

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

BECKER COUNTY
DETROIT LAKES, MINNESOTA

YEAR ENDED DECEMBER 31, 2012

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Year Ended December 31, 2012



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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DETROIT LAKES, MINNESOTA**

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2012

Office	Name	Term Expires
Commissioners		
1st District	Larry Knutson*	January 2013
2nd District	John Okeson	January 2013
3rd District	Gerald Schram**	January 2013
4th District	Donald Skarie	January 2013
5th District	Barry Nelson	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	Kelly Shannon	January 2015
Surveyor	Roy Smith	January 2015
Appointed		
Administrator	Jack Ingstad	Indefinite
Assessor	Steve Carlson	January 2016
Highway Engineer	Vacant	Indefinite
Human Services Director	Nancy Nelson	Indefinite
Natural Resource Manager	Martin Wiley	Indefinite
Personnel Director	Nancy Grabanski	Indefinite
Solid Waste Officer	Steve Skoog	January 2017

*2012 Chair

**2012 Vice Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Becker County

Report on the Financial Statements

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, as of and for the year ended December 31, 2012, including the Sunnyside Care Center Enterprise Fund as of and for the year ended September 30, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sunnyside Care Center Enterprise Fund, which is both a major fund and the business-type activities of Becker County. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sunnyside Care Center, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the 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, 2012, including the Sunnyside Care Center Enterprise Fund as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Becker County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the

auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2013, 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* in considering Becker County's internal control over financial reporting and compliance. It does not include the Sunnyside Care Center Enterprise Fund, which was audited by other auditors.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 26, 2013

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(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, 2012. 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 position of governmental activities is \$79,941,832 of which \$55,158,555 is net investment in capital assets, \$2,880,410 is restricted for specific purposes, and \$21,902,867 is unrestricted. The total net position of governmental activities increased by \$2,952,592 for the year ended December 31, 2012.

The total net position of business-type activities is \$1,418,440, of which \$556,197 is net investment in capital assets, \$9,274 is restricted for capital projects, and \$852,969 is unrestricted. The total net position of business-type activities increased by \$84,264 for the year ended September 30, 2012.

At the close of 2012, the County's governmental funds reported combined ending fund balances of \$24,867,226, a decrease of \$52,394, from the prior year. Of the total fund balance amount, \$1,774,376 is non-spendable, \$2,880,410 is legally or contractually restricted, \$4,932,823 is formally committed for specific purposes, \$10,337,916 is assigned for specific purposes, and \$4,941,701 is noted as unassigned fund balance in the General Fund. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

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 Position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 (such as, uncollected taxes).

In the Statement of Net Position 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 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 Position 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 Exhibit 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 36 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 schedules, including combining statements, budgetary comparison schedules, a schedule of intergovernmental revenue, and a schedule of expenditures of federal awards..

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$81,360,272 at the close of 2012. The largest portion of the County's net position (approximately 68.5 percent) reflects its net investment in capital assets (land, construction in progress, infrastructure, buildings and improvements, land improvements, and machinery and equipment), less any related outstanding debt used to acquire those assets. It should be noted that this amount is not available for future spending. Approximately 3.5 percent of the County's net position is restricted, and 28.0 percent of the County's net position is unrestricted. The unrestricted net asset amount of \$22,755,836, as of December 31, 2012, 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 \$3,149,049 from the prior year as a result of various road projects that were added to the infrastructure and equipment purchases and updates. This resulted in increased net position of \$3,036,856 from the prior year.

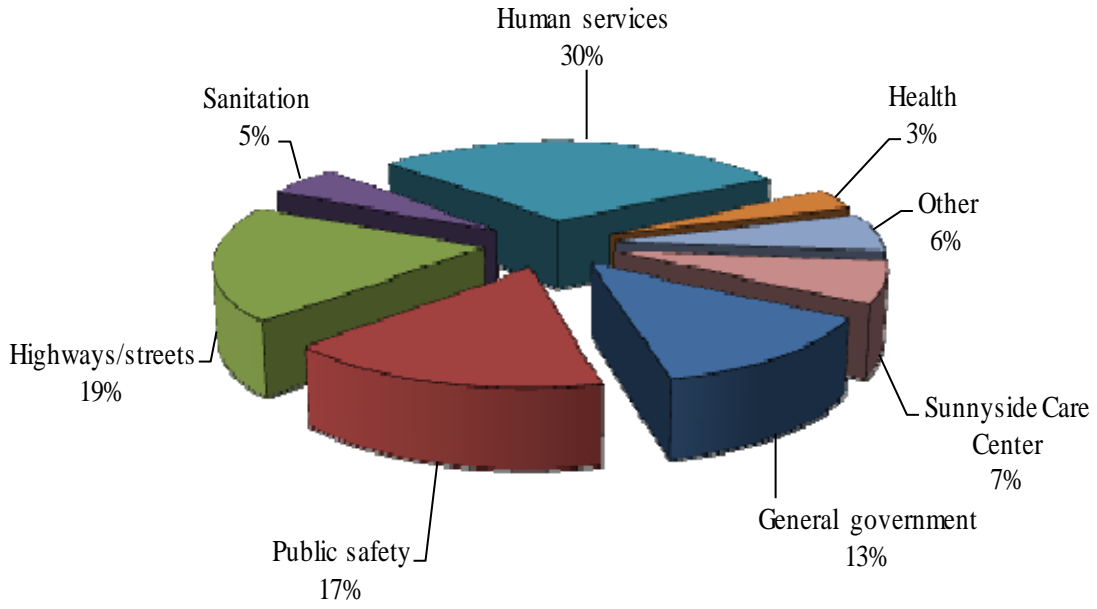
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 29,501,086	\$ 28,881,443	\$ (25,750)	\$ (212,625)	\$ 29,475,336	\$ 28,668,818
Capital assets	60,681,219	58,260,427	1,735,380	1,813,642	62,416,599	60,074,069
Total Assets	\$ 90,182,305	\$ 87,141,870	\$ 1,709,630	\$ 1,601,017	\$ 91,891,935	\$ 88,742,887
Other liabilities	\$ 2,263,079	\$ 2,096,790	\$ 214,190	\$ 118,101	\$ 2,477,269	\$ 2,214,891
Long-term liabilities outstanding	7,977,394	8,055,840	77,000	148,740	8,054,394	8,204,580
Total Liabilities	\$ 10,240,473	\$ 10,152,630	\$ 291,190	\$ 266,841	\$ 10,531,663	\$ 10,419,471
Net Position						
Net investment in capital assets	\$ 55,158,555	\$ 53,640,122	\$ 556,197	\$ 601,397	\$ 55,714,752	\$ 54,241,519
Restricted	2,880,410	2,595,198	9,274	9,004	2,889,684	2,604,202
Unrestricted	21,902,867	20,753,920	852,969	723,775	22,755,836	21,477,695
Total Net Position	\$ 79,941,832	\$ 76,989,240	\$ 1,418,440	\$ 1,334,176	\$ 81,360,272	\$ 78,323,416

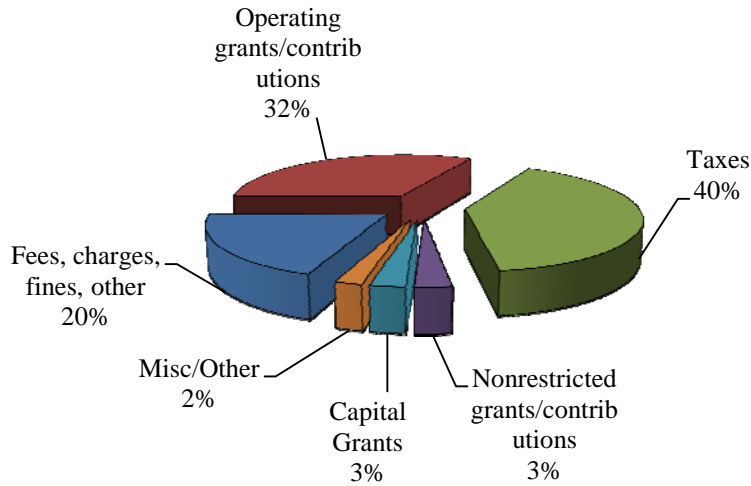
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 6,147,960	\$ 5,991,399	\$ 2,906,681	\$ 2,814,748	\$ 9,054,641	\$ 8,806,147
Operating grants and contributions	14,633,608	13,312,976	49,147	56,810	14,682,755	13,369,786
Capital grants and contributions	1,235,635	362,367	1,746	1,134	1,237,381	363,501
General Revenues						
Property taxes	18,062,447	17,069,923	-	-	18,062,447	17,069,923
Other taxes	152,169	151,806	-	-	152,169	151,806
Grants and contributions not restricted to specific programs	1,269,659	2,314,191	1,116	-	1,270,775	2,314,191
Other general revenues	1,103,954	1,119,950	638	485	1,104,592	1,120,435
Total Revenues	\$ 42,605,432	\$ 40,322,612	\$ 2,959,328	\$ 2,873,177	\$ 45,564,760	\$ 43,195,789
Expenses						
General government	\$ 5,496,863	\$ 5,434,755	\$ -	\$ -	\$ 5,496,863	\$ 5,434,755
Public safety	7,081,793	6,813,522	-	-	7,081,793	6,813,522
Public transportation	514,167	533,420	-	-	514,167	533,420
Highways and streets	8,135,957	7,452,188	-	-	8,135,957	7,452,188
Sanitation	2,211,148	2,272,001	-	-	2,211,148	2,272,001
Human services	12,614,896	12,666,243	-	-	12,614,896	12,666,243
Health	1,420,581	1,298,615	-	-	1,420,581	1,298,615
Culture and recreation	667,287	730,696	-	-	667,287	730,696
Conservation of natural resources	877,864	717,875	-	-	877,864	717,875
Economic development	215,538	190,336	-	-	215,538	190,336
Interest	416,746	224,286	-	-	416,746	224,286
Sunnyside Care Center	-	-	2,875,064	2,924,268	2,875,064	2,924,268
Total Expenses	\$ 39,652,840	\$ 38,333,937	\$ 2,875,064	\$ 2,924,268	\$ 42,527,904	\$ 41,258,205
Increase (decrease) in net position	\$ 2,952,592	\$ 1,988,675	\$ 84,264	\$ (51,091)	\$ 3,036,856	\$ 1,937,584
Net Position, January 1	76,989,240	75,000,565	1,334,176	1,385,267	78,323,416	76,385,832
Net Position, December 31	\$ 79,941,832	\$ 76,989,240	\$ 1,418,440	\$ 1,334,176	\$ 81,360,272	\$ 78,323,416

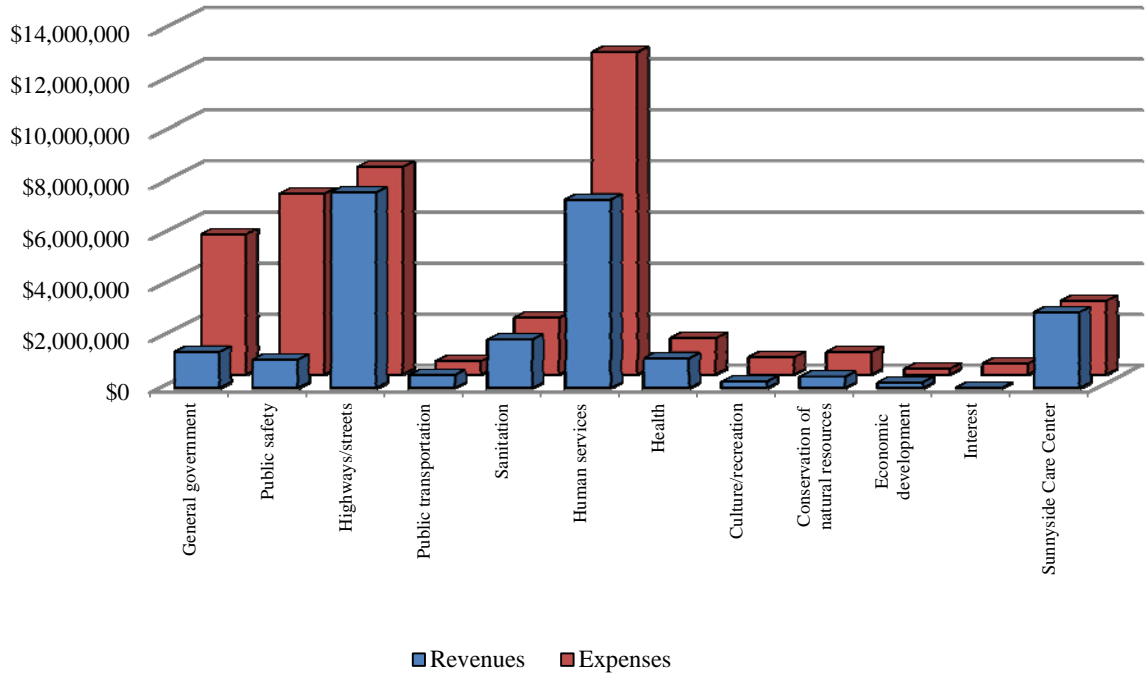
Expenses by Function



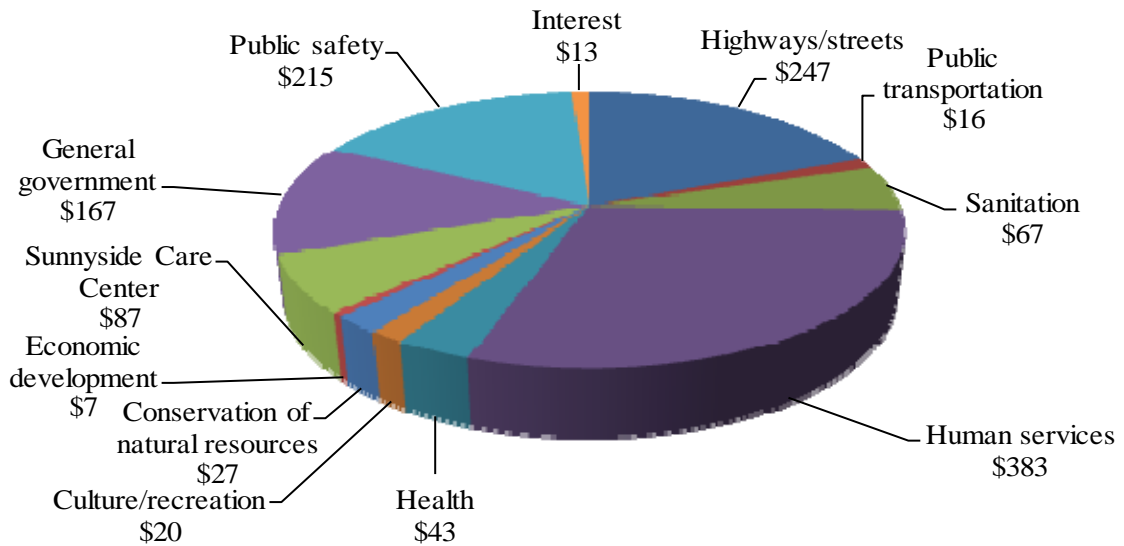
Revenues by Source



Program Revenues and Expenses



Expenditures Per Capita 32,973 Population from 2012 State Demographic Center



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, unrestricted 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 2012, the County's governmental funds reported combined ending fund balances of \$24,867,266. Of this amount, approximately 7.1 percent constitutes non-spendable fund balance, 11.6 percent constitutes legally or contractually restricted fund balance, 19.8 percent constitutes formally committed fund balance, 41.6 percent constitutes specifically assigned fund balance, and 19.9 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 \$7,468,619. The General Fund's non-spendable fund balance was \$1,102,184, restricted fund balance was \$929,734, committed fund balance was \$495,000, and unassigned fund balance was \$4,941,701. 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 2012. Unrestricted fund balance represents 83.3 percent of total General Fund expenditures, while total fund balance represents 114.4 percent of that same amount.

