as practical after the end of the fiscal year. Should amount fall below the desired range, a plan to restore fund balance to an appropriate level will be provided for EDA Board action.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the County's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

Use of Estimates

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

Prior Year Information

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2010, from which the partial information was derived.

VI. Becker County Economic Development Authority (Continued)

B. Detailed Notes on All Funds

1. Assets

Deposits and Investments

The EDA's total deposits and investments are reported as follows:

Governmental activities		
Cash and pooled investments	$	585,228
Business-type activities		
Cash and pooled investments		1,060,333
Cash held by MHFA		80,856
Total Cash and Investments	$	1,726,417

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the EDA to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute, § 118A.03 requires all EDA deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the EDA's deposits may not be returned to it. The EDA does not have a deposit policy for custodial credit risk. As of December 31, 2011, the EDA's deposits were not exposed to custodial credit risk.

Receivables

No allowance for uncollectible accounts has been made for the EDA's governmental activities or for business-type activities.

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets (Continued)

Loans Receivable—Governmental Activities

Loans receivable consist of an operating cash loan to Maple Avenue Apartments without interest. This loan is repayable in full on September 1, 2013. The EDA has a one percent ownership and manages Maple Avenue Apartments, with Wells Fargo Company owning 99 percent of the project. The following is a summary of changes in loans receivable for the year ended December 31, 2011:

Loans Receivable	Balance January 1	Additions	Payments	Balance December 31
Maple Avenue Apartments	$ 35,000	$ -	$ -	$ 35,000

Contract for Deed—Business-Type Activities

The following is a summary of contracts for deed receivable resulting from the sale of Minnesota Urban and Rural Homesteading (MURL) homes to individuals for the 18-month period ended December 31, 2011:

Balance - July 1, 2010	$ 1,298,241
New loans	-
Payments	(53,566)
Canceled contracts	-
Balance - December 31, 2011	$ 1,244,675
Less: current portion	(42,858)
Long-Term Portion	$ 1,201,817

Contract for Deed	Date	Interest Rates (%)	Due Date	Monthly Payment	Balance December 31
Federal Home Funds					
Patty Sweeney	October 1, 1999	-	October 1, 2014	$ 341	$ 46,191
Kim Ward	February 1, 2000	-	January 1, 2015	102	54,685
Cynthia Burton	March 1, 2001	-	March 1, 2021	254	69,496
Michael Steffl	September 1, 2002	-	September 1, 2017	309	38,013
Katrina and Dennis Hoefs	May 1, 2003	-	May 1, 2028	83	75,464
Sean Grove and Amy Olson	June 1, 2004	-	June 1, 2024	159	66,240
Anthony and Angela Sieling	July 1, 2004	-	July 1, 2029	118	80,123
Kim Steward and Randy Heinen	September 1, 2004	-	September 1, 2020	132	75,367
Robert Goodrich	August 1, 2004	-	August 1, 2022	147	59,186
Felicia Johnson	December 1, 2005	-	December 1, 2035	151	73,824
Melissa Pearson	February 1, 2007	-	February 1, 2033	117	76,399
Michelle Skramstad	February 1, 2007	-	February 1, 2032	254	110,009
Jamie Branden/James Endersby	May 1,2010	-	November 1, 2026	263	70,261
Julie Bladow/Jon Anderson	November 1,2009	-	November 1, 2029	452	133,816
Total Federal Home Funds					$ 1,029,074

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets

Contract for Deed—Business-Type Activities (Continued)

Contract for Deed	Date	Interest Rates (%)	Due Date	Monthly Payment	Balance December 31
State Non-Home Funds					
Nicolas Savior/Rebecca Cartwright	May 1, 2009	-	May 1, 2039	178	$ 70,220
Teresa Rojas	April 1, 2009	-	April 1, 2039	-	145,381
Total State Non-Home Funds					$ 215,601
Total Contracts for Deed					$ 1,244,675

Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

EDA Business-Type Activities as of and for the year ending December 31, 2011:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 158,354	$ -	$ -	$ 158,354
Capital assets being depreciated				
Buildings	$ 1,942,962	$ -	$ -	$ 1,942,962
Equipment	106,665	-	-	106,665
Total capital assets being depreciated	$ 2,049,627	$ -	$ -	$ 2,049,627
Less: accumulated depreciation for				
Buildings	$ 128,650	$ 48,575	$ -	$ 177,225
Equipment	42,667	21,333	-	64,000
Total accumulated depreciation	$ 171,317	$ 69,908	$ -	$ 241,225
Total capital assets, depreciated, net	$ 1,878,310	$ (69,908)	$ -	$ 1,808,402
Capital Assets, Net	$ 2,036,664	$ (69,908)	$ -	$ 1,966,756

Housing Business-Type Activities as of and for the 18-month period ending December 31, 2011:

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 168,000	$ -	$ -	$ 168,000
Capital assets being depreciated				
Buildings	$ 2,824,689	$ -	$ -	$ 2,824,689
Machinery, furniture, and equipment	102,988	-	53,739	49,249
Total capital assets being depreciated	$ 2,927,677	$ -	$ 53,739	$ 2,873,938
Less: accumulated depreciation for				
Buildings	$ 798,469	$ 89,309	$ -	$ 887,778
Machinery, furniture, and equipment	101,038	924	53,740	48,222
Total accumulated depreciation	$ 899,507	$ 90,233	$ 53,740	$ 936,000
Total capital assets, depreciated, net	$ 2,028,170	$ (90,233)	$ (1)	$ 1,937,938
Capital Assets, Net	$ 2,196,170	$ (90,233)	$ (1)	$ 2,105,938

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

EDA Business-Type Activities	
West River Townhomes	$ 61,301
Becker Workshop	4,851
Group Home	3,756
Total Depreciation Expense - EDA	$ 69,908
Housing Business-Type Activities	
Public housing	$ 9,128
Other housing	11,105
Total Depreciation Expense - Housing	$ 20,233

2. Interfund Payables

Due To/From Other Funds

Business-Type Activities

Receivable Entity	Payable Entity	Amount
EDA – General Fund	EDA – Activities Enterprise Fund	$ 63,160
EDA – General Fund	Housing – Activity Enterprise Fund	63,160

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

2. Interfund Payables

Due To/From Other Funds

Business-Type Activities (Continued)

The interfund borrowing between the EDA General and Enterprise Funds has to do with cash balances between checking and investment. The interfund borrowing between EDA General and EDA Housing was to repay the Minnesota Housing Finance Agency (Publicly Owned Housing Program) loan, which will be repaid when the Highway 34 Group Home property sells.