In 2012, the fund balance amount in the General Fund decreased by \$573,955. The decrease is due to year-end fund balance transfers to align the County's balance sheet with Board of Commissioners' priorities and goals.

The fund balance of the Public Safety Special Revenue Fund decreased \$286,526 from the prior year, due primarily to the update of E911 software.

The fund balance of the Road and Bridge Special Revenue Fund increased \$2,416,446 in 2012, due to year-end transfer of fund balance of approximately \$3,310,000 in preparation for a public works facility project.

The fund balance of the Human Services Special Revenue Fund decreased \$1,300,648 from the prior year, due mainly to a transfer of fund balance of \$1,850,000 to the Road and Bridge Special Revenue Fund for future projects.

The fund balance of the Environmental Affairs Special Revenue Fund decreased \$257,501 from the prior year, due to purchase of recycling equipment.

Proprietary Fund

The Sunnyside Care Center Enterprise Fund's total operating revenues increased \$141,080 or approximately five percent. Net resident services revenues increased 3.3 percent from \$2,734,423 in fiscal year 2011 to \$2,825,614 in fiscal year 2012. Nursing facility occupancy for fiscal year 2012 was 84 percent compared to 80 percent in fiscal year 2011. Operating expenses decreased \$47,824 or 1.7 percent, as a result of cost containment efforts. This combination of an increase in operating revenues and a decrease in operating expenses yielded operating revenue of \$138,157. When the nonoperating revenues and expenses and capital contributions are added to our analysis, the total change in net position was \$84,264.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget as approved for 2012.

Actual revenues were more than overall final budgeted revenues by \$700,088, with the largest positive variances in intergovernmental and miscellaneous revenues due to conservative budgeting and large insurance dividend.

Actual expenditures were less than overall final budgeted expenditures by \$403,396, 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, 2012, and business-type activities as of September 30, 2012, amounted to \$62,416,599 (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, update of the E-911 phone system and acquisition of recycling equipment.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,622,982	\$ 1,530,982	\$ 118,625	\$ 118,625	\$ 1,741,607	\$ 1,649,607
Right-of-way	681,211	663,135	-	-	681,211	663,135
Construction in progress	69,199	69,199	-	-	69,199	69,199
Infrastructure	44,518,476	41,906,393	-	-	44,518,476	41,906,393
Buildings and improvements	11,168,210	11,697,123	1,455,476	1,515,339	12,623,686	13,212,462
Land improvements	880,714	943,231	24,489	26,853	905,203	970,084
Machinery and equipment	1,740,427	1,450,364	136,790	152,825	1,877,217	1,603,189
Total Capital Assets	\$ 60,681,219	\$ 58,260,427	\$ 1,735,380	\$ 1,813,642	\$ 62,416,599	\$ 60,074,069

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 \$6,706,384 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 5,501,646	\$ 5,295,000	\$ -	\$ -	\$ 5,501,646	\$ 5,295,000
General obligation revenue notes	-	-	-	84,000	-	84,000
Note payable	-	-	77,000	1,128,245	77,000	1,128,245
Capital leases	25,554	47,232	1,102,184	-	1,127,738	47,232
Total Long-Term Debt	\$ 5,527,200	\$ 5,342,232	\$ 1,179,184	\$ 1,212,245	\$ 6,706,384	\$ 6,554,477

The County’s net increase in debt of \$151,906 during the fiscal year was primarily due to the refunding of the 2007 GO bonds.

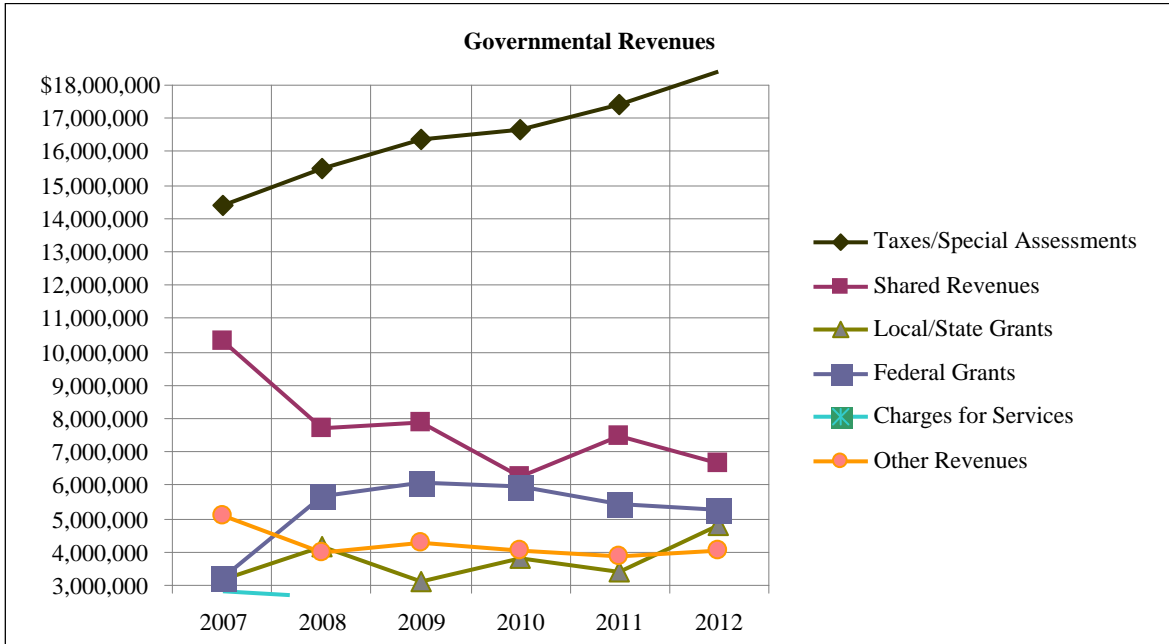
Minnesota statutes limit the amount of debt that a county may have to three percent of its total market value, excluding revenue bonds. At the end of 2012, overall debt of the County is below the three percent debt limit.

Becker County’s bond rating is “AA-” from Standard and Poor’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 in the next chart 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 6.2 percent as of December 31, 2012. This is higher than the statewide rate of 5.4 percent and lower than the national average rate of 7.8 percent.
- Becker County’s 2012 population estimation was 32,973, an increase of 469 since the 2010 census of 32,504.
- On December 18, 2012, Becker County set its 2013 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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 23,363,112	\$ 626,271	\$ 23,989,383	\$ 1,016,932
Restricted cash	-	-	-	606,194
Petty cash and change funds	9,650	-	9,650	-
Taxes receivable				
Current	431,377	-	431,377	4,398
Prior	325,745	-	325,745	8,191
Special assessments receivable				
Current	5,153	-	5,153	-
Prior	3,937	-	3,937	-
Accounts receivable	1,142,385	394,775	1,537,160	1,980
Accrued interest receivable	43,629	-	43,629	-
Loans receivable	-	-	-	35,000
Property held for resale	-	-	-	197,495
Internal balances	1,102,184	(1,102,184)	-	-
Due from other governments	2,401,722	-	2,401,722	31,784
Loans receivable - noncurrent	-	-	-	1,142,682
Investment in joint venture	-	-	-	2,700
Inventories	672,192	-	672,192	-
Prepaid items	-	29,247	29,247	-
Restricted assets				
Donor restricted assets	-	9,274	9,274	-
Resident trust funds	-	16,867	16,867	-
Capital assets				
Non-depreciable	2,373,392	118,625	2,492,017	326,354
Depreciable - net of accumulated depreciation	58,307,827	1,616,755	59,924,582	3,672,364
Total Assets	\$ 90,182,305	\$ 1,709,630	\$ 91,891,935	\$ 7,046,074

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>Liabilities</u>				
Accounts payable	\$ 661,588	\$ 59,510	\$ 721,098	\$ 3,728
Salaries payable	682,192	41,470	723,662	-
Compensated absences	-	70,085	70,085	-
Contracts payable	256,771	-	256,771	-
Due to other governments	603,311	-	603,311	17,098
Other liabilities	-	-	-	24,608
Accrued interest payable	59,217	4,591	63,808	-
Unearned revenue	-	21,667	21,667	-
Security deposits	-	-	-	13,456
Prepaid rent	-	-	-	1,207
Customer deposits	-	16,867	16,867	-
Long-term liabilities				
Due within one year	1,732,359	7,000	1,739,359	10,500
Due in more than one year	6,245,035	70,000	6,315,035	2,417,300
Total Liabilities	\$ 10,240,473	\$ 291,190	\$ 10,531,663	\$ 2,487,897
<u>Net Position</u>				
Net investment in capital assets	\$ 55,158,555	\$ 556,197	\$ 55,714,752	\$ 1,581,418
Restricted for				
General government	923,944	-	923,944	-
Public safety	466,517	-	466,517	-
Capital projects	-	9,274	9,274	-
Conservation of natural resources	923,556	-	923,556	-
Debt service	560,603	-	560,603	-
Economic development	-	-	-	1,789,128
Held in trust for other purposes	5,790	-	5,790	-
Unrestricted	21,902,867	852,969	22,755,836	1,187,631
Total Net Position	\$ 79,941,832	\$ 1,418,440	\$ 81,360,272	\$ 4,558,177

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>
Governmental activities			
General government	\$ 5,496,863	\$ 1,217,689	\$ 199,896
Public safety	7,081,793	408,546	696,911
Public transportation	514,167	179,740	319,697
Highways and streets	8,135,957	742,320	5,685,426
Sanitation	2,211,148	1,773,029	115,799
Human services	12,614,896	1,036,319	6,345,979
Health	1,420,581	167,255	1,004,054
Culture and recreation	667,287	18,715	221,053
Conservation of natural resources	877,864	389,074	44,793
Economic development	215,538	215,273	-
Interest	416,746	-	-
Total governmental activities	\$ 39,652,840	\$ 6,147,960	\$ 14,633,608
Business-type activities			
Sunnyside Care Center	2,875,064	2,906,681	49,147
Total Primary Government	\$ 42,527,904	\$ 9,054,641	\$ 14,682,755
Component unit			
Economic Development Authority	\$ 1,059,843	\$ 294,444	\$ 331,383

General Revenues

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

Total general revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

EXHIBIT 2

<u>Program Revenues</u>	<u>Net (Expense) Revenue and Change in Net Position</u>			<u>Discretely Presented Component Unit</u>
	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
\$ -	\$ (4,079,278)	\$ -	\$ (4,079,278)	
-	(5,976,336)	-	(5,976,336)	
-	(14,730)	-	(14,730)	
1,235,635	(472,576)	-	(472,576)	
-	(322,320)	-	(322,320)	
-	(5,232,598)	-	(5,232,598)	
-	(249,272)	-	(249,272)	
-	(427,519)	-	(427,519)	
-	(443,997)	-	(443,997)	
-	(265)	-	(265)	
-	(416,746)	-	(416,746)	
<u>\$ 1,235,635</u>	<u>\$ (17,635,637)</u>	<u>\$ -</u>	<u>\$ (17,635,637)</u>	
1,746	-	82,510	82,510	
<u>\$ 1,237,381</u>	<u>\$ (17,635,637)</u>	<u>\$ 82,510</u>	<u>\$ (17,553,127)</u>	
<u>\$ 34,297</u>				<u>\$ (399,719)</u>
	\$ 18,062,447	\$ -	\$ 18,062,447	\$ 175,438
	116,383	-	116,383	-
	35,786	-	35,786	-
	1,269,659	1,116	1,270,775	1,935
	380,948	-	380,948	-
	244,310	638	244,948	3,263
	478,696	-	478,696	-
	<u>\$ 20,588,229</u>	<u>\$ 1,754</u>	<u>\$ 20,589,983</u>	<u>\$ 180,636</u>
	\$ 2,952,592	\$ 84,264	\$ 3,036,856	\$ (219,083)
	<u>76,989,240</u>	<u>1,334,176</u>	<u>78,323,416</u>	<u>4,777,260</u>
	<u>\$ 79,941,832</u>	<u>\$ 1,418,440</u>	<u>\$ 81,360,272</u>	<u>\$ 4,558,177</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	<u>General</u>	<u>Public Safety</u>
<u>Assets</u>		
Cash and pooled investments	\$ 6,395,483	\$ 3,684,486
Petty cash and change funds	7,850	450
Undistributed cash in agency funds (taxes and other)	3,559	-
Taxes receivable		
Current	74,653	137,505
Prior	51,058	106,764
Special assessments receivable		
Current	-	-
Prior	-	-
Accounts receivable	35,923	9,979
Accrued interest receivable	43,629	-
Due from other funds	20,935	-
Due from other governments	65,928	158,923
Advance to other funds	1,102,184	-
Inventories	-	-
	<u> </u>	<u> </u>
Total Assets	<u>\$ 7,801,202</u>	<u>\$ 4,098,107</u>