3. Related Party Payables

Becker County EDA is a component unit of Becker County and purchases employee services from Becker County. For the year ended December 31, 2011, the EDA paid the County $190,688 from the EDA programs and $144,867 from housing programs.

4. Liabilities

Payables

There were no payables at December 31, 2011, for governmental activities. Payables at December 31, 2011, for business-type activities were as follows:

	EDA Business-Type Activities	Housing Dept Business-Type Activities
Accounts payable	$ 495	$ 3,548
Other liabilities	208	19,301
Due to other governments	6,467	14,744
Prepaid rent	-	382
Tenant security deposits	3,100	10,349
Total Payables	$ 10,270	$ 48,324

Long-Term Debt

Governmental Activities

The EDA and the Lake Park Economic Development Authority have a cost-sharing arrangement to each pay one-half of the costs of the Lake Park South 10 Industrial Park Project, which is to be partially funded by the Wild Rice Promissory Note. The full amount of the note is $144,000, of which the EDA and the Lake Park Economic Development Authority are both jointly and severally responsible to repay. The EDA and the Lake Park Economic Development Authority have each opened irrevocable letters of credit in the amount of $72,000 to secure the note. The entire amount of this note payable

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Long-Term Debt

Governmental Activities (Continued)

is reported on the Statement of Net Assets of the EDA, along with a receivable for the Lake Park Economic Development Authority's share of the note repayment.

The following is a schedule of long-term debt for governmental activities at December 31, 2011:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2011
Wild Rice Promissory Note	2013	$ 1,500	-	$ 144,000	$ 28,500

EDA Business-Type Activities – December 31, 2011

The EDA entered into a loan with the Greater Minnesota Housing Fund in the amount of $217,300 on December 20, 2007, to start construction for a twelve unit supportive housing project. This loan is payable in full on December 20, 2037.

Throughout the year ending December 31, 2008, the EDA received a deferred loan in the principal amount of $1,400,000 from the Minnesota Housing Finance Agency (Publicly Owned Housing Program), which will be forgiven in twenty years if the EDA is in compliance with all covenants. This loan will remain a liability until January 1, 2028, at which time it will be recorded as revenue or repaid.

The following is a schedule of long-term debt for EDA business-type activities at December 31, 2011:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2011
Greater MN Housing Fund	2037	$ -	-	$ 217,300	$ 217,300
MN Housing Finance	2028	-	-	1,400,000	1,400,000
Total Long-Term Debt					$ 1,617,300

Housing Business-Type Activities – December 31, 2011

The EDA entered into an $800,000 mortgage loan agreement with the Minnesota Housing Finance Agency in 2004 for the modernization of rental units of low-income persons. The principal sum is due and payable on December 1, 2032. However, the Minnesota Housing Finance Agency has passed a resolution that the maturity date of the loan shall be co-terminus with the Annual Contribution Contract (ACC), with payments deferred until maturity, and with annual renewals thereafter for as long as the U.S. Department of Housing and Urban Development allows renewals of the ACC.

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Long-Term Debt

Housing Business-Type Activities – December 31, 2011 (Continued)

The following is a schedule of long-term debt for housing business-type activities at December 31, 2011:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2011
MHFA mortgage loan	N/A	N/A	-	$ 800,000	$ 800,000

Debt Service Requirements

Governmental Activities

Debt service requirements at December 31, 2011, were as follows:

Year Ending December 31	Promissory Note Principal	Promissory Note Interest
2012	$ 18,000	$ -
2013	10,500	-
Total	$ 28,500	$ -

Business-Type Activities

The GMHF mortgage for $217,300 is due and payable in a lump sum on December 20, 2037.

West River Townhomes was built in large part with proceeds of the State of Minnesota general obligation bonds that were provided through MHFA Publicly Owned Program (POHP) deferred loan. It is bond financed property within the meaning of Minnesota Statute, § 16A.695 and subject to the encumbrances imposed by that statute. If no event of default has occurred within 20 years from December 20, 2007, then upon commencement of the 21st year after the date of this agreement, January 1, 2028, the POHP loan shall be deemed forgiven and extinguished and no repayment by the EDA is required.

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the year ended December 31, 2011, was as follows:

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Changes in Long-Term Liabilities

Governmental Activities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Wild Rice Promissory Note	$ 46,500	$ -	$ 18,000	$ 28,500	$ 18,000

EDA Business-Type Activities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GMHF mortgage	$ 217,300	$ -	$ -	$ 217,300	$ -
MHFA deferred loan	1,400,000	-	-	1,400,000	-
EDA Business-Type Activities Long-Term Liabilities	$ 1,617,300	$ -	$ -	$ 1,617,300	$ -

Housing Business-Type Activities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MHFA mortgage	$ 800,000	$ -	$ -	$ 800,000	$ -

C. Summary of Significant Contingencies and Other Items

1. Risk Management

The EDA is exposed to various risks of loss related to torts; theft of, damage, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The EDA is covered under Becker County's membership in the Minnesota Counties Insurance Trust and through the purchase of 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.

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 EDA expects such amounts, if any, to be immaterial.

VI. Becker County Economic Development Authority

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

2. Liens Receivable

Community Development Block Grant programs provided funds for economic development and rehabilitation of residences of qualifying low-income individuals. Provisions of the rehabilitation contracts resulted in loans to the homeowners secured by liens against the property. Those not requiring repayment until the property is sold or the owner dies are not recorded in the financial statements.