EXHIBIT 3

Road and Bridge	Human Services	Environmental Affairs	Other Governmental Funds	Total Governmental Funds
\$ 3,630,885	\$ 3,607,158	\$ 4,265,634	\$ 1,775,907	\$ 23,359,553
300	200	850	-	9,650
-	-	-	-	3,559
63,225	142,700	-	13,294	431,377
47,641	110,976	-	9,306	325,745
-	-	5,153	-	5,153
701	-	3,236	-	3,937
13,795	960,634	80,567	41,487	1,142,385
-	-	-	-	43,629
39,292	-	550	-	60,777
1,052,679	1,114,515	1,376	8,301	2,401,722
-	-	-	-	1,102,184
672,192	-	-	-	672,192
\$ 5,520,710	\$ 5,936,183	\$ 4,357,366	\$ 1,848,295	\$ 29,561,863

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	General	Public Safety
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 39,825	\$ 82,777
Salaries payable	149,637	177,767
Contracts payable	-	-
Due to other funds	11,310	8,853
Due to other governments	32,220	100,431
Deferred revenue - unavailable	99,591	195,211
	\$ 332,583	\$ 565,039
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ -
Advances to other funds	1,102,184	-
Restricted		
Debt service	-	-
Law library	44,619	-
Recorder's technology equipment	480,971	-
Enhancements	398,354	-
E-911	-	466,517
Gravel pit closure	-	-
Conservation of natural resources	-	-
Missing heirs	5,790	-
Committed		
Capital improvements	-	500,000
Capital equipment	-	-
Sheriff's equipment and education	-	36,583
Sheriff's auxilliary	-	1,240
Payroll software	495,000	-
Assigned		
Environmental affairs	-	-
Public safety	-	2,528,728
Highways and streets	-	-
Human services	-	-
Culture and recreation	-	-
Unassigned	4,941,701	-
	\$ 7,468,619	\$ 3,533,068
Total Fund Balances	\$ 7,468,619	\$ 3,533,068
Total Liabilities and Fund Balances	\$ 7,801,202	\$ 4,098,107

EXHIBIT 3
(Continued)

<u>Road and Bridge</u>	<u>Human Services</u>	<u>Environmental Affairs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 146,052	\$ 368,713	\$ 22,873	\$ 1,348	\$ 661,588
87,353	236,426	22,534	8,475	682,192
256,771	-	-	-	256,771
33	19,825	2,133	18,623	60,777
12,529	323,380	11,839	122,912	603,311
1,056,227	1,053,843	7,160	17,966	2,429,998
\$ 1,558,965	\$ 2,002,187	\$ 66,539	\$ 169,324	\$ 4,694,637
\$ 672,192	\$ -	\$ -	\$ -	\$ 672,192
-	-	-	-	1,102,184
-	-	-	560,603	560,603
-	-	-	-	44,619
-	-	-	-	480,971
-	-	-	-	398,354
-	-	-	-	466,517
-	-	-	338,874	338,874
-	-	-	584,682	584,682
-	-	-	-	5,790
-	-	3,750,000	-	4,250,000
-	150,000	-	-	150,000
-	-	-	-	36,583
-	-	-	-	1,240
-	-	-	-	495,000
-	-	540,827	-	540,827
-	-	-	-	2,528,728
3,289,553	-	-	-	3,289,553
-	3,783,996	-	-	3,783,996
-	-	-	194,812	194,812
-	-	-	-	4,941,701
\$ 3,961,745	\$ 3,933,996	\$ 4,290,827	\$ 1,678,971	\$ 24,867,226
\$ 5,520,710	\$ 5,936,183	\$ 4,357,366	\$ 1,848,295	\$ 29,561,863

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012**

Fund balances - total governmental funds (Exhibit 3)		\$	24,867,226
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			60,681,219
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			2,429,998
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	\$	(5,501,646)	
Other postemployment benefits		(629,378)	
Deferred amount on refunding		405,891	
Accrued interest payable		(59,217)	
Compensated absences		(2,226,707)	
Capital leases payable		(25,554)	
		<u> </u>	<u>(8,036,611)</u>
Net Position of Governmental Activities (Exhibit 1)			<u> </u> <u>\$ 79,941,832</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Public Safety</u>
Revenues		
Taxes	\$ 3,318,916	\$ 5,704,332
Special assessments	-	-
Licenses and permits	247,959	47,709
Intergovernmental	1,893,956	792,609
Charges for services	1,077,057	222,496
Fines and forfeits	63,565	7,491
Gifts and contributions	249	-
Investment earnings	242,767	-
Miscellaneous	719,465	130,850
	<u>719,465</u>	<u>130,850</u>
Total Revenues	\$ 7,563,934	\$ 6,905,487
Expenditures		
Current		
General government	\$ 4,981,276	\$ -
Public safety	-	7,192,013
Public transportation	543,409	-
Highways and streets	-	-
Sanitation	-	-
Human services	-	-
Health	26,192	-
Culture and recreation	371,931	-
Conservation of natural resources	388,418	-
Economic development	215,538	-
Intergovernmental		
Highways and streets	-	-
Debt service		
Principal	1,755	-
Interest	466	-
Bond issuance costs	-	-
Advance refunding escrow	-	-
	<u>-</u>	<u>-</u>
Total Expenditures	\$ 6,528,985	\$ 7,192,013
Excess of Revenues Over (Under) Expenditures	\$ 1,034,949	\$ (286,526)

EXHIBIT 5

<u>Road and Bridge</u>	<u>Human Services</u>	<u>Environmental Affairs</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 2,701,402	\$ 5,920,943	\$ -	\$ 578,703	\$ 18,224,296
701	-	172,142	-	172,843
11,950	-	-	-	307,618
6,532,500	7,449,470	115,799	302,012	17,086,346
302,076	-	1,351,691	2,380	2,955,700
-	-	-	-	71,056
-	-	-	50	299
-	-	-	1,543	244,310
428,294	1,145,876	257,746	388,761	3,070,992
\$ 9,976,923	\$ 14,516,289	\$ 1,897,378	\$ 1,273,449	\$ 42,133,460
\$ -	\$ -	\$ -	\$ -	\$ 4,981,276
-	-	-	-	7,192,013
-	-	-	-	543,409
10,553,563	-	-	-	10,553,563
-	-	2,129,879	-	2,129,879
-	12,572,548	-	-	12,572,548
-	1,394,389	-	-	1,420,581
-	-	-	369,988	741,919
-	-	-	481,622	870,040
-	-	-	-	215,538
532,640	-	-	-	532,640
19,923	-	-	285,000	306,678
2,252	-	-	109,065	111,783
-	-	-	85,856	85,856
-	-	-	251,650	251,650
\$ 11,108,378	\$ 13,966,937	\$ 2,129,879	\$ 1,583,181	\$ 42,509,373
\$ (1,131,455)	\$ 549,352	\$ (232,501)	\$ (309,732)	\$ (375,913)

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Public Safety</u>
Other Financing Sources (Uses)		
Transfers in	\$ 25,000	\$ -
Transfers out	(1,633,904)	-
Bonds issued	-	-
Payment to refunded bond escrow agent	-	-
Premium on bonds/notes issued	-	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ (1,608,904)	\$ -
Change in Fund Balance	\$ (573,955)	\$ (286,526)
Fund Balance - January 1	8,042,574	3,819,594
Increase (decrease) in inventories	-	-
	<hr/>	<hr/>
Fund Balance - December 31	\$ 7,468,619	\$ 3,533,068
	<hr/> <hr/>	<hr/> <hr/>

EXHIBIT 5
(Continued)

Road and Bridge	Human Services	Environmental Affairs	Other Governmental Funds	Total
\$ 3,308,904	\$ -	\$ -	\$ 175,000	\$ 3,508,904
-	(1,850,000)	(25,000)	-	(3,508,904)
-	-	-	5,340,000	5,340,000
-	-	-	(5,427,900)	(5,427,900)
-	-	-	172,422	172,422
\$ 3,308,904	\$ (1,850,000)	\$ (25,000)	\$ 259,522	\$ 84,522
\$ 2,177,449	\$ (1,300,648)	\$ (257,501)	\$ (50,210)	\$ (291,391)
1,545,299	5,234,644	4,548,328	1,729,181	24,919,620
238,997	-	-	-	238,997
\$ 3,961,745	\$ 3,933,996	\$ 4,290,827	\$ 1,678,971	\$ 24,867,226

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (291,391)

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 2,429,998	
Deferred revenue - January 1	(1,958,026)	471,972

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	\$ 6,388,763	
Net book value of assets sold	(53,715)	
Current year depreciation	(3,914,256)	2,420,792

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.

Proceeds of new debt		
General obligation bonds issued	\$ (5,340,000)	
Deferred amount on refunding	417,900	
Premium on bonds issued	(172,422)	(5,094,522)

Principal repayments		
General obligation bonds	\$ 285,000	
Capital lease	21,678	306,678

Bonds refunded		5,010,000
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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.

Amortization of deferred amount on refunding	\$ (12,009)	
Amortization of premiums and discounts	10,776	
Change in accrued interest payable	33,776	
Change in compensated absences	(43,132)	
Change in other postemployment benefits	(99,345)	
Change in inventories	238,997	129,063

Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,952,592

PROPRIETARY FUND

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2012**

<u>Assets</u>	
Current assets	
Cash and pooled investments	\$ 626,271
Accounts receivable	394,775
Prepaid items	29,247
Total current assets	\$ 1,050,293
Restricted assets	
Donor restricted assets	\$ 9,274
Resident trust funds	16,867
Total restricted assets	\$ 26,141
Noncurrent assets	
Capital assets	
Nondepreciable	\$ 118,625
Depreciable - net	1,616,755
Total noncurrent assets	\$ 1,735,380
Total Assets	\$ 2,811,814
<u>Liabilities</u>	
Current liabilities	
Accounts payable	\$ 59,510
Salaries payable	41,470
Compensated absences payable	70,085
Advance from other funds	27,380
Accrued interest payable	4,591
Deferred revenue	21,667
General obligation revenue notes payable - current	7,000
Total current liabilities	\$ 231,703
Current liabilities payable from restricted assets	
Resident trust funds payable	\$ 16,867
Noncurrent liabilities	
Advance from other funds	\$ 1,074,804
General obligation revenue notes payable	70,000
Total noncurrent liabilities	\$ 1,144,804
Total Liabilities	\$ 1,393,374

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

***EXHIBIT 7
(Continued)***

**STATEMENT OF FUND NET POSITION
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2012**

<u>Net Position</u>	
Net investment in capital assets	\$ 556,197
Restricted for capital acquisitions	9,274
Unrestricted	<u>852,969</u>
Total Net Position	<u><u>\$ 1,418,440</u></u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Operating Revenues	
Charges for services	\$ 2,825,614
Grant revenue	49,147
Other operating revenue	<u>81,067</u>
Total Operating Revenues	<u>\$ 2,955,828</u>
Operating Expenses	
Employee benefits	\$ 478,117
Ancillary services	127,396
Nursing	1,018,948
Social services and activities	83,743
Plant operations	153,337
Administrative	338,247
Medical care surcharge	126,675
Laundry and linen	60,495
Dietary	260,352
Housekeeping	59,130
Depreciation	<u>111,231</u>
Total Operating Expenses	<u>\$ 2,817,671</u>
Operating Income (Loss)	<u>\$ 138,157</u>
Nonoperating Revenues (Expenses)	
Non-capital grants and contributions	\$ 1,116
Interest income	638
Interest expense	<u>(57,393)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (55,639)</u>
Income (loss) before contributions and transfers	\$ 82,518
Capital grants and contributions	<u>1,746</u>
Change in Net Position	\$ 84,264
Net Position - January 1	<u>1,334,176</u>
Net Position - December 31	<u><u>\$ 1,418,440</u></u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from residents	\$ 2,841,617
Payments to suppliers	(822,476)
Payments to employees	(1,866,167)
	<hr/>
Net cash provided by (used in) operating activities	\$ 152,974
Cash Flows from Noncapital Financing Activities	
Non-capital grants and contributions	\$ 1,116
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Capital contributions	\$ 1,746
Principal paid on long-term debt	(33,061)
Interest paid on long-term debt	(57,503)
Purchases of capital assets	(32,969)
	<hr/>
Net cash provided by (used in) capital and related financing activities	\$ (121,787)
Cash Flows from Investing Activities	
Investment earnings received	\$ 638
Increase in restricted assets	(270)
	<hr/>
Net cash provided by (used in) investing activities	\$ 368
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 32,671
Cash and Cash Equivalents at January 1	593,600
	<hr/>
Cash and Cash Equivalents at December 31	\$ 626,271
	<hr/> <hr/>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ 138,157
	<hr/>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 111,231
Provision for bad debts	2,611
(Increase) decrease in accounts receivable	(124,723)
(Increase) decrease in prepaid items	(6,765)
Increase (decrease) in accounts payable	9,292
Increase (decrease) in liabilities	15,270
Increase (decrease) in deferred revenue	7,901
	<hr/>
Total adjustments	\$ 14,817
	<hr/>
Net Cash Provided by (Used in) Operating Activities	\$ 152,974
	<hr/> <hr/>

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

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FIDUCIARY FUNDS

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2012**

<u>Assets</u>	
Cash and pooled investments	<u>\$ 1,419,656</u>
 <u>Liabilities</u>	
Accounts payable	\$ 211,003
Due to other governments	1,067,942
Deferred credits	<u>140,711</u>
Total Liabilities	<u>\$ 1,419,656</u>

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2012. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Becker County was established March 18, 1858, and is an organized County having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present 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

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Becker County is discretely presented:

<u>Component Unit</u>	<u>Component Unit is Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
The Becker County Economic Development Authority (EDA) provides services pursuant to Minn. Stat. §§ 469.090 to 469.1081 and Minn. Stat. §§ 469.001 to 469.047.	County appoints members and the Economic Development Authority is a financial burden.	Becker County Auditor's Office 915 Lake Avenue Detroit Lakes, Minnesota 56501

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in several joint ventures described in Note 6.B. The County also participates in the jointly-governed organizations described in Note 6.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which 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 position, 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 position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental, 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.

The County reports the following major governmental funds:

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

The Public Safety Special Revenue Fund is used to account for 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 an annual property tax levy and special appropriations from the State of Minnesota.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Revenues include property taxes, intergovernmental assistance and charges for services.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs. Revenues include property taxes, intergovernmental assistance and charges for services.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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, 2012.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources for specified purposes other than debt service or capital projects.

Debt service funds account for resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

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

C. Measurement Focus and Basis of Accounting

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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. Becker County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at fair value at December 31, 2012, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds 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 2012 were \$244,310.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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

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

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 assets on the statement of net position 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Capital Assets

Capital assets, which include land, right-of-way, construction in progress, infrastructure (roads, bridges, and similar items), buildings and improvements, and machinery and equipment are reported in the applicable governmental or business-type activities column in the 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 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.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the current period, the County did not have any capitalized interest.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences

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

8. Deferred Revenue

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental 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. 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position

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

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

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

Unrestricted - the portion of net position that is not included in the net investment in capital assets or restricted components.

11. Classification of Fund Balances

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

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

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

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

11. Classification of Fund Balances (Continued)

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

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

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

12. Minimum Fund Balance

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 funds 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 not be longer than three years.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget

The following is a summary of nonmajor funds that had expenditures in excess of budget for the year ended December 31, 2012.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds			
Parks and Recreation	\$ 369,988	\$ 125,375	\$ 244,613
Resource Development	139,678	112,700	26,978

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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental Activities	
Cash and pooled investments	\$ 23,363,112
Petty cash and change funds	9,650
Business-Type Activities	
Cash and pooled investments	626,271
Restricted cash	
Donor-restricted cash	9,274
Resident trust funds	16,867
Fiduciary assets	
Cash and pooled investments	<u>1,419,656</u>
Total Cash and Investments	<u>\$ 25,444,830</u>

a. Deposits

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

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to obtain collateral or surety bond for all uninsured amounts on deposit, and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2012, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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 to meet cash requirements for ongoing operations as a means of managing its exposure to fair value losses arising from increasing interest rates or the need to sell securities on the open market prior to maturity.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. It is the County's policy to allow brokers to hold County investments to the extent there is SIPC and excess SIPC coverage available. At December 31, 2012, the County's investments were not exposed to custodial credit risk.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County minimizes concentration of credit risk by diversifying the investment portfolio.

The following table represents the County's deposit and investment balances at December 31, 2012, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association	N/R	N/A		03/01/2021	\$ 9,435
Federal National Mortgage Association	N/R	N/A		04/01/2013	38
Total Federal National Mortgage Association			<5.0%		\$ 9,473
Federal Home Loan Bank	Aaa	Moody	>5.0%	12/28/2022	\$ 1,397,256
Total U.S. government agency securities					\$ 1,406,729
Local securities					
Chicago Ill Revenue Bonds	N/R	N/A		12/01/2015	\$ 84,181
Renewable Water Res Rev Bonds	N/R	N/A		01/01/2013	950,000
New Orleans LA General Obligation Bonds	N/R	N/A		09/01/2020	660,764
IL State General obligation Bonds	N/R	N/A		01/01/2013	500,000
Collinsville IL General Obligation Bonds	N/R	N/A		12/15/2013	103,151
Lake Park-Audubon General Obligation Bonds	N/R	N/A		02/01/2026	588,005
Parmer County TX Hospital District GO Bonds	N/R	N/A		02/15/2017	138,410
Parmer County TX Hospital District GO Bonds	N/R	N/A		02/15/2016	270,456
Total local securities			>5.0%		\$ 3,294,967
Negotiable certificates of deposit	N/R				\$ 1,192,520
MAGIC	N/R				\$ (38,063)
Total investments					\$ 5,856,153
Deposits					19,686,597
Change funds					10,450
Change in Enterprise Fund cash from September 30 to December 31, 2012					(108,370)
Total Cash and Investments					\$ 25,444,830

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2012, for the County's governmental activities and as of September 30, 2012, for the County's business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 757,122	\$ -
Special assessments	9,090	-
Accounts	1,142,385	-
Interest	43,629	-
Due from other governments	2,401,722	-
Internal balances	1,102,184	1,074,804
Total Governmental Activities	\$ 5,456,132	\$ 1,074,804
Business-Type Activities		
Accounts	\$ 394,775	\$ -

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2012, and for the business-type activities for the year ended September 30, 2012, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,530,982	\$ 92,600	\$ 600	\$ 1,622,982
Right-of-way	663,135	18,076	-	681,211
Construction in progress	69,199	-	-	69,199
Total capital assets not depreciated	\$ 2,263,316	\$ 110,676	\$ 600	\$ 2,373,392
Capital assets depreciated				
Buildings	\$ 19,051,638	\$ -	\$ 7,675	\$ 19,043,963
Land improvements	1,277,831	-	-	1,277,831
Machinery, furniture, and equipment	5,687,653	763,768	291,551	6,159,870
Infrastructure	80,307,530	5,514,319	-	85,821,849
Total capital assets depreciated	\$ 106,324,652	\$ 6,278,087	\$ 299,226	\$ 112,303,513
Less: accumulated depreciation for				
Buildings	\$ 7,354,515	\$ 528,913	\$ 7,675	\$ 7,875,753
Land improvements	334,600	62,517	-	397,117
Machinery, furniture, and equipment	4,237,289	420,590	238,436	4,419,443
Infrastructure	38,401,137	2,902,236	-	41,303,373
Total accumulated depreciation	\$ 50,327,541	\$ 3,914,256	\$ 246,111	\$ 53,995,686
Total capital assets depreciated, net	\$ 55,997,111	\$ 2,363,831	\$ 53,115	\$ 58,307,827
Governmental Activities Capital Assets, Net	\$ 58,260,427	\$ 2,474,507	\$ 53,715	\$ 60,681,219

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 118,625	\$ -	\$ -	\$ 118,625
Capital assets depreciated				
Land improvements	\$ 165,090	\$ -	\$ -	\$ 165,090
Buildings	2,612,208	21,833	-	2,634,041
Equipment	569,058	11,136	-	580,194
Vehicles	14,438	-	-	14,438
Total capital assets depreciated	<u>\$ 3,360,794</u>	<u>\$ 32,969</u>	<u>\$ -</u>	<u>\$ 3,393,763</u>
Less: accumulated depreciation for				
Land improvements	\$ 138,238	\$ 2,363	\$ -	\$ 140,601
Buildings	1,096,868	81,697	-	1,178,565
Equipment	416,233	27,171	-	443,404
Vehicles	14,438	-	-	14,438
Total accumulated depreciation	<u>\$ 1,665,777</u>	<u>\$ 111,231</u>	<u>\$ -</u>	<u>\$ 1,777,008</u>
Total capital assets depreciated, net	<u>\$ 1,695,017</u>	<u>\$ (78,262)</u>	<u>\$ -</u>	<u>\$ 1,616,755</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 1,813,642</u>	<u>\$ (78,262)</u>	<u>\$ -</u>	<u>\$ 1,735,380</u>

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

Governmental Activities	
General government	\$ 498,644
Public safety	99,524
Highways and streets, including depreciation of infrastructure assets	3,179,805
Sanitation	84,237
Public transportation	33,419
Culture and recreation	17,968
Conservation of natural resources	659
Total Depreciation Expense - Governmental Activities	<u>\$ 3,914,256</u>
Business-Type Activities	
Sunnyside Care Center	<u>\$ 111,231</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2012, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Special Revenue Fund	\$ 19,035
	Gravel Tax Special Revenue Fund	1,900
		\$ 20,935
Total due to General Fund		
Road and Bridge Special Revenue Fund	General Fund	\$ 10,848
	Public Safety Special Revenue Fund	8,798
	Human Services Special Revenue Fund	790
	Parks and Recreation Special Revenue Fund	859
	Environmental Affairs Special Revenue Fund	2,133
	Natural Resource Management Special Revenue Fund	519
	Gravel Tax Special Revenue Fund	15,345
		\$ 39,292
Total due to Road and Bridge Special Revenue Fund		
Environmental Affairs Special Revenue Fund	General Fund	\$ 462
	Public Safety Special Revenue Fund	55
	Road and Bridge Special Revenue Fund	33
		\$ 550
Total due to Environmental Affairs Special Revenue Fund		
Total Due To/From Other Funds		\$ 60,777

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sunnyside Care Center Enterprise Fund	<u>\$ 1,102,184</u>

The Sunnyside Care Center Enterprise Fund advance is a result of Becker County calling and redeeming the Care Center's Series 2004 General Obligation Nursing Home bonds with an outstanding balance of \$1,190,000 in February 2010. The County then advanced \$1,165,000 to the Care Center which bears interest of 5 percent and is to be paid back by March 2035 with semi-annual principal and interest payments.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2012, consisted of the following:

Transfer to General Fund from Environmental Affairs Special Revenue Fund	\$ 25,000	To meet the short- and long-term priorities of the Board.
Transfer to Road and Bridge Special Revenue Fund from General Fund	1,458,904	To meet the short- and long-term priorities of the Board.
Transfer to Road and Bridge Special Revenue Fund from Human Services Special Revenue Fund	1,850,000	To meet the short- and long-term priorities of the Board.
Transfer to Parks and Recreation Special Revenue Fund from General Fund	<u>175,000</u>	To meet the short- and long-term priorities of the Board.
Total Transfers Between Funds	<u>\$ 3,508,904</u>	

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2012, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 661,588	\$ 59,510
Salaries	682,192	41,470
Contracts	256,771	-
Due to other governments	603,311	-
Compensated absences	-	70,085
Resident trust funds	-	16,867
Interest	59,217	4,591
	<u>\$ 2,263,079</u>	<u>\$ 192,523</u>
Total Payables		

2. Deferred Revenue

Deferred revenue as of December 31, 2012, for the County's governmental funds is as follows:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Governmental funds		
Taxes	\$ 611,198	\$ -
State-aid highway allotments	967,720	-
Other	851,080	-
	<u>\$ 2,429,998</u>	<u>\$ -</u>
Total Governmental Funds		

3. Construction Commitments

The government has active construction projects as of December 31, 2012.

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Diesel tandem truck chassis and equipment	\$ -	\$ 208,100
CAMA software	-	166,815
	<u>\$ -</u>	<u>\$ 374,915</u>
Total Construction Commitments		

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Capital Leases

The County has entered into lease agreements as a 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 payment as of the inception date. The capital leases consist of the following at December 31, 2012:

Lease	Maturity	Installment	Payment Amount	Original Amount	Balance
Governmental Activities					
2010 Postage machine	2015	Annual	\$ 2,221	\$ 9,029	\$ 4,536
2009 Bituminous Distributor	2013	Annual	22,175	99,900	21,018
Total Governmental Activities				<u>\$ 108,929</u>	<u>\$ 25,554</u>

The future minimum lease obligations as of December 31, 2012, were as follows:

Year Ending December 31	Governmental Activities
2013	\$ 24,396
2014	2,221
2015	555
Total minimum lease payments	\$ 27,172
Less: amount representing interest	(1,617)
Total Payments	<u>\$ 25,555</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2012
General obligation bonds					
2012 Capital Improvement Bonds	2027	\$195,000 - \$425,000	2.00 - 3.00	\$ 5,340,000	\$ 5,340,000
Add: unamortized premium					161,646
Total General Obligation Bonds, Net					<u>\$ 5,501,646</u>

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance September 30, 2012
2004 G.O. Revenue Note	2022	\$7,000 - \$8,000	1.68	\$ 135,430	\$ 77,000
Notes payable*	2035	\$24,805 - \$77,239	5.00	1,165,000	1,102,184
					<u>\$ 1,179,184</u>

*See Note 3.B.2., this note is payable to the General Fund and is reported on the government-wide statement of net position as internal balances.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Debt Service Requirements

Debt service requirements at December 31, 2012, for governmental activities and September 30, 2012, for business-type activities were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2013	\$ 370,000	\$ 128,992
2014	320,000	117,125
2015	325,000	110,675
2016	330,000	104,125
2017	335,000	97,475
2018 - 2022	1,820,000	352,800
2023 - 2027	1,840,000	101,800
Total	<u>\$ 5,340,000</u>	<u>\$ 1,012,992</u>