3. Minnesota Housing Trust Fund Loans

The EDA received loans from the Minnesota Housing Finance Agency Housing Trust Fund Program, the proceeds of which are for rental units for low-income persons. After ten years, these loans are forgiven by the state at a rate of five percent annually. The loans are for 30 years at zero percent interest. A summary of these loans which are not shown on the balance sheet are as follows:

Loan dated July 1, 1992, with a final maturity of July 1, 2022	$ 7,491
Loan dated December 30, 1994, with a final maturity of December 30, 2024	36,050
Loan dated May 29, 2003, with a final maturity of May 29, 2033	28,995
Total	$ 72,536

4. Minnesota Housing Revolving Fund Programs

The EDA received grants from the Minnesota Housing Finance Agency to be used to construct homes for low-income residents of Becker County. When the houses are sold, the grant amounts become revolving funds to build additional housing. The EDA chose to discontinue these community revitalization programs and the community revitalization revolving funds were returned to the Minnesota Housing Finance Agency. The amounts received and balances on hand at December 31, 2011, are as follows:

	Original Grant	Revolving Fund Cash	Contract for Deed Receivables
Federal Home Minnesota Urban and Rural Homesteading Loan	1,810,100	180,796	1,029,074
State Home Minnesota Urban and Rural Homesteading Loan	196,185	9,873	215,601
Total	$ 2,006,285	$ 190,669	$ 1,244,675

VI. Becker County Economic Development Authority

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

5. Operating Leases

Lakes Homes and Program Development, Inc., entered into a five-year operating lease with the EDA for property the EDA owns (carrying value of $107,609 and accumulated depreciation of $33,986) to be used for the operation of Hidden Hills Group Home. According to the lease terms, the EDA began receiving monthly installments of $500 beginning in January 2010. The Lease automatically renews on a month-to-month basis after the five-year agreement has expired and no new lease is signed.

Becker County entered into a five-year lease with the EDA for property the EDA owns (carrying value of $207,820 and accumulated depreciation of $33,954) to be used for the Becker County Workshop. According to the lease terms, the EDA began receiving monthly installments of $1,750 beginning in August 2005. The lease automatically renews on a month-to-month basis after the five-year agreement has expired and no new lease is signed.

6. Housing Program

The EDA has 74 units of Section 8 existing housing assistance payments (C-4101E). The EDA also has a contract with the U.S. Department of Housing and Urban Development to operate 25 dwelling units for lower-income housing (C-4161).

7. Conduit Debt Issuance

Public Facilities Lease – The Becker County Economic Development Authority issued $6,395,000 Public Facilities Lease Revenue Bonds, Series 2007A, to finance construction of the Courthouse Expansion Project to be owned and operated by Becker County, Minnesota. The Becker County Economic Development Authority and Becker County, Minnesota, entered into an irrevocable leveraged lease agreement for the facility whereby the bond principal and interest are payable solely from the revenues derived from the lease agreement. The rental payments of the County are absolute and unconditional obligations of the County payable from a direct ad valorem tax levied on all taxable property within the County for this purpose without limit as to rate or amount. The Series 2007A Bonds are not a general obligation of the Becker County Economic Development Authority or a charge against its general credit or taxing powers. The lease agreement is for the life of the bond issue 2007A at which time the facility becomes the property of Becker County. The assets and related debt are reflected in the financial statements of Becker County. The Becker County Economic Development Authority is the administrator for the project during the construction phase. The related revenues and expenditures are accounted for within the capital projects fund within Becker County's financial activities. At December 31, 2011, the outstanding balance on the Public Facilities Lease Revenue Bonds, Series 2007A was $5,295,000.

REQUIRED SUPPLEMENTARY INFORMATION

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Revenues				
Taxes	$ 3,063,785	$ 3,063,785	$ 3,181,461	$ 117,676
Licenses and permits	201,250	201,250	199,143	(2,107)
Intergovernmental	1,556,391	1,556,391	1,980,234	423,843
Charges for services	1,056,550	1,056,550	1,017,813	(38,737)
Fines and forfeitures	75,000	75,000	57,646	(17,354)
Gifts and contributions	-	-	1,496	1,496
Investment earnings	272,500	272,500	281,525	9,025
Miscellaneous	435,003	435,003	653,091	218,088
Sales for land and timber	20,000	20,000	26,050	6,050
Total Revenues	**$ 6,680,479**	**$ 6,680,479**	**$ 7,398,459**	**$ 717,980**
Expenditures				
Current				
General government				
Commissioners	$ 268,749	$ 268,749	$ 256,398	$ 12,351
Courts	115,735	115,735	74,051	41,684
Administrator	176,385	176,385	119,667	56,718
Human resources	143,755	143,755	161,226	(17,471)
County auditor-treasurer	665,601	665,601	644,653	20,948
Motor vehicle	212,022	212,022	195,482	16,540
County assessor	456,691	456,691	448,283	8,408
Elections	61,287	61,287	8,907	52,380
Central services	18,650	18,650	20,571	(1,921)
Information technology	470,180	470,180	478,666	(8,486)
Attorney	698,215	698,215	698,609	(394)
Law library	45,000	45,000	28,109	16,891
Contracted legal services	55,000	55,000	56,791	(1,791)
Recorder	572,267	572,267	481,288	90,979
Surveyor	7,500	7,500	8,900	(1,400)
Planning and zoning	362,089	362,089	347,352	14,737
Buildings and grounds	544,390	544,390	596,475	(52,085)
Becker County annex	178,689	178,689	173,928	4,761
Veterans service officer	137,538	137,538	141,622	(4,084)
Other general government	31,825	31,825	17,180	14,645
Total general government	**$ 5,221,568**	**$ 5,221,568**	**$ 4,958,158**	**$ 263,410**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures				
Current (Continued)				
Public Transportation				
Transit	$ 488,725	$ 488,725	$ 457,214	$ 31,511
Airport	48,500	48,500	40,500	8,000
Total public transportation	**$ 537,225**	**$ 537,225**	**$ 497,714**	**$ 39,511**
Health				
Nursing service	$ -	$ -	$ 9,537	$ (9,537)
Culture and recreation				
Historical society	$ 65,000	$ 65,000	$ 65,000	$ -
Senior citizens	400	400	4,602	(4,202)
Regional library	302,335	302,335	302,335	-
Total culture and recreation	**$ 367,735**	**$ 367,735**	**$ 371,937**	**$ (4,202)**
Conservation of natural resources				
Cooperative extension	$ 120,401	$ 120,401	$ 119,019	$ 1,382
Soil and water conservation	183,561	183,561	183,561	-
Agricultural society/county fair	15,000	15,000	15,000	-
Wetland challenge	23,830	23,830	23,830	-
Water planning	23,556	23,556	23,556	-
Other conservation of natural resources	1,725	1,725	1,200	525
Total conservation of natural resources	**$ 368,073**	**$ 368,073**	**$ 366,166**	**$ 1,907**
Economic development				
Administration	$ 196,503	$ 196,503	$ 190,336	$ 6,167
Debt service				
Principal retirement	$ -	$ -	$ 1,614	$ (1,614)
Interest	-	-	607	(607)
Total debt service	**$ -**	**$ -**	**$ 2,221**	**$ (2,221)**
Total Expenditures	**$ 6,691,104**	**$ 6,691,104**	**$ 6,396,069**	**$ 295,035**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Excess of Revenues Over (Under) Expenditures	**$ (10,625)**	**$ (10,625)**	**$ 1,002,390**	**$ 1,013,015**
Other Financing Sources (Uses)				
Transfers in	85,000	85,000	85,000	-
Net Change in Fund Balance	**$ 74,375**	**$ 74,375**	**$ 1,087,390**	**$ 1,013,015**
Fund Balance - January 1	**6,955,184**	**6,955,184**	**6,955,184**	**-**
Fund Balance - December 31	**$ 7,029,559**	**$ 7,029,559**	**$ 8,042,574**	**$ 1,013,015**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 2

BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Revenues				
Taxes	$ 5,486,650	$ 5,486,650	$ 5,363,405	$ (123,245)
Licenses and permits	17,750	17,750	14,125	(3,625)
Intergovernmental	1,008,928	1,008,928	1,037,503	28,575
Charges for services	173,500	173,500	171,036	(2,464)
Fines and forfeitures	24,200	24,200	13,753	(10,447)
Gifts and contributions	1,000	1,000	1,200	200
Investment earnings	3,000	3,000	532	(2,468)
Miscellaneous	90,600	90,600	214,666	124,066
Total Revenues	**$ 6,805,628**	**$ 6,805,628**	**$ 6,816,220**	**$ 10,592**
Expenditures				
Current				
Public safety				
Sheriff	$ 3,379,643	$ 3,379,643	$ 3,408,494	$ (28,851)
Boat and water safety	62,059	62,059	56,467	5,592
Emergency services	23,033	23,033	30,054	(7,021)
Coroner	57,891	57,891	59,029	(1,138)
County jail	2,800,846	2,800,846	3,928,600	(1,127,754)
Probation and parole	340,143	340,143	345,282	(5,139)
Sentence to serve	61,673	61,673	79,602	(17,929)
Total public safety	**$ 6,725,288**	**$ 6,725,288**	**$ 7,907,528**	**$ (1,182,240)**
Excess of Revenues Over (Under) Expenditures	**$ 80,340**	**$ 80,340**	**$ (1,091,308)**	**$ (1,171,648)**
Other Financing Sources (Uses)				
Transfers in	-	-	1,125,000	1,125,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	**$ 80,340**	**$ 80,340**	**$ 33,692**	**$ (46,648)**
Fund Balance - January 1	**3,785,902**	**3,785,902**	**3,785,902**	**-**
Fund Balance - December 31	**$ 3,866,242**	**$ 3,866,242**	**$ 3,819,594**	**$ (46,648)**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 3

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 2,639,986	$ 2,639,986	$ 2,583,235	$ (56,751)
Special assessments	500	500	340	(160)
Licenses and permits	22,000	22,000	15,402	(6,598)
Intergovernmental	4,360,431	4,360,431	5,443,494	1,083,063
Charges for services	120,000	120,000	190,503	70,503
Miscellaneous	787,000	787,000	741,719	(45,281)
Total Revenues	**$ 7,929,917**	**$ 7,929,917**	**$ 8,974,693**	**$ 1,044,776**
Expenditures				
Current				
Highways and Streets				
Administration	$ 335,776	$ 335,776	$ 348,034	$ (12,258)
Maintenance	2,668,837	2,668,837	2,892,757	(223,920)
Construction	3,661,368	3,661,368	4,481,617	(820,249)
Equipment maintenance and shop	1,134,116	1,134,116	1,168,222	(34,106)
Other highways and streets	129,820	129,820	117,690	12,130
Total highways and streets	**$ 7,929,917**	**$ 7,929,917**	**$ 9,008,320**	**$ (1,078,403)**
Debt service				
Principal retirement	$ -	$ -	$ 35,732	$ (35,732)
Interest	-	-	5,055	(5,055)
Total debt service	**$ -**	**$ -**	**$ 40,787**	**$ (40,787)**
Total Expenditures	**$ 7,929,917**	**$ 7,929,917**	**$ 9,049,107**	**$ (1,119,190)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (74,414)**	**$ (74,414)**
Fund Balance - January 1	**1,644,891**	**1,644,891**	**1,644,891**	**-**
Increase (decrease) in reserved for inventories	**-**	**-**	**(25,178)**	**(25,178)**
Fund Balance - December 31	**$ 1,644,891**	**$ 1,644,891**	**$ 1,545,299**	**$ (99,592)**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 4

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 5,685,883	$ 5,685,883	$ 5,589,094	$ (96,789)
Intergovernmental	6,784,080	6,784,080	7,462,414	678,334
Miscellaneous	1,180,258	1,180,258	1,054,762	(125,496)
Total Revenues	**$ 13,650,221**	**$ 13,650,221**	**$ 14,106,270**	**$ 456,049**
Expenditures				
Current				
Human Services				
Income maintenance	$ 2,968,483	$ 2,968,483	$ 2,953,046	$ 15,437
Social services	9,398,543	9,398,543	9,442,427	(43,884)
Collaborative	-	-	206,771	(206,771)
Total human services	**$ 12,367,026**	**$ 12,367,026**	**$ 12,602,244**	**$ (235,218)**
Health				
Community Health	1,283,195	1,283,195	1,289,078	(5,883)
Total Expenditures	**$ 13,650,221**	**$ 13,650,221**	**$ 13,891,322**	**$ (241,101)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 214,948**	**$ 214,948**
Other Financing Sources (Uses)				
Transfers out	**-**	**-**	**(1,125,000)**	**(1,125,000)**
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	**$ -**	**$ -**	**$ (910,052)**	**$ (910,052)**
Fund Balance - January 1	**6,144,696**	**6,144,696**	**6,144,696**	**-**
Fund Balance - December 31	**$ 6,144,696**	**$ 6,144,696**	**$ 5,234,644**	**$ (910,052)**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 5

BUDGETARY COMPARISON SCHEDULES
ENVIRONMENTAL AFFAIRS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Revenues				
Special assessments	$ 187,000	$ 187,000	$ 184,562	$ (2,438)
Intergovernmental	96,200	96,200	167,231	71,031
Charges for services	1,577,500	1,577,500	1,348,526	(228,974)
Miscellaneous	39,700	39,700	221,773	182,073
Total Revenues	**$ 1,900,400**	**$ 1,900,400**	**$ 1,922,092**	**$ 21,692**
Expenditures				
Current				
Sanitation				
Solid waste	$ 1,339,349	$ 1,339,349	$ 1,587,174	$ (247,825)
Recycling	171,177	171,177	806,544	(635,367)
Hazardous waste	63,239	63,239	62,464	775
Total sanitation	**$ 1,573,765**	**$ 1,573,765**	**$ 2,456,182**	**$ (882,417)**
Excess of Revenues Over (Under) Expenditures	**$ 326,635**	**$ 326,635**	**$ (534,090)**	**$ (860,725)**
Other Financing Sources (Uses)				
Transfers out	(85,000)	(85,000)	(85,000)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	**$ 241,635**	**$ 241,635**	**$ (619,090)**	**$ (860,725)**
Fund Balance - January 1	**5,167,418**	**5,167,418**	**5,167,418**	**-**
Fund Balance - December 31	**$ 5,409,053**	**$ 5,409,053**	**$ 4,548,328**	**$ (860,725)**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 6

SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of of Covered Payroll
January 1, 2008	$ -	$ 1,571,170	$ 1,571,170	$ -	$ 10,744,917	14.6%
January 1, 2010	-	1,159,017	1,159,017	-	11,016,972	10.5%

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 7

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2011

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation	
December 31, 2008	$ 224,922	$ 62,035	27.6%	$ 162,887	
December 31, 2009	226,435	75,531	33.4%	309,826	*
December 31, 2010	148,085	27,223	18.4%	430,688	
December 31, 2011	145,952	46,607	31.9%	530,033	

* Includes an adjustment of $(3,965) to the actual Net OPEB Obligation booked as of December 31, 2009.

BECKER COUNTY
DETROIT LAKES, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

I. Budgetary Information

A. Budget policy

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

On or before mid-August of each year, all departments and agencies submit requests for appropriations to the County Administrator so that a budget can be prepared. Before September 30, the proposed budget is presented to the County Board for review. The Board holds a public hearing, and then a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restrictions of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2011:

	Expenditures	Budget	Excess
General Fund			
General government			
Human resources	$ 161,226	$ 143,755	$ (17,471)
Central services	20,571	18,650	(1,921)
Information technology	478,666	470,180	(8,486)
Attorney	698,609	698,215	(394)
Contracted legal services	56,791	55,000	(1,791)
Surveyor	8,900	7,500	(1,400)
Buildings and grounds	596,475	544,390	(52,085)
Veterans service officer	141,622	137,538	(4,084)
Health			
Nursing service	9,537	-	(9,537)
Culture and recreation			
Senior citizens	4,602	400	(4,202)
Debt service			
Principal retirement	1,614	-	(1,614)
Interest	607	-	(607)

I. Budgetary Information

B. Excess of Expenditures Over Budget (Continued)

	Expenditures	Budget	Excess
Public Safety Special Revenue Fund			
Public Safety			
Sheriff	$ 3,408,494	$ 3,379,643	$ (28,851)
Emergency services	30,054	23,033	(7,021)
Coroner	59,029	57,891	(1,138)
County jail	3,928,600	2,800,846	(1,127,754)
Probation and parole	345,282	340,143	(5,139)
Sentence to serve	79,602	61,673	(17,929)
Road and Bridge Special Revenue Fund			
Highways and streets			
Administration	348,034	335,776	(12,258)
Maintenance	2,892,757	2,668,837	(223,920)
Construction	4,481,617	3,661,368	(820,249)
Equipment maintenance and shop	1,168,222	1,134,116	(34,106)
Debt service			
Principal retirement	35,732	-	(35,732)
Interest	5,055	-	(5,055)
Human Services Special Revenue Fund			
Human services			
Social services	9,442,427	9,398,543	(43,884)
Collaborative	206,771	-	(206,771)
Health			
Community health	1,289,078	1,283,195	(5,883)
Environmental Affairs Special Revenue Fund			
Sanitation			
Solid waste	1,587,174	1,339,349	(247,825)
Recycling	806,544	171,177	(635,367)

II. Other Post-Employment Benefits (OPEB)

Beginning in 2008, Becker County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* Becker County's current actuarial valuation, as of January 1, 2010, reflects the following changes to the actuarial assumptions made in 2008:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The retirement, withdrawal, and mortality rates were changed for the Correctional employees. They now have the same rates as non-police county employees. (The prior valuation used the police assumption set.)

Future notes will provide additional trend analysis to meet the three actuarial valuations requirement as it becomes available. For more information, refer to the Notes to the Financial Statements Section IV. C., Other Post-Employment Benefits.

SUPPLEMENTARY INFORMATION

BECKER COUNTY
DETROIT LAKES, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Parks and Recreation Special Revenue Fund is used to provide for and report maintenance of County-owned parks and public accesses for the snowmobile trails program and ski trails program. It is funded in part by a tax levy and by grants from the Department of Natural Resources (DNR) assigned to culture and recreation.

The Resource Development Special Revenue Fund is used to account for and report the receipt and expenditure of certain state grants restricted for conservation of natural resources. The DNR funds for tax-forfeited natural resources land are to be used for resource development, forest management, recreational development, and maintenance of County-administered, tax-forfeited lands. In addition, this fund receives a share of net receipts from forfeited tax sales.

The County Ditch Special Revenue Fund is used to account for and report financing of the construction and repair of the ditch system restricted for conservation of natural resources.

The Natural Resource Management Special Revenue Fund is used to account for and report the sale or lease of land and sales of timber and wood restricted for conservation of natural resources. The salary and expenditures of the County Land Commissioner and clerical wages are paid from this fund. The net balance in the fund is apportioned at the end of the year.

The Gravel Tax Special Revenue Fund is used to account for and report restricted revenues from a ten-cent-per-cubic-yard production tax on gravel removed from pits in Becker County under the provisions of Minnesota Statute, § 298.75.

Debt Service Funds

The Debt Service Fund is used to account for and report the accumulation of resources restricted for and payment of, principal and interest on long-term debt.