Business-Type Activities

Year Ending September 30	Notes	
	Principal	Interest
2013	\$ 34,380	\$ 56,066
2014	35,767	54,561
2015	37,223	52,987
2016	39,752	51,339
2017	41,360	49,598
2018 - 2022	233,909	218,864
2023 - 2027	248,220	162,536
2028 - 2032	317,742	93,013
2033 - 2035	190,831	14,548
Total	<u>\$ 1,179,184</u>	<u>\$ 753,512</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, for governmental activities and September 30, 2012, for business-type activities was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 5,295,000	\$ 5,340,000	\$ 5,295,000	\$ 5,340,000	\$ 370,000
Add: unamortized premium	-	172,422	10,776	161,646	-
Less: deferred amounts on refunding	-	(417,900)	(12,009)	(405,891)	-
Total bonds payable	\$ 5,295,000	\$ 5,094,522	\$ 5,293,767	\$ 5,095,755	\$ 370,000
Capital leases	47,232	-	21,678	25,554	22,929
Compensated absences	2,183,575	1,522,269	1,479,137	2,226,707	1,339,430
OPEB liability	530,033	99,345	-	629,378	-
Governmental Activities Long-Term Liabilities	<u>\$ 8,055,840</u>	<u>\$ 6,716,136</u>	<u>\$ 6,794,582</u>	<u>\$ 7,977,394</u>	<u>\$ 1,732,359</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation revenue Notes	\$ 84,000	\$ -	\$ 7,000	\$ 77,000	\$ 7,000
Note payable*	1,128,245	-	26,061	1,102,184	27,380
Business-Type Activities Long-Term Liabilities	<u>\$ 1,212,245</u>	<u>\$ -</u>	<u>\$ 33,061</u>	<u>\$ 1,179,184</u>	<u>\$ 34,380</u>

*Reported in the government-wide statements as internal balance and in the Enterprise Fund statements as Advance from Other Funds.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

8. Advance Refunding - Governmental Activities

In 2012, the County defeased the General Obligation Courthouse Expansion Bonds, Series 2007A, which were being paid for through the Debt Service Fund. New debt has been issued, and the proceeds have been placed in an escrow account. The escrow principal investments and interest earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the Courthouse Expansion Bonds, Series 2007A, are considered defeased and, therefore, removed as a liability from the County's financial statements. As of December 31, 2012, the amount of defeased debt outstanding but removed from financial statements amounts is \$5,010,000. This advance refunding was undertaken to reduce total debt service payments over the next fifteen years by \$198,828 and resulted in an economic gain of \$177,804.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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 as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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

Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each 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 accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, 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.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

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

General 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, 2012, 2011, and 2010, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	2012	2011	2010
General Employees Retirement Fund	\$ 854,729	\$ 829,633	\$ 797,614
Public Employees Police and Fire Fund	217,294	217,709	215,076
Public Employees Correctional Fund	115,396	112,319	105,052

These contribution 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. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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, 2012, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 8,150	\$ 8,150
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

Becker County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

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 postemployment 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 six retirees.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

Net OPEB Obligation - Beginning of Year	\$ 530,033
Increase in net OPEB obligation	99,345
Net OPEB Obligation - End of Year	\$ 629,378

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2011, was as follows:

Fiscal Year Ending	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed (%)	Net OPEB Obligation
December 31, 2010	\$ 148,085	\$ 27,223	18.4%	\$ 430,688
December 31, 2011	145,952	46,607	31.9	530,033

The County has not had an actuarial valuation since January 1, 2010. The net OPEB obligation for the beginning of the year was based on an actuarial valuation; however, the increase in obligation for 2012 and the resulting net OPEB obligation at year-end are based upon an estimate made by the County.

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,159,017, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued 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 of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 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 health care cost trend is 8.5 percent initially, reduced by decrements 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, 2012, was 25 years.

5. Risk Management

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

5. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$460,000 per claim in 2012 and \$470,000 per claim in 2013. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. 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, is involved in various judgments, claims, and litigation. The County Attorney identified no potential claims against the County that would materially affect the financial statements.

B. 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 Minn. Stat. §§ 471.59 and 124D.23. The BCCI includes Becker County, Detroit Lakes ISD #22, Frazee ISD #23, Lake Park Audubon ISD #2889, Pine Point ISD #25, and Mahube-OTWA Community Action Partnership. 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Becker County Children's Initiative (Continued)

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 Minn. Stat. § 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.

The BCCI has no long-term debt. Financing is provided by state and federal grants, appropriations from joint powers members, and miscellaneous revenues. In 2012, Becker County contributed \$189,035 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.

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board convening meeting was held February 6, 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead and the Counties of Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnommen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau.

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

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

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

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants.

Complete financial information can be obtained from the Northwest Minnesota Regional Radio Board, c/o Greater Northwest EMS, 2301 Johanneson Avenue N.W., Suite 103, Bemidji, Minnesota 56601.

Northwestern Counties Data Processing Security Association

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

Control of the NCDPSA is vested in the NCDPSA Joint Powers Board, which is composed of one County Commissioner from each member county. In the event of dissolution, the net assets of the NCDPSA at that time shall be distributed to the respective member counties in proportion to their contributions.

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties.

Separate financial information can be obtained from the Clearwater County Auditor, 213 North Main Avenue, Bagley, Minnesota 56621.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Prairie Lakes Municipal Solid Waste Authority

The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board was established in 2010, under the authority conferred upon the member parties by Minn. Stat. § 471.59 and chs. 115A and 400, and includes the Counties of Becker, Otter Tail, Todd, and Wadena.

The purpose of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is to jointly exercise powers common to each participating party dealing with the ownership and operation of the Perham Resource Recovery Facility, as well as cooperation with efforts in other Solid Waste Management activities that affect the operations of the Perham Resource Recovery Facility. The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is composed of one Commissioner each from Becker, Todd, and Wadena Counties and two members from Otter Tail County. Each party may appoint alternate Board members and shall represent one vote on the Board.

In the event of dissolution of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board, all assets and liabilities of the Board shall be distributed and/or retired based on the contracted debt obligation of each of the parties of the agreement providing such entity is a party to the agreement at the time of the discharge of assets and liabilities.

Financial information can be obtained from Otter Tail County Solid Waste, 1115 Tower Road N., Fergus Falls, Minnesota 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, Becker, 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 2012, Becker County paid \$4,543 to the West Central Area Agency on Aging as its share of the 2012 assessment.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Area Agency on Aging (Continued)

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 West Central Area Agency on Aging, 313 South Mill Street, 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 Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Becker, 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.

Fiscal agent responsibilities for the Task Force are with Douglas County. Financing and equipment will be provided by the full-time and associate member agencies. Becker County provided \$1,000 to this organization in 2012.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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

C. Jointly-Governed Organizations

Becker County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

Becker County Airport Commission

Becker 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 the City of Detroit Lakes. The County appropriated \$40,500 for airport operations in 2012.

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 Minn. Stat. § 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 was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, with 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. In 2012, Becker County provided \$302,335 in the form of an appropriation.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. 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. Becker County's responsibility does not extend beyond making this appointment.

Western Area City/County Co-Op

Becker County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-Op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. Stat. § 471.59. The purpose of WACCO is to establish a resource network that identifies common needs of the individual governmental units and reduces the financial burden on each of its members through the cooperative sharing of existing resources. The management and control of WACCO shall be vested in a Board of Directors composed of a representative appointed by each member city and county. The County did not contribute during 2012.

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 Minn. Stat. § 471.59 and Minn. Stat. ch. 12. Members include Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to engage in planning, training, and/or the purchase and use of equipment in order to better respond to emergencies and other disasters within the HSEM Region 3, specifically, within the jurisdictional boundaries of the 14 member counties. Control is vested in the HSEM Region 3 Emergency Managers Board, which is composed of 14 representatives appointed by each Board of County Commissioners. Becker County's responsibility does not extend beyond making this appointment.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969, pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnomen, Norman, and Polk Counties. The purpose of the Watershed District is to oversee watershed projects, conduct studies for future project planning, administration of legal drainage systems, issuance of applications and permits, public education on conservation issues, and dispute resolution. Control of the Wild Rice Watershed District is vested in the Board of Managers 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 Mahnomen County appoints two members. Complete financial information can be obtained from the Wild Rice Watershed District Office, 11 East 5th Avenue, Ada, Minnesota 56510

7. Becker County Economic Development Authority (EDA)

A. Summary of Significant Accounting Policies

The Becker County Economic Development Authority's (EDA) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2012. In addition to those identified in Note 1, the EDA has the following significant accounting policies.

1. Financial Reporting Entity

The EDA was established May 27, 1997, having all of the powers and duties of an economic development authority under Minn. Stat. §§ 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 Minn. Stat. §§ 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

A. Summary of Significant Accounting Policies (Continued)

2. Measurement Focus and Basis of Accounting

The EDA is reported in the County's government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded with 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.

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

3. Assets, Liabilities, and Net Position

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 nonspendable account in the General Fund.

Capital Assets

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 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. During the current period, the EDA did not have any capitalized interest.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Net Position

Capital Assets (Continued)

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

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.

B. Detailed Notes

1. Assets

Deposits and Investments

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

Governmental activities	
Cash and pooled investments	\$ 550,461
Business-type activities	
Cash and pooled investments	466,471
Restricted Cash	606,194
Total Cash and Investments	\$ 1,623,126

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

B. Detailed Notes

1. Assets (Continued)

Receivables

No allowance for uncollectable accounts has been made.

Loans Receivable

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, 2012:

<u>Loans Receivable</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31</u>
Maple Avenue Apartments	\$ 35,000	\$ -	\$ -	\$ 35,000

Contract for Deed

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 year ended December 31, 2012.

Balance - January 1, 2012	\$ 1,244,675
New loans	-
Payments	(28,674)
Canceled contracts	(73,319)
	<hr/>
Balance - December 31, 2012	\$ 1,142,682
Less: current portion	(42,009)
	<hr/>
Long-Term Portion	\$ 1,100,673

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

B. Detailed Notes

1. Assets

Contract for Deed (Continued)

<u>Contract for Deed</u>	<u>Date</u>	<u>Interest Rate (%)</u>	<u>Due Date</u>	<u>Monthly Payment</u>	<u>Balance December 31</u>
Federal Home Funds					
Patty Sweeney	October 1, 1999	-	October 1, 2014	\$ 284	\$ 42,780
Kim Ward	February 1, 2000	-	January 1, 2015	195	53,305
Cynthia Burton	March 1, 2001	-	March 1, 2021	119	68,067
Michael Steffl	September 1, 2002	-	September 1, 2017	381	35,303
Katrina and Dennis Hoefs	May 1, 2003	-	May 1, 2028	127	72,237
Sean Grove and Amy Olson	June 1, 2004	-	June 1, 2024	140	64,940
Anthony and Angela Sieling	July 1, 2004	-	July 1, 2029	99	79,766
Robert Goodrich	August 1, 2004	-	August 1, 2022	390	57,661
Felicia Johnson	December 1, 2005	-	December 1, 2035	146	73,009
Melissa Pearson	February 1, 2006	-	February 1, 2033	227	76,399
Michelle Skramstad	February 1, 2007	-	February 1, 2032	239	109,269
Jamie Branden/James Endersby	May 1, 2010	-	May 1, 2026	124	67,789
Julie Bladow/Jon Anderson	November 1, 2009	-	November 1, 2029	558	129,388
Total Federal Home Funds					<u>\$ 929,913</u>
State Non-Home Funds					
Nicolas Savior/Rebecca Cartwright	May 1, 2009	-	May 1, 2039	315	\$ 67,388
Teresa Rojas	May 1, 2009	-	May 1, 2039	158	145,381
Total State Non-Home Funds					<u>\$ 212,769</u>
Total Contracts for Deed					<u>\$ 1,142,682</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

B. Detailed Notes

1. Assets

Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 326,354	\$ -	\$ -	\$ 326,354
Capital assets being depreciated				
Buildings	\$ 4,767,651	\$ 46,371	\$ -	\$ 4,814,022
Equipment	155,914	-	-	155,914
Total capital assets being depreciated	\$ 4,923,565	\$ 46,371	\$ -	\$ 4,969,936
Less: accumulated depreciation for				
Buildings	\$ 1,065,003	\$ 109,270	\$ -	\$ 1,174,273
Equipment	112,222	11,077	-	123,299
Total accumulated depreciation	\$ 1,177,225	\$ 120,347	\$ -	\$ 1,297,572
Total capital assets, depreciated, net	\$ 3,746,340	\$ (73,976)	\$ -	\$ 3,672,364
Capital Assets, Net	\$ 4,072,694	\$ (73,976)	\$ -	\$ 3,998,718

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

Business-Type Activities	
Housing	\$ 120,347

2. Related Party Accruals

Due To/From Becker County

Receivable Entity	Payable Entity	Amount
Becker County - General Fund	EDA - Enterprise Fund	\$ 31,887

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

B. Detailed Notes (Continued)

3. Liabilities

Payables

Payables at December 31, 2012, were as follows:

	<u>Business-Type Activities</u>
Accounts	\$ 3,728
Other liabilities	24,608
Due to other governments	17,098
Prepaid rent	1,207
Tenant security deposits	<u>13,456</u>
Total Payables	<u>\$ 60,097</u>

Long-Term Debt

The EDA and the Lake Park Economic Development Authority have a cost-sharing arrangement to each pay one-half 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 the note payable is reported on the Statement of Net Position of the EDA, along with a receivable for the Lake Park Economic Development Authority's share of the note repayment.

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 the 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 so long as the U.S. Department of Housing and Urban Development allows renewals of the ACC.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

B. Detailed Notes

3. Liabilities

Long-Term Debt (Continued)

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 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 at December 31, 2012.

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance Dec. 31, 2012
Wild Rice Promissory Note	2013	\$ 1,500	0.00	\$ 144,000	\$ 10,500
MHFA mortgage loan	N/A	N/A	0.00	800,000	800,000
Greater MN Housing Fund	2037	N/A	0.00	217,300	217,300
MN Housing Finance	2038	N/A	0.00	1,400,000	1,400,000
Total Long-Term Debt					<u>\$ 2,427,800</u>

Debt Service Requirements

Debt service requirements at December 31, 2012, were as follows:

Year Ending December 31	Promissory Note	
	Principal	Interest
2013	<u>\$ 10,500</u>	<u>\$ -</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

B. Detailed Notes

3. Liabilities (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Wild Rice Promissory Note	\$ 28,500	\$ -	\$ 18,000	\$ 10,500	\$ 10,500
MHFA mortgage loan	800,000	-	-	800,000	-
Greater MN Housing Fund	217,300	-	-	217,300	-
MN Housing Finance	1,400,000	-	-	1,400,000	-
Long-Term Liabilities	<u>\$ 2,445,800</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ 2,427,800</u>	<u>\$ 10,500</u>

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 to, 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.