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Statement A-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue Funds (Statement B-1)	Debt Service Fund	Total Nonmajor Governmental Funds (Exhibit 3)
Assets			
Cash and pooled investments	$ 1,186,763	$ 465,197	$ 1,651,960
Cash with fiscal agent	-	251,650	251,650
Taxes receivable			
Current	-	14,094	14,094
Prior	-	8,397	8,397
Accounts receivable	47,669	-	47,669
Total Assets	**$ 1,234,432**	**$ 739,338**	**$ 1,973,770**
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 56,504	$ -	$ 56,504
Salaries payable	5,275	-	5,275
Due to other funds	22,837	-	22,837
Due to other governments	142,562	-	142,562
Deferred revenue - unavailable	-	17,411	17,411
Total Liabilities	**$ 227,178**	**$ 17,411**	**$ 244,589**
Fund Balances			
Restricted for			
Debt service	$ -	$ 721,927	$ 721,927
Conservation of natural resources	621,977	-	621,977
Gravel pit closure	311,059	-	311,059
Unrestricted			
Assigned to culture and recreation	74,218	-	74,218
Total Fund Balances	**$ 1,007,254**	**$ 721,927**	**$ 1,729,181**
Total Liabilities and Fund Balances	**$ 1,234,432**	**$ 739,338**	**$ 1,973,770**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Statement A-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Special Revenue Funds (Statement B-2)	Debt Service Fund	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues			
Taxes	$ 29,810	$ 492,835	$ 522,645
Intergovernmental	191,732	30,459	222,191
Charges for services	3,090	-	3,090
Investment earnings	-	3,495	3,495
Miscellaneous	311,934	-	311,934
Sales of land and timber	65,124	-	65,124
Total Revenues	**$ 601,690**	**$ 526,789**	**$ 1,128,479**
Expenditures			
Current			
Culture and recreation	$ 340,791	$ -	$ 340,791
Conservation of natural resources	347,348	-	347,348
Debt service			
Principal retirement	-	275,000	275,000
Interest	-	225,631	225,631
Total Expenditures	**$ 688,139**	**$ 500,631**	**$ 1,188,770**
Excess of Revenues Over (Under) Expenditures	**$ (86,449)**	**$ 26,158**	**$ (60,291)**
Fund Balance - January 1	**1,093,703**	**695,769**	**1,789,472**
Fund Balance - December 31	**$ 1,007,254**	**$ 721,927**	**$ 1,729,181**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2011

	Parks and Recreation	Resource Development
Assets		
Cash and pooled investments	$ 130,117	$ 569,629
Accounts receivable	-	-
Total Assets	**$ 130,117**	**$ 569,629**
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 52,703	$ -
Salaries payable	2,169	-
Due to other funds	762	-
Due to other governments	265	-
Total Liabilities	**$ 55,899**	**$ -**
Fund Balances		
Restricted for		
Gravel pit closure	$ -	$ -
Conservation of natural resources	-	569,629
Unrestricted		
Assigned to culture and recreation	74,218	-
Total Fund Balances	**$ 74,218**	**$ 569,629**
Total Liabilities and Fund Balances	**$ 130,117**	**$ 569,629**

Statement B-1

County Ditch	Natural Resource Management	Gravel Tax	Total (Statement A-1)
$ 9,187	$ 89,662	$ 388,168	$ 1,186,763
-	241	47,428	47,669
$ 9,187	**$ 89,903**	**$ 435,596**	**$ 1,234,432**
$ -	$ 3,801	$ -	$ 56,504
-	3,106	-	5,275
-	555	21,520	22,837
-	39,280	103,017	142,562
$ -	**$ 46,742**	**$ 124,537**	**$ 227,178**
$ -	$ -	$ 311,059	$ 311,059
9,187	43,161	-	621,977
-	-	-	74,218
$ 9,187	**$ 43,161**	**$ 311,059**	**$ 1,007,254**
$ 9,187	**$ 89,903**	**$ 435,596**	**$ 1,234,432**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Parks and Recreation	Resource Development
Revenues		
Taxes	$ 88	$ -
Intergovernmental	127,829	63,903
Charges for services	3,090	-
Miscellaneous	2,500	-
Sales of land and timber	26,050	39,074
Total Revenues	**$ 159,557**	**$ 102,977**
Expenditures		
Current		
Culture and recreation	$ 340,791	$ -
Conservation of natural resources	-	53,474
Total Expenditures	**$ 340,791**	**$ 53,474**
Excess of Revenues Over (Under) Expenditures	**$ (181,234)**	**$ 49,503**
Fund Balance - January 1	**255,452**	**520,126**
Fund Balance - December 31	**$ 74,218**	**$ 569,629**

__Statement B-2__

County Ditch	Natural Resource Management	Gravel Tax	Total (Statement A-2)
$ -	$ -	$ 29,722	$ 29,810
-	-	-	191,732
-	-	-	3,090
-	309,434	-	311,934
-	-	-	65,124
$ -	**$ 309,434**	**$ 29,722**	**$ 601,690**
$ -	$ -	$ -	$ 340,791
-	293,874	-	347,348
$ -	**$ 293,874**	**$ -**	**$ 688,139**
$ -	**$ 15,560**	**$ 29,722**	**$ (86,449)**
9,187	**27,601**	**281,337**	**1,093,703**
$ 9,187	**$ 43,161**	**$ 311,059**	**$ 1,007,254**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 8

BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Revenues				
Taxes	$ -	$ -	$ 88	$ 88
Intergovernmental	114,500	114,500	127,829	13,329
Charges for services	3,500	3,500	3,090	(410)
Miscellaneous	1,250	1,250	2,500	1,250
Sale of land and timber	25,000	25,000	26,050	1,050
Total Revenues	**$ 144,250**	**$ 144,250**	**$ 159,557**	**$ 15,307**
Expenditures				
Current				
Culture and recreation	185,626	185,626	340,791	(155,165)
Excess of Revenues Over (Under) Expenditures	**$ (41,376)**	**$ (41,376)**	**$ (181,234)**	**$ (139,858)**
Fund Balance - January 1	**255,452**	**255,452**	**255,452**	**-**
Fund Balance - December 31	**$ 214,076**	**$ 214,076**	**$ 74,218**	**$ (139,858)**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 9

BUDGETARY COMPARISON SCHEDULE
RESOURCE DEVELOPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts				Actual		Variance with Final Budget Positive	
	Original		Final		Amounts		(Negative)	
Revenues								
Intergovernmental	$	45,500	$	45,500	$	63,903	$	18,403
Sale of land and timber		21,000		21,000		39,074		18,074
Total Revenues	**$**	**66,500**	**$**	**66,500**	**$**	**102,977**	**$**	**36,477**
Expenditures								
Current								
Conservation of natural resources		112,700		112,700		53,474		59,226
Excess of Revenues Over (Under) Expenditures	**$**	**(46,200)**	**$**	**(46,200)**	**$**	**49,503**	**$**	**95,703**
Fund Balance - January 1		**520,126**		**520,126**		**520,126**		**-**
Fund Balance - December 31	**$**	**473,926**	**$**	**473,926**	**$**	**569,629**	**$**	**95,703**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 10

BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Expenditures				
Current				
Conservation of natural resources	$ -	$ -	$ -	$ -
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ -**	**$ -**
Fund Balance - January 1	**9,187**	**9,187**	**9,187**	**-**
Fund Balance - December 31	**$ 9,187**	**$ 9,187**	**$ 9,187**	**$ -**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 11

BUDGETARY COMPARISON SCHEDULE
NATURAL RESOURCE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts				Actual		Variance with Final Budget Positive
	Original		Final		Amounts		(Negative)
Revenues							
Miscellaneous	$	462,600	$	462,600	$ 309,434	$	(153,166)
Expenditures							
Current							
Conservation of natural resources		462,600		462,600	293,874		168,726
Excess of Revenues Over (Under) Expenditures	**$**	**-**	**$**	**-**	**$ 15,560**	**$**	**15,560**
Fund Balance - January 1		**27,601**		**27,601**	**27,601**		**-**
Fund Balance - December 31	**$**	**27,601**	**$**	**27,601**	**$ 43,161**	**$**	**15,560**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 12

BUDGETARY COMPARISON SCHEDULE
GRAVEL TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Revenues				
Taxes	$ 150,000	$ 150,000	$ 29,722	$ (120,278)
Expenditures				
Current				
Conservation of natural resources	150,000	150,000	-	150,000
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 29,722**	**$ 29,722**
Fund Balance - January 1	**281,337**	**281,337**	**281,337**	**-**
Fund Balance - December 31	**$ 281,337**	**$ 281,337**	**$ 311,059**	**$ 29,722**

AGENCY FUNDS

The Clearing Agency Fund is used to account for the payroll deductions and distributions of a County-administered cafeteria plan.

The Taxes and Penalties Agency Fund is used to account for the collection of taxes, penalties, and special assessments and their payment to the various County funds and taxing districts.

The Children's Initiative Agency Fund is used to account for the cash transactions of the Becker County Children's Initiative.

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Statement C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Balance January 1	Additions	Deductions	Balance December 31
CLEARING FUND				
Assets				
Cash and pooled investments	**$ 287,206**	**$ 3,456,125**	**$ 3,457,376**	**$ 285,955**
Liabilities				
Accounts payable	$ -	$ 170,770	$ -	$ 170,770
Due to other governments	287,206	3,285,355	3,457,376	115,185
Total Liabilities	**$ 287,206**	**$ 3,456,125**	**$ 3,457,376**	**$ 285,955**
TAXES AND PENALTIES FUND				
Assets				
Cash and pooled investments	**$ 635,569**	**$ 43,101,797**	**$ 42,988,039**	**$ 749,327**
Liabilities				
Due to other governments	$ 494,935	$ 42,957,958	$ 42,847,405	$ 605,488
Deferred credits	140,634	143,839	140,634	143,839
Total Liabilities	**$ 635,569**	**$ 43,101,797**	**$ 42,988,039**	**$ 749,327**
CHILDREN'S INITIATIVE FUND				
Assets				
Cash and pooled investments	**$ 108,631**	**$ 190,780**	**$ 163,691**	**$ 135,720**
Liabilities				
Due to other governments	**$ 108,631**	**$ 190,780**	**$ 163,691**	**$ 135,720**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	**$ 1,031,406**	**$ 46,748,702**	**$ 46,609,106**	**$ 1,171,002**
Liabilities				
Accounts payable	$ -	$ 170,770	$ -	$ 170,770
Due to other governments	890,772	46,434,093	46,468,472	856,393
Deferred credits	140,634	143,839	140,634	143,839
Total Liabilities	**$ 1,031,406**	**$ 46,748,702**	**$ 46,609,106**	**$ 1,171,002**

OTHER SCHEDULES

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 13

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2011

	Primary Government	Discretely Presented Component Unit
Shared Revenue		
State		
Highway user tax	$ 4,858,854	$ -
County program aid	1,018,764	-
PERA rate reimbursement	38,181	-
Disparity reduction aid	738	-
Police aid	139,695	-
Enhanced 911	109,982	-
Market value credit	927,227	12,217
Mobile home market value credit	11,046	-
Total Shared Revenue	**$ 7,104,487**	**$ 12,217**
Payments		
Local		
Local contributions	$ 318,235	$ -
Payments in lieu of taxes	378,059	-
Total Payments	**$ 696,294**	**$ -**
Grants		
State		
Minnesota Department/Board of/Office of		
Agriculture	$ 937	$
Corrections	342,060	-
Public Safety	4,971	-
Transportation	189,633	-
Health	250,326	-
Natural Resources	191,687	-
Human Services	1,828,250	-
Water and Soil Resources	75,371	-
Housing Finance Agency	-	750
Veterans Affairs	4,000	-
Commerce	50,000	
Office of Secretary of State	3,713	-
Pollution Control Agency	116,294	-
Peace Officer Standards and Training	18,179	-
Total State	**$ 3,075,421**	**$ 750**
Federal		
Department of		
Agriculture	$ 481,819	$ -
Housing and Urban Development	-	1,050,033
Transportation	116,425	-
Health and Human Services	4,709,780	-
Homeland Security	128,841	-
Total Federal	**$ 5,436,865**	**$ 1,050,033**
Total State and Federal Grants	**$ 8,512,286**	**$ 1,050,783**
Total Intergovernmental Revenue	**$ 16,313,067**	**$ 1,063,000**

MANAGEMENT AND COMPLIANCE SECTION

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 14

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

I. SUMMARY OF AUDITOR'S RESULTS

A. Our report expresses an unqualified opinion on the financial statements of Becker County.

B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Becker County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.*" The significant deficiencies were not material weaknesses.