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

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

3. 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.

4. 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 statement of net position are as follows:

Loan dated July 1, 1992, with a final maturity of July 1, 2022	\$	7,179
Loan dated December 30, 1994, with a final maturity of December 30, 2024		34,763
Loan dated May 29, 2003, with a final maturity of May 29, 2033		<u>28,995</u>
Total	\$	<u>70,937</u>

5. 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 programs and the revolving funds were returned to the Minnesota Housing Finance Agency. The amounts received and balances on hand at December 31, 2012, are as follows:

	Original Grant	Revolving Fund Cash	Contract for Deed Receivable
Federal Home Minnesota Urban and Rural Homestead Loan	\$ 1,810,100	\$ 193,313	\$ 929,913
State Home Minnesota Urban and Rural Homesteading Loan	<u>196,185</u>	<u>11,256</u>	<u>212,769</u>
Total	<u>\$ 2,006,285</u>	<u>\$ 204,569</u>	<u>\$ 1,142,682</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

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

6. 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 \$36,117) 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 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 operating lease with the EDA for property the EDA owns (carrying value of \$254,191 and accumulated depreciation of \$39,963) to be used for the Becker County Workshop. According to the lease terms, the EDA began receiving monthly installments of \$1,750 beginning 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.

7. 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).

8. 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. The Becker County Economic Development Authority and Becker County 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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

C. Summary of Significant Contingencies and Other Items

8. Conduit Debt Issuance (Continued)

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, 2012, the outstanding balance on the Public Facilities Lease Revenue Bonds, Series 2007A, was \$5,010,000.

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REQUIRED SUPPLEMENTARY INFORMATION

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,217,483	\$ 3,217,483	\$ 3,318,916	\$ 101,433
Licenses and permits	194,750	194,750	247,959	53,209
Intergovernmental	1,413,083	1,413,083	1,893,956	480,873
Charges for services	1,119,125	1,119,125	1,077,057	(42,068)
Fines and forfeits	68,000	68,000	63,565	(4,435)
Gifts and contributions	-	-	249	249
Investment earnings	300,010	300,010	242,767	(57,243)
Miscellaneous	551,395	551,395	719,465	168,070
Total Revenues	\$ 6,863,846	\$ 6,863,846	\$ 7,563,934	\$ 700,088
Expenditures				
Current				
General government				
Commissioners	\$ 270,866	\$ 270,866	\$ 266,203	\$ 4,663
Courts	50,000	50,000	39,587	10,413
County administrator	166,082	166,082	85,897	80,185
County auditor	672,864	672,864	639,970	32,894
License bureau	209,867	209,867	203,251	6,616
County assessor	480,801	480,801	430,757	50,044
Elections	82,037	82,037	97,726	(15,689)
Data processing	493,314	493,314	476,860	16,454
Central administration	19,750	19,750	33,868	(14,118)
Personnel	148,785	148,785	139,020	9,765
Attorney	740,464	740,464	729,018	11,446
Contracted legal services	53,000	53,000	50,717	2,283
Law library	39,870	39,870	36,711	3,159
Recorder	656,575	656,575	543,501	113,074
Surveyor	8,500	8,500	8,900	(400)
Planning and zoning	360,965	360,965	372,984	(12,019)
Buildings and plant	550,606	550,606	520,895	29,711
Annex	181,917	181,917	151,394	30,523
Veterans service officer	139,522	139,522	141,834	(2,312)
Unallocated	10,000	10,000	12,183	(2,183)
Total general government	\$ 5,335,785	\$ 5,335,785	\$ 4,981,276	\$ 354,509
Public transportation				
Transit	\$ 532,175	\$ 532,175	\$ 502,909	\$ 29,266
Airport	41,000	41,000	40,500	500
Total public transportation	\$ 573,175	\$ 573,175	\$ 543,409	\$ 29,766
Health				
Nursing service	\$ 26,000	\$ 26,000	\$ 26,192	\$ (192)

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Culture and recreation				
Historical society	\$ 65,000	\$ 65,000	\$ 65,000	\$ -
Humane society	4,500	4,500	4,596	(96)
Viking Library	302,335	302,335	302,335	-
Total culture and recreation	\$ 371,835	\$ 371,835	\$ 371,931	\$ (96)
Conservation of natural resources				
County extension	\$ 120,959	\$ 120,959	\$ 130,394	\$ (9,435)
Soil and water conservation	192,759	192,759	192,759	-
Agricultural society/County fair	15,000	15,000	15,000	-
Water planning	24,177	24,177	24,177	-
Wetland challenge	24,238	24,238	24,238	-
Other conservation	1,725	1,725	1,850	(125)
Total conservation of natural resources	\$ 378,858	\$ 378,858	\$ 388,418	\$ (9,560)
Economic development				
Community development	\$ 246,728	\$ 246,728	\$ 215,538	\$ 31,190
Debt service				
Principal	\$ -	\$ -	\$ 1,755	\$ (1,755)
Interest	-	-	466	(466)
Total debt service	\$ -	\$ -	\$ 2,221	\$ (2,221)
Total Expenditures	\$ 6,932,381	\$ 6,932,381	\$ 6,528,985	\$ 403,396
Excess of Revenues Over (Under) Expenditures	\$ (68,535)	\$ (68,535)	\$ 1,034,949	\$ 1,103,484
Other Financing Sources (Uses)				
Transfers in	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Transfers out	-	-	(1,633,904)	(1,633,904)
Total Other Financing Sources (Uses)	\$ 25,000	\$ 25,000	\$ (1,608,904)	\$ (1,633,904)
Net Change in Fund Balance	\$ (43,535)	\$ (43,535)	\$ (573,955)	\$ (530,420)
Fund Balance - January 1	8,042,574	8,042,574	8,042,574	-
Fund Balance - December 31	\$ 7,999,039	\$ 7,999,039	\$ 7,468,619	\$ (530,420)

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,705,143	\$ 5,705,143	\$ 5,704,332	\$ (811)
Licenses and permits	18,000	18,000	47,709	29,709
Intergovernmental	775,543	775,543	792,609	17,066
Charges for services	174,500	174,500	222,496	47,996
Fines and forfeits	22,500	22,500	7,491	(15,009)
Investment earnings	3,000	3,000	-	(3,000)
Gifts and contributions	1,000	1,000	-	(1,000)
Miscellaneous	98,000	98,000	130,850	32,850
Total Revenues	\$ 6,797,686	\$ 6,797,686	\$ 6,905,487	\$ 107,801
Expenditures				
Current				
Public safety				
Sheriff	\$ 3,459,938	\$ 3,459,938	\$ 3,904,943	\$ (445,005)
Boat and water safety	62,990	62,990	39,299	23,691
Emergency services	22,968	22,968	23,197	(229)
Coroner	61,934	61,934	55,345	6,589
Jail	2,711,689	2,711,689	2,757,606	(45,917)
Probation and parole	324,812	324,812	335,082	(10,270)
Sentence to serve	67,215	67,215	76,541	(9,326)
Total public safety	\$ 6,711,546	\$ 6,711,546	\$ 7,192,013	\$ (480,467)
Excess of Revenues Over (Under)				
Expenditures	\$ 86,140	\$ 86,140	\$ (286,526)	\$ (372,666)
Fund Balance - January 1	3,819,594	3,819,594	3,819,594	-
Fund Balance - December 31	\$ 3,905,734	\$ 3,905,734	\$ 3,533,068	\$ (372,666)

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,714,896	\$ 2,714,896	\$ 2,701,402	\$ (13,494)
Special assessments	500	500	701	201
Licenses and permits	18,000	18,000	11,950	(6,050)
Intergovernmental	5,792,792	5,792,792	6,532,500	739,708
Charges for services	94,000	94,000	302,076	208,076
Miscellaneous	642,500	642,500	428,294	(214,206)
Total Revenues	\$ 9,262,688	\$ 9,262,688	\$ 9,976,923	\$ 714,235
Expenditures				
Current				
Highways and streets				
Administration	\$ 335,158	\$ 335,158	\$ 368,797	\$ (33,639)
Maintenance	2,546,355	2,546,355	2,888,678	(342,323)
Construction	5,000,362	5,000,362	5,782,367	(782,005)
Equipment maintenance and shops	1,280,162	1,280,162	1,410,177	(130,015)
Other highways and streets	100,651	100,651	103,544	(2,893)
Total highways and streets	\$ 9,262,688	\$ 9,262,688	\$ 10,553,563	\$ (1,290,875)
Intergovernmental				
Highways and streets	\$ -	\$ -	\$ 532,640	\$ (532,640)
Debt service				
Principal	\$ -	\$ -	\$ 19,923	\$ (19,923)
Interest	-	-	2,252	(2,252)
Total debt service	\$ -	\$ -	\$ 22,175	\$ (22,175)
Total Expenditures	\$ 9,262,688	\$ 9,262,688	\$ 11,108,378	\$ (1,845,690)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (1,131,455)	\$ (1,131,455)
Other Financing Sources (Uses)				
Transfers in	-	-	3,308,904	3,308,904
Net Change in Fund Balance	\$ -	\$ -	\$ 2,177,449	\$ 2,177,449
Fund Balance - January 1	1,545,299	1,545,299	1,545,299	-
Increase (decrease) in inventories	-	-	238,997	238,997
Fund Balance - December 31	\$ 1,545,299	\$ 1,545,299	\$ 3,961,745	\$ 2,416,446

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,906,115	\$ 5,906,115	\$ 5,920,943	\$ 14,828
Intergovernmental	6,899,505	6,899,505	7,449,470	549,965
Miscellaneous	1,210,608	1,210,608	1,145,876	(64,732)
Total Revenues	\$ 14,016,228	\$ 14,016,228	\$ 14,516,289	\$ 500,061
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,100,672	\$ 3,100,672	\$ 3,141,007	\$ (40,335)
Social services	9,556,749	9,556,749	9,242,506	314,243
Collaborative	-	-	189,035	(189,035)
Total human services	\$ 12,657,421	\$ 12,657,421	\$ 12,572,548	\$ 84,873
Health				
Nursing service	1,358,807	1,358,807	1,394,389	(35,582)
Total Expenditures	\$ 14,016,228	\$ 14,016,228	\$ 13,966,937	\$ 49,291
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 549,352	\$ 549,352
Other Financing Sources (Uses)				
Transfers out	-	-	(1,850,000)	(1,850,000)
Net Change in Fund Balance	\$ -	\$ -	\$ (1,300,648)	\$ (1,300,648)
Fund Balance - January 1	5,234,644	5,234,644	5,234,644	-
Fund Balance - December 31	\$ 5,234,644	\$ 5,234,644	\$ 3,933,996	\$ (1,300,648)

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-5

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL AFFAIRS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 166,700	\$ 166,700	\$ 172,142	\$ 5,442
Intergovernmental	95,500	95,500	115,799	20,299
Charges for services	1,365,600	1,365,600	1,351,691	(13,909)
Miscellaneous	392,000	392,000	257,746	(134,254)
Total Revenues	\$ 2,019,800	\$ 2,019,800	\$ 1,897,378	\$ (122,422)
Expenditures				
Current				
Sanitation				
Solid waste	\$ 1,561,474	\$ 1,561,474	\$ 1,610,709	\$ (49,235)
Recycling	327,964	327,964	460,104	(132,140)
Hazardous waste	50,048	50,048	59,066	(9,018)
Total Expenditures	\$ 1,939,486	\$ 1,939,486	\$ 2,129,879	\$ (190,393)
Excess of Revenues Over (Under) Expenditures	\$ 80,314	\$ 80,314	\$ (232,501)	\$ (312,815)
Other Financing Sources (Uses)				
Transfers out	(85,000)	(85,000)	(25,000)	60,000
Net Change in Fund Balance	\$ (4,686)	\$ (4,686)	\$ (257,501)	\$ (252,815)
Fund Balance - January 1	4,548,328	4,548,328	4,548,328	-
Fund Balance - December 31	\$ 4,543,642	\$ 4,543,642	\$ 4,290,827	\$ (252,815)

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-6

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$1,571,170	\$1,571,170	0.0%	\$10,744,917	14.6%
January 1, 2010	-	1,159,017	1,159,017	0.0	11,016,972	10.5

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. 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 public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department 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 (the level at which expenditures may not legally exceed appropriations) is the department level. During the year, the Board made no budgetary amendments.

2. Excess of Expenditures Over Budget

The following major fund departments had expenditures in excess of budget for the year ended December 31, 2012.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
General government			
Elections	\$ 97,726	\$ 82,037	\$ 15,689
Central administration	33,868	19,750	14,118
Surveyor	8,900	8,500	400
Planning and zoning	372,984	360,965	12,019
Veterans service officer	141,834	139,522	2,312
Unallocated	12,183	10,000	2,183
Health			
Nursing services	26,192	26,000	192
Culture and recreation			
Humane society	4,596	4,500	96
Conservation of natural resources			
County extension	130,394	120,959	9,435
Other conservation	1,850	1,725	125
Debt service			
Principal	1,755	-	1,755
Interest	466	-	466

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

2. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Public Safety Special Revenue Fund			
Public Safety			
Sheriff	\$ 3,904,943	\$ 3,459,938	\$ 445,005
Emergency services	23,197	22,968	229
Jail	2,757,606	2,711,689	45,917
Probation and parole	335,082	324,812	10,270
Sentence to serve	76,541	67,215	9,326
Road and Bridge Special Revenue Fund			
Highways and streets			
Administration	368,797	335,158	33,639
Maintenance	2,888,678	2,546,355	342,323
Construction	5,782,367	5,000,362	782,005
Equipment maintenance and shops	1,410,177	1,280,162	130,015
Other highways and streets	103,544	100,651	2,893
Intergovernmental			
Highways and streets	532,640	-	532,640
Debt Service			
Principal	19,923	-	19,923
Interest	2,252	-	2,252
Human Services Special Revenue Fund			
Human Services			
Income maintenance	3,141,007	3,100,672	40,335
Collaborative	189,035	-	189,035
Health			
Nursing services	1,394,389	1,358,807	35,582
Environmental Affairs Special Revenue Fund			
Sanitation			
Solid waste	1,610,709	1,561,474	49,235
Recycling	460,104	327,964	132,140
Hazardous waste	59,066	50,048	9,018

3. Other Postemployment Benefits

Becker County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. See Note 4.C. to the financial statements for more information.

GASB Statement 45 requires a Schedule of Funding Progress - Other Postemployment Benefits for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported.

Currently, only two actuarial valuations are available.

SUPPLEMENTARY INFORMATION

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Parks and Recreation - to provide for and report maintenance of County-owned parks and public accesses for the snowmobile trails program and the 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.

Resource Development - to account for 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.

County Ditch - to account for and report financing of the construction and repair of the ditch system restricted for conservation of natural resources.

Natural Resource Management - 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 this fund is apportioned at the end of the year.

Gravel Tax - 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 Minn. Stat. § 298.75.

DEBT SERVICE FUNDS

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

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	Special Revenue (Exhibit B-3)	Debt Service	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 1,219,408	\$ 556,499	\$ 1,775,907
Taxes receivable			
Current	1,837	11,457	13,294
Prior	-	9,306	9,306
Accounts receivable	41,487	-	41,487
Due from other governments	8,301	-	8,301
Total Assets	\$ 1,271,033	\$ 577,262	\$ 1,848,295
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 1,348	\$ -	\$ 1,348
Salaries payable	8,475	-	8,475
Due to other funds	18,623	-	18,623
Due to other governments	122,912	-	122,912
Deferred revenue - unavailable	1,307	16,659	17,966
Total Liabilities	\$ 152,665	\$ 16,659	\$ 169,324
Fund Balances			
Restricted			
Debt service	\$ -	\$ 560,603	\$ 560,603
Gravel pit closure	338,874	-	338,874
Conservation of natural resources	584,682	-	584,682
Assigned			
Culture and recreation	194,812	-	194,812
Total Fund Balances	\$ 1,118,368	\$ 560,603	\$ 1,678,971
Total Liabilities and Fund Balances	\$ 1,271,033	\$ 577,262	\$ 1,848,295

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Special Revenue (Exhibit B-4)	Debt Service	Total (Exhibit 5)
Revenues			
Taxes	\$ 102,764	\$ 475,939	\$ 578,703
Intergovernmental	293,769	8,243	302,012
Charges for services	2,380	-	2,380
Gifts and contributions	50	-	50
Investment earnings	-	1,543	1,543
Miscellaneous	388,761	-	388,761
	\$ 787,724	\$ 485,725	\$ 1,273,449
Expenditures			
Current			
Culture and recreation	\$ 369,988	\$ -	\$ 369,988
Conservation of natural resources	481,622	-	481,622
Debt service			
Principal	-	285,000	285,000
Interest	-	109,065	109,065
Bond issuance costs	-	85,856	85,856
Advance refunding escrow	-	251,650	251,650
	\$ 851,610	\$ 731,571	\$ 1,583,181
Excess of Revenues Over (Under)			
Expenditures	\$ (63,886)	\$ (245,846)	\$ (309,732)
Other Financing Sources (Uses)			
Transfers in	\$ 175,000	\$ -	\$ 175,000
Bonds issued	-	5,340,000	5,340,000
Payment to refunded bond escrow agent	-	(5,427,900)	(5,427,900)
Premium on bonds issued	-	172,422	172,422
	\$ 175,000	\$ 84,522	\$ 259,522
Total Other Financing Sources (Uses)	\$ 175,000	\$ 84,522	\$ 259,522
Net Change in Fund Balance	\$ 111,114	\$ (161,324)	\$ (50,210)
Fund Balance - January 1	1,007,254	721,927	1,729,181
Fund Balance - December 31	\$ 1,118,368	\$ 560,603	\$ 1,678,971

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012**

	<u>Parks and Recreation</u>	<u>Resource Development</u>	<u>County Ditch</u>	<u>Natural Resource Management</u>	<u>Gravel Tax</u>	<u>Total</u>
<u>Assets</u>						
Cash and pooled investments	\$ 197,959	\$ 518,944	\$ 9,124	\$ 77,311	\$ 416,070	\$ 1,219,408
Taxes receivable						
Current	1,837	-	-	-	-	1,837
Accounts receivable	-	-	-	3,481	38,006	41,487
Due from other governments	-	8,301	-	-	-	8,301
Total Assets	<u>\$ 199,796</u>	<u>\$ 527,245</u>	<u>\$ 9,124</u>	<u>\$ 80,792</u>	<u>\$ 454,076</u>	<u>\$ 1,271,033</u>
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 264	\$ 933	\$ -	\$ 151	\$ -	\$ 1,348
Salaries payable	2,288	-	-	6,187	-	8,475
Due to other funds	859	-	-	519	17,245	18,623
Due to other governments	266	-	-	24,689	97,957	122,912
Deferred revenue - unavailable	1,307	-	-	-	-	1,307
Total Liabilities	<u>\$ 4,984</u>	<u>\$ 933</u>	<u>\$ -</u>	<u>\$ 31,546</u>	<u>\$ 115,202</u>	<u>\$ 152,665</u>
Fund Balances						
Restricted						
Gravel pit closure	\$ -	\$ -	\$ -	\$ -	\$ 338,874	\$ 338,874
Conservation of natural resources	-	526,312	9,124	49,246	-	584,682
Assigned						
Culture and recreation	194,812	-	-	-	-	194,812
Total Fund Balances	<u>\$ 194,812</u>	<u>\$ 526,312</u>	<u>\$ 9,124</u>	<u>\$ 49,246</u>	<u>\$ 338,874</u>	<u>\$ 1,118,368</u>
Total Liabilities and Fund Balances	<u>\$ 199,796</u>	<u>\$ 527,245</u>	<u>\$ 9,124</u>	<u>\$ 80,792</u>	<u>\$ 454,076</u>	<u>\$ 1,271,033</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Parks and Recreation</u>	<u>Resource Development</u>	<u>County Ditch</u>	<u>Natural Resource Management</u>	<u>Gravel Tax</u>	<u>Total</u>
Revenues						
Taxes	\$ 74,949	\$ -	\$ -	\$ -	\$ 27,815	\$ 102,764
Intergovernmental	221,868	71,901	-	-	-	293,769
Charges for services	2,380	-	-	-	-	2,380
Gifts and contributions	50	-	-	-	-	50
Miscellaneous	16,335	24,460	-	347,966	-	388,761
Total Revenues	\$ 315,582	\$ 96,361	\$ -	\$ 347,966	\$ 27,815	\$ 787,724
Expenditures						
Current						
Culture and recreation	\$ 369,988	\$ -	\$ -	\$ -	\$ -	\$ 369,988
Conservation of natural resources	-	139,678	63	341,881	-	481,622
Total Expenditures	\$ 369,988	\$ 139,678	\$ 63	\$ 341,881	\$ -	\$ 851,610
Excess of Revenues Over (Under) Expenditures	\$ (54,406)	\$ (43,317)	\$ (63)	\$ 6,085	\$ 27,815	\$ (63,886)
Other Financing Sources (Uses)						
Transfers in	175,000	-	-	-	-	175,000
Net Change in Fund Balance	\$ 120,594	\$ (43,317)	\$ (63)	\$ 6,085	\$ 27,815	\$ 111,114
Fund Balance - January 1	74,218	569,629	9,187	43,161	311,059	1,007,254
Fund Balance - December 31	\$ 194,812	\$ 526,312	\$ 9,124	\$ 49,246	\$ 338,874	\$ 1,118,368

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 76,010	\$ 76,010	\$ 74,949	\$ (1,061)
Intergovernmental	865	865	221,868	221,003
Charges for services	3,500	3,500	2,380	(1,120)
Gifts and contributions	-	-	50	50
Miscellaneous	30,000	30,000	16,335	(13,665)
Total Revenues	\$ 110,375	\$ 110,375	\$ 315,582	\$ 205,207
Expenditures				
Current				
Culture and recreation				
Snowmobile trails	\$ 15,000	\$ 15,000	\$ 170,522	\$ (155,522)
Recreation	110,375	110,375	199,466	(89,091)
Total Expenditures	\$ 125,375	\$ 125,375	\$ 369,988	\$ (244,613)
Excess of Revenues Over (Under) Expenditures	\$ (15,000)	\$ (15,000)	\$ (54,406)	\$ (39,406)
Other Financing Sources (Uses)				
Transfers in	-	-	175,000	175,000
Net Change in Fund Balance	\$ (15,000)	\$ (15,000)	\$ 120,594	\$ 135,594
Fund Balance - January 1	74,218	74,218	74,218	-
Fund Balance - December 31	\$ 59,218	\$ 59,218	\$ 194,812	\$ 135,594

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-6

**BUDGETARY COMPARISON SCHEDULE
RESOURCE DEVELOPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 45,500	\$ 45,500	\$ 71,901	\$ 26,401
Miscellaneous	<u>21,000</u>	<u>21,000</u>	<u>24,460</u>	<u>3,460</u>
Total Revenues	\$ 66,500	\$ 66,500	\$ 96,361	\$ 29,861
Expenditures				
Current				
Conservation of natural resources				
Resource development	<u>112,700</u>	<u>112,700</u>	<u>139,678</u>	<u>(26,978)</u>
Excess of Revenues Over (Under) Expenditures	\$ (46,200)	\$ (46,200)	\$ (43,317)	\$ 2,883
Fund Balance - January 1	<u>569,629</u>	<u>569,629</u>	<u>569,629</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 523,429</u></u>	<u><u>\$ 523,429</u></u>	<u><u>\$ 526,312</u></u>	<u><u>\$ 2,883</u></u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
COUNTY DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
Conservation of natural resources				
County ditch # 20	\$ 1,500	\$ 1,500	\$ 63	\$ 1,437
Fund Balance - January 1	<u>9,187</u>	<u>9,187</u>	<u>9,187</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 7,687</u></u>	<u><u>\$ 7,687</u></u>	<u><u>\$ 9,124</u></u>	<u><u>\$ 1,437</u></u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-8

**BUDGETARY COMPARISON SCHEDULE
NATURAL RESOURCE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 462,600	\$ 462,600	\$ 347,966	\$ (114,634)
Expenditures				
Current				
Conservation of natural resources				
Tax forfeited sales	468,360	468,360	341,881	126,479
Excess of Revenues Over (Under)				
Expenditures	\$ (5,760)	\$ (5,760)	\$ 6,085	\$ 11,845
Fund Balance - January 1	<u>43,161</u>	<u>43,161</u>	<u>43,161</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 37,401</u>	<u>\$ 37,401</u>	<u>\$ 49,246</u>	<u>\$ 11,845</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-9

**BUDGETARY COMPARISON SCHEDULE
GRAVEL TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 150,000	\$ 150,000	\$ 27,815	\$ (122,185)
Expenditures				
Current				
Conservation of natural resources				
Other	150,000	150,000	-	150,000
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 27,815	\$ 27,815
Fund Balance - January 1	311,059	311,059	311,059	-
Fund Balance - December 31	\$ 311,059	\$ 311,059	\$ 338,874	\$ 27,815

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

FIDUCIARY FUNDS

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.

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CLEARING FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 285,955	\$ 3,729,952	\$ 3,689,233	\$ 326,674
<u>Liabilities</u>				
Accounts payable	\$ 170,770	\$ 1,881,638	\$ 1,841,405	\$ 211,003
Due to other governments	115,185	1,848,314	1,847,828	115,671
Total Liabilities	\$ 285,955	\$ 3,729,952	\$ 3,689,233	\$ 326,674
 <u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 749,327	\$ 45,907,957	\$ 45,819,249	\$ 838,035
<u>Liabilities</u>				
Due to other governments	\$ 605,488	\$ 45,767,246	\$ 45,675,410	\$ 697,324
Deferred credits	143,839	140,711	143,839	140,711
Total Liabilities	\$ 749,327	\$ 45,907,957	\$ 45,819,249	\$ 838,035
 <u>CHILDREN'S INITIATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 135,720	\$ 264,452	\$ 145,225	\$ 254,947
<u>Liabilities</u>				
Due to other governments	\$ 135,720	\$ 264,452	\$ 145,225	\$ 254,947

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,171,002	\$ 49,902,361	\$ 49,653,707	\$ 1,419,656
<u>Liabilities</u>				
Accounts payable	\$ 170,770	\$ 1,881,638	\$ 1,841,405	\$ 211,003
Due to other governments	856,393	47,880,012	47,668,463	1,067,942
Deferred credits	143,839	140,711	143,839	140,711
Total Liabilities	\$ 1,171,002	\$ 49,902,361	\$ 49,653,707	\$ 1,419,656

OTHER SCHEDULES

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Funds</u>	<u>Discretely Presented Component Unit</u>	<u>All Funds</u>
Shared Revenue			
State			
Highway users tax	\$ 5,123,725	\$ -	\$ 5,123,725
County program aid	1,027,866	-	1,027,866
PERA rate reimbursement	38,181	-	38,181
Police aid	131,608	-	131,608
Enhanced 911	110,189	-	110,189
Market value credit	199,062	1,935	200,997
Disparity reduction aid	4,136	-	4,136
Total shared revenue	\$ 6,634,767	\$ 1,935	\$ 6,636,702
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 1,574,938	\$ -	\$ 1,574,938
Payments			
Local			
Local contributions	\$ 414	\$ -	\$ 414
Payments in lieu of taxes	380,948	-	380,948
Total Payments	\$ 381,362	\$ -	\$ 381,362
Grants			
State			
Minnesota Department/Board of			
Agriculture	\$ 3,290	\$ -	\$ 3,290
Corrections	313,535	-	313,535
Public Safety	85,458	-	85,458
Transportation	364,857	-	364,857
Health	163,666	-	163,666
Natural Resources	259,174	-	259,174
Human Services	1,871,518	-	1,871,518
Water and Soil Resources	66,989	-	66,989
Peace Officer Standards and Training Board	13,616	-	13,616
Minnesota Pollution Control Agency	112,509	-	112,509
Total state	\$ 3,254,612	\$ -	\$ 3,254,612