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

D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."

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

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

G. The major programs were:

Temporary Assistance for Needy Families Cluster	
Temporary Assistance for Needy Families	CFDA #93.558
ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	CFDA #93.714
Social Services Block Grant	CFDA #93.667
Medical Assistance Program	CFDA #93.778

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

I. Becker County was determined to be a low-risk auditee.

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

<u>INTERNAL CONTROL</u>

<u>PREVIOUSLY REPORTED ITEMS NOT RESOLVED</u>

96-7 <u>Segregation of Duties</u>

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

A deficiency in internal control 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.

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

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

The County is aware of the segregation of duty issue. It has implemented comprehensive internal controls.

10-1 <u>Transfer Station Cash Controls</u>

A review of the cash collection procedures at the solid waste transfer station revealed several deficiencies including the following:

- pre-numbered charge slips are not accounted for
- staff receiving collections also balance out the cash register

The pre-numbered charge slips should be accounted for and reconciled to the daily collections in the cash register. Staff in control of collections should not balance out the cash register at the end of the day.

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

Schedule 14
(Continued)

Client's Response:

The County is in the process of reviewing, developing and implementing internal controls over cash collections. Staff training and implementation of the proposed internal controls should resolve the deficiencies noted.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

10-2 Accounts Receivable

The Human Services fund reports accounts receivable for parental fees in the foster care program that likely may never be collected. The County does not have a written policy for recognition of an uncollectible amount.

While it is important for the agency to keep track of the parental fees receivables, the reporting of them in the financial statements may be misleading.

We recommend that the County Board establish a policy for the recognition of an uncollectible amount for financial reporting purposes.

County's Response:

The foster care and parental fee receivable balance will be reviewed to ensure accuracy. The current procedures being followed will also be reviewed to ensure they adhere to accounting principles.

HOFFMAN, DALE, & SWENSON, PLLC

GOVERNMENTAL AUDIT SERVICES

Colleen Hoffman, Manager
Gordon Dale, CPA
Audrey Swenson, CPA

1541 Hwy. 59 South
Thief River Falls, MN 56701
Phone: 218-681-4078
Fax: 218-681-4079
choffman@mncable.net

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

Board of County Commissioners
Becker County

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 26, 2012. 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. Other auditors audited the financial statements of the Sunnyside Care Center as of and for the year ended September 30, 2011, as described in our report on Becker County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Becker County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control 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 a combination of deficiencies, in internal control, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-7 and 10-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Political subdivisions* covers seven categories of compliance to be tested: depositories of public funds and public investments, conflicts of interest, public indebtedness, contracting - bid laws, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories. The results of our tests indicate that for the items tested, Becker County complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment, item 10-2. We believe this recommendation to be of benefit to Becker County and is reported for that purpose.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 26, 2012

HOFFMAN, DALE, & SWENSON, PLLC

GOVERNMENTAL AUDIT SERVICES

Colleen Hoffman, Manager
Gordon Dale, CPA
Audrey Swenson, CPA

1541 Hwy. 59 South
Thief River Falls, MN 56701
Phone: 218-681-4078
Fax: 218-681-4079
choffman@mncable.net

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Becker County

Compliance

We have audited Becker County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits 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 Becker County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Becker County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Becker County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs.

In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 26, 2012, which contained unqualified opinions on those financial statements. We did not audit the financial statements of the Sunnyside Care Center Enterprise Fund, which are the business-type activities of Becker County for the year ended September 30, 2011. Those statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

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

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 26, 2012

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 15

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number		Primary Government	Discretely Presented Component Unit
U.S. Department of Agriculture				
Passed Through Minnesota Department of Health				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		$ 246,386	$ -
Passed Through Minnesota Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		235,433	-
Total U.S. Department of Agriculture			**$ 481,819**	**$ -**
U.S. Department of Housing and Urban Development				
Passed through Minnesota Deparment of Employment and Economic Development				
Community Development Block Grants/State's Program	14.228		$ -	$ 390,446
Direct				
Public and Indian Housing	14.850a		-	118,099
Section 8 Housing Choice Vouchers	14.871		-	459,561
Public Housing Capital Fund	14.872		-	81,927
Total U.S. Department of Housing and Urban Development			**$ -**	**$ 1,050,033**
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205		$ 228	$ -
Formula Grants for Other Than Urbanized Areas	20.509		90,416	-
Passed Through Minnesota Department of Public Safety				
State and Community Highway Safety	20.600		9,655	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		12,308	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		3,818	-
Total U.S. Department of Transportation			**$ 116,425**	**$ -**
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069		$ 35,982	$ -
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556		106,880	-
Temporary Assistance for Needy Families Cluster				
Temporary Assistance for Needy Families	93.558	$ 596,891		
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	15,216		
Total Temporary Assistance for Needy Families Cluster			612,107	-
Passed Through Minnesota Department of Human Services				
Child Support Enforcement	93.563		778,353	-

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 15
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number		Primary Government	Discretely Presented Component Unit
U.S. Department of Health and Human Services (cont.)				
Passed Through Minnesota Department of Human Services				
Child Care and Development Cluster				
Child Care and Development Block Grant	93.575	$ 5,277		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	11,648		
Total Child Care and Development Cluster			16,925	-
Foster Care - Title IV-E	93.658		546,099	-
Social Services Block Grant	93.667		362,669	-
Chafee Foster Care Independence Program	93.674		18,400	-
Children's Health Insurance Program	93.767		104	-
Medical Assistance Program	93.778		2,065,365	-
Block Grants for Community Mental Health Services	93.958		124,671	-
Maternal and Child Health Services Block Grant to the States	93.994		42,225	-
Total U.S. Department of Health and Human Services			**$ 4,709,780**	**$ -**
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012		$ 21,375	$ -
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance	97.036		107,466	-
Total U.S. Department of Homeland Security			**$ 128,841**	**$ -**
Total Federal Awards			**$ 5,436,865**	**$ 1,050,033**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

I. Reporting Entity

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

II. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Becker County under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office 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 Becker County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Becker County.

III. 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.

IV. Subrecipients

During 2011, the County did not pass any federal money to subrecipients.

V. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.