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

*EXHIBIT D-1
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Funds</u>	<u>Discretely Presented Component Unit</u>	<u>All Funds</u>
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 447,698	\$ -	\$ 447,698
Housing and Urban Development	-	359,917	359,917
Transportation	1,163,989	-	1,163,989
Health and Human Services	3,445,480	-	3,445,480
Homeland Security	183,500	-	183,500
Total federal	<u>\$ 5,240,667</u>	<u>\$ 359,917</u>	<u>\$ 5,600,584</u>
Total state and federal grants	<u>\$ 8,495,279</u>	<u>\$ 359,917</u>	<u>\$ 8,855,196</u>
Total Intergovernmental Revenue	<u>\$ 17,086,346</u>	<u>\$ 361,852</u>	<u>\$ 17,448,198</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 233,718
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	213,980
Total U.S. Department of Agriculture		\$ 447,698
U.S. Department of Housing and Urban Development		
Direct		
Public and Indian Housing	14.850	\$ 50,928
Section 8 Housing Choice Vouchers	14.871	274,692
Public Housing Capital Fund	14.872	34,297
Total U.S. Department of Housing and Urban Development		\$ 359,917
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	\$ 959,772
Formula Grants for Other Than Urbanized Areas	20.509	140,801
Highway Safety Cluster		
State and Community Highway Safety	20.600	6,574
Alcohol Impaired Driving Countermeasures Incentives Grants I	20.601	6,927
Occupant Protection Incentive Grants	20.602	6,000
Safety Belt Performance Grants	20.609	14,000
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	24,029
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	5,886
Total U.S. Department of Transportation		\$ 1,163,989
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	\$ 11,962
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	300
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	90,830
Temporary Assistance for Needy Families (TANF) Cluster		
Temporary Assistance for Needy Families (TANF) (Total Temporary Assistance for Needy Families 93.558 \$583,484)	93.558	73,347
Maternal and Child Health Services Block Grant to the States	93.994	41,448

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

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	125,445
Temporary Assistance for Needy Families (TANF) Cluster		
Temporary Assistance for Needy Families (TANF)	93.558	510,137
(Total Temporary Assistance for Needy Families 93.558 \$583,484)		
Emergency Contingency Fund for Temporary Assistance for Needy Families		
(TANF) State Program - ARRA	93.714	37,589
Child Support Enforcement	93.563	848,328
Refugee and Entrant Assistance - State-Administered Programs	93.566	541
Child Care and Development Block Grant	93.575	16,587
Community-Based Child Abuse Prevention Grants	93.590	2,408
Stephanie Tubbs Jones Child Welfare Services Program	93.645	3,022
Foster Care Title IV-E	93.658	378,205
Social Services Block Grant	93.667	362,238
Chafee Foster Care Independence Program	93.674	13,064
Children's Health Insurance Program	93.767	74
Medical Assistance Program	93.778	888,734
Block Grants for Community Mental Health Services	93.958	41,221
		\$ 3,445,480
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 31,692
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	140,713
Emergency Management Performance Grants	97.042	11,095
		\$ 183,500
Total U.S. Department of Homeland Security		\$ 183,500
Total Federal Awards		\$ 5,600,584

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. 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 1 to the financial statements.

2. 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, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Becker County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Becker County.

3. Summary of Significant Accounting Policies

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

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Highway Safety Cluster	\$	33,501
Temporary Assistance for Needy Families Cluster		621,073

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

5. 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.

6. Subrecipients

Becker County did not pass any federal awards through to subrecipients in 2012.

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**BECKER COUNTY
BECKER, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

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

The major programs are:

State Administrative Matching Grants for the	
Supplemental Nutrition Assistance Program	CFDA #10.561
Child Support Enforcement	CFDA #93.563
Foster Care - Title IV-E	CFDA #93.658

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

Becker County qualified as a low-risk auditee? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-7 Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Due to the limited number of personnel within several Becker County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: 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 internal control point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that the individual departments collecting fees have limited staff making the segregation of duties difficult.

Recommendation: We recommend Becker County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

Client's Response:

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

10-2 Accounts Receivable

Criteria: Becker County should have an accounts receivable policy to provide for a process for collecting receivables not paid timely. The policy should provide steps for rebilling receivables, a process for determining a reasonable allowance for doubtful accounts, and an approval process for writing off receivables determined uncollectible.

Condition: The Human Services Special Revenue Fund tracks accounts receivable for foster care placement fees, parental fees, daycare overpayments and fees, and other miscellaneous fees through the County Collection System Trial Balance. The County Collection System Trial Balance includes a significant balance forward from previous years. For 2012, the County Collection System Trial Balance had a net increase in unpaid receivables in excess of \$55,000. Although the balance continues to increase, and the likelihood of collection diminishes each year, the County has not estimated an uncollectible amount. These receivables are included in the total Human Services receivables reported in the County financial statements.

Effect: The County is reporting receivables in the Human Services Special Revenue Fund that likely may never be collected.

Cause: The County recognizes a receivable for the fee when the service is provided. While it is important for the agency to keep track of these receivables, the reporting of them in the financial statements may be misleading.

Recommendation: The County Board should establish a policy for the recognition of an uncollectible amount for financial reporting purposes.

Client's Response:

The foster care and parental fee receivable balance will be reviewed to ensure accuracy and to insure the current receivable policy is being applied.

ITEM ARISING THIS YEAR

12-1 Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Clarified Auditing Standards AU-C Section 265 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements.

Context: The County prepares its own financial statements. The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following audit adjustments were reviewed and approved by the appropriate County staff and are reflected in the financial statements:

- Adjustments were necessary in the Debt Service Fund to properly reflect transactions related to the issuance of refunding debt. An adjustment was made to reduce cash with fiscal agent and increase payment to refunded bond escrow agent by \$5,474,565 to recognize the other financing use due to the advance refunding of debt with the issuance of new debt. A second adjustment was made to reduce cash with fiscal agent and record an advance refunding escrow expenditure of \$251,650 to recognize the payments to escrow from other sources as debt service expenditures as required by Governmental Accounting Standards Board Statement 7 for advanced refunding of debt. An adjustment was made to increase cash with fiscal agent \$146,837, reduce interest on investments \$3,194, reduce interest expense \$103,366, and reduce payments to refunded bond escrow agent \$46,665 to eliminate the activity in the escrow account, as it relates to the defeasance of debt no longer reported. An adjustment was made to reduce proceeds from sale of bonds \$134,565, increase premium on bonds issued \$172,422, and increase bond issuance costs \$37,857 to report an other financing source for bonds issued at face value and premiums and bond issuance costs at their proper accounts. An adjustment was made to reduce fund balance - restricted for debt service and increase unassigned fund balance \$5,521,367 to reclassify fund balance due to the defeasance of debt.
- Audit adjustments were also necessary for the governmental activities to properly reflect amounts in the government-wide financial statements. An adjustment was made to reduce G.O. Bonds payable - noncurrent \$5,010,000, set up a deferred amount on refunding of \$417,900, and reduce the payment to refunded bond escrow \$5,427,900, to remove the original 2007 bonds being refunded and to set up a deferred charge account for escrow funds received in excess of the outstanding original bonds. A second adjustment was made to the governmental activities to reduce net position - net investment in capital assets \$487,109, net position - restricted for debt service \$5,521,367, net position - restricted for general government \$1,102,184, net position - restricted for highways and streets \$672,192, unassigned fund balance \$5,340,383, and increase unrestricted net position \$7,601,868, and fund balance - restricted for debt service \$5,521,367 to reclassify the conversion entry to net position and zero out fund balances.

Cause: Becker County typically has very little debt, making a refunding an unusual transaction for the County. The County was not familiar with Governmental Accounting Standards Board Statement 7, which provides guidance on reporting refunding debt in which the proceeds of the new debt are placed in an escrow account to be used solely for satisfying scheduled payments of principal and interest of the old debt. In this situation, the old debt has been in substance defeased and is not shown as a liability on the financial statements.

Recommendation: We recommend the County review its policies and procedures related to the recording of transactions, especially those related to the issuance of bonds, to ensure that the transactions are recorded in accordance with generally accepted accounting principles.

Client's Response:

Becker County initially reported all transactions regarding the issuance of refunding bonds to show transparency within the Debt Service Fund. The application of GASB 7 was overlooked. Procedures will be updated to ensure future compliance.

PREVIOUSLY REPORTED ITEM RESOLVED

Transfer Station Cash Controls (10-1)

A review of the cash collection procedures at the solid waste transfer station revealed that the pre-numbered charge slips are not accounted for and that transfer station staff receiving collections also balance out the cash register.

Resolution

Environmental Affairs now uses a control log to track books of charge slips issued to employees. The log provides the date issued, to whom, and when a completed book is returned. A checkmark is made on the log to indicate each charge slip was accounted for as a receipt. An office worker from the Environmental Affairs office goes out to the landfill daily to balance out the cash register and bring the deposit to the courthouse.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

12-2 Income Maintenance DHS 2550 Reporting

Programs: U.S. Department of Agriculture's Supplemental Nutrition Assistance Program (CFDA No. 10.561) and U.S. Department of Health and Human Services' Child Support Enforcement (CFDA No. 93.563)

Pass-Through Agency: Minnesota Department of Human Services

Criteria: The Minnesota Department of Human Services (DHS) provides guidance on the completion of the quarterly Income Maintenance DHS-2550 report in DHS bulletin no. 11-32-02. DHS bulletin no. 11-32-02 provides that costs reported in Section A of DHS-2550 are the “direct costs associated with staff required to participate in the random moment time study (IMRMS).” The DHS bulletin no. 11-32-07 provides the Income Maintenance Random Moment Time Study (IMRMS) Operational Procedures which requires that the IMRMS Coordinator in the county identify Income Maintenance employees as participants in the IMRMS and update the IMRMS employee data base quarterly.

Condition: During our review of the Income Maintenance DHS-2550 reporting, we noted that three employees were not properly reported. These three employees were reported in the IMRMS Section A of the quarterly Income Maintenance DHS-2550 reports when they were not identified as participants in the random moment study by the IMRMS Coordinator. Quarter one had one employee, quarter two had two employees, and quarters three and four had three employees incorrectly reported in section A when they were not identified as participants in the random moment study by the IMRMS Coordinator.

Questioned Costs: None.

Context: The amount of federal administrative reimbursements through DHS for several programs is determined based on the reporting done through the quarterly Income Maintenance DHS-2550 report.

Effect: Incorrect reporting of an employee’s expenses on the quarterly Income Maintenance DHS-2550 report results in receiving funding from the wrong sources and may affect the amount of funding received. The differences could not be readily determined.

Cause: The IMRMS Coordinator did not identify the new employees to the Minnesota Department of Human Services as participants in the IMRMS timely.

Recommendation: We recommend Becker County contact the Minnesota Department of Human Services to discuss the implications and any resolution of reporting these employees incorrectly on the Income Maintenance DHS-2550 reports.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Nancy Nelson

Corrective Action Planned:

During 2013, the random study coordinator position turned over as well as a number of positions in the Income Maintenance Department. The employees involved with Income Maintenance reporting will be reviewed and reconciled with DHS.

Anticipated Completion Date:

Action was taken immediately, and corrections were implemented for quarter three reporting.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

12-3 Phone System Bidding Process

Criteria: Pursuant to Minn. Stat. §§ 471.345, subd. 3, and 375.21, contracts estimated to exceed \$100,000 must be made using sealed bids solicited by public notice by advertising for bids in a qualified legal newspaper of the County or through the alternative dissemination of bids and requests provided by Minn. Stat. § 331A.03.

Condition: On February 14, 2012, the County Board approved the completion of an upgrade to the 911 phone system using 911-designated funds for the project. Although the contract was substantially above the bid threshold, the County could not provide documentation showing compliance with Minnesota law.

Context: Payments made to Independent Emergency Services for the 911 New Generation phone system totaled \$225,451.

Effect: Without proper documentation, we were unable to determine compliance with Minn. Stat. §§ 471.345, subd. 3, and 375.21 in awarding the contract for the 911 New Generation phone system.

Cause: There was likely a breakdown in communication of the statutory requirements for contracts estimated to exceed \$100,000 or who would be responsible for ensuring those requirements are met. Proper documentation was not maintained regarding the contracting process.

Recommendation: We recommend the County establish procedures to ensure contracts are presented to the Board of County Commissioners for approval and that the approval be documented in the official minutes. We further recommend that any officials involved in the contracting process be informed of the statutory requirements to ensure compliance with Minn. Stat. §§ 471.345, subd. 3, and 375.21 for all future contracts, and that adequate documentation of compliance be maintained.

Client's Response:

The phone system used for 911 is highly specialized and provides numerous software and hardware products in the Sheriff's Department. Switching vendors would have required changing the other products used, resulting in an additional significant cost.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Independent Auditor's Report

Board of County Commissioners
Becker County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2012, including the Sunnyside Care Center Enterprise Fund as of and for the year ended September 30, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 26, 2013. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Sunnyside Care Center Enterprise Fund for the year ended September 30, 2012, as described in our report on Becker County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 12-1 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-7 and 10-2 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Becker County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 12-3. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

Becker County's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 26, 2013

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Independent Auditor's Report

Board of County Commissioners
Becker County

Report on Compliance for Each Major Federal Program

We have audited Becker County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2012. Becker County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Becker County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Becker County complied, in all material respects, with the types of 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, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 12-2. Our opinion on each major federal program is not modified with respect to this matter. Becker County's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. Becker County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 12-2 that we consider to be a significant deficiency.

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 26, 2013