

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

STEARNS COUNTY
ST. CLOUD, MINNESOTA

YEAR ENDED DECEMBER 31, 2011

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Year Ended December 31, 2011



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

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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ST. CLOUD, MINNESOTA**

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**ORGANIZATION SCHEDULE
2011**

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	DeWayne Mareck	January 2009	January 2013
2nd District	Mark Bromenschenkel	January 2011	January 2013
3rd District	Jeff Mergen	January 2011	January 2013
4th District	Leigh Lenzmeier	January 2009	January 2013
5th District	Don Otte*	January 2011	January 2013
Officers			
Elected			
Attorney	Janelle Kendall	January 2011	January 2015
Auditor-Treasurer	Randy Schreifels	January 2011	January 2015
County Recorder/Registrar of Titles	Diane Grundhoefer	January 2011	January 2015
Sheriff	John Sanner	January 2011	January 2015
Appointed			
Administrator	George Rindelaub		Indefinite
Agriculture Inspector	John Waldorf		Indefinite
Assessor	Gary Grossinger	January 2009	December 2012
Building Facilities	Ralph Braegelmann		Indefinite
Emergency Management	Marv Klug		Indefinite
Environmental Service	Don Adams		Indefinite
Extension (State Regional)	Sarah Chur		Indefinite
Highway Engineer	Mitch Anderson	May 2008	January 2012
Human Resources	Jennifer Thorsten		Indefinite
Human Services Administrator	Mark Sizer		Indefinite
Information Services	George McClure		Indefinite
Medical Examiner	(Contracted)		
Parks	Charles Wocken		Indefinite
Purchasing	Bill Davison		Indefinite
Veterans Service Officer	Terry Ferdinandt	March 2008	May 2012

*Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Stearns County

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

We conducted our audit 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 U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our 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 Stearns County as of December 31, 2011, including the HRA of Stearns County as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.D.8. to the financial statements, Stearns County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. GASB Statement 54 provides clearer fund balance classifications that can be more consistently applied and clarifies existing governmental fund type definitions.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stearns County's basic financial statements as a whole. The supplementary information, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133 and the other information section listed in the table of contents, are presented for purposes of additional analysis and are 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. This 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 taken as a whole. The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 27, 2012, on our consideration of Stearns County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the HRA of Stearns County, which was audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 27, 2012

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011
(Unaudited)**

This section of Stearns County's annual financial report presents an overview and analysis of the County's financial performance during the fiscal year that ended on December 31, 2011.

FINANCIAL HIGHLIGHTS

- The assets of Stearns County exceeded its liabilities by \$314,495,747 (net assets). Of this amount, \$42,439,912 represents unrestricted net assets that may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$31,495,569, or about 11.1 percent, over the prior year.
- As of the close of the fiscal year, Stearns County's governmental funds reported combined ending fund balances of \$75,590,236. Of this amount, \$65,313,175, or approximately 86.4 percent, is available for spending at the County's discretion.
- At the end of the year, the total fund balance for the General Fund increased by \$3,068,201 to \$27,633,800. The General Fund's unassigned fund balance increased to \$26,201,369. This is approximately 56.2 percent of total General Fund expenditures during the year. The assigned fund balance at year-end was \$4,186.
- Stearns County's total bonded debt decreased by \$3,775,000 (12.9 percent) during the current fiscal year. In 2011, the County did not issue any bonds and paid \$3,775,000 of bond principal.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts--Independent Auditor's Report; required supplementary information, which includes the Management's Discussion and Analysis (MD&A) (this section); the basic financial statements; and supplementary information. The basic financial statements include two kinds of statements that present different views of the County.

- The first two statements are county-wide financial statements which provide both short-term and long-term information about the County’s overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County’s operations in more detail than the county-wide statements.
- The governmental funds statements tell how basic services, such as general government, human services, and highways and streets, were financed in the short-term as well as what remains for future spending.
- The proprietary fund statements offer short-term and long-term financial information about activities the County operates like a business, such as loans to individuals for septic system upgrades.
- Fiduciary fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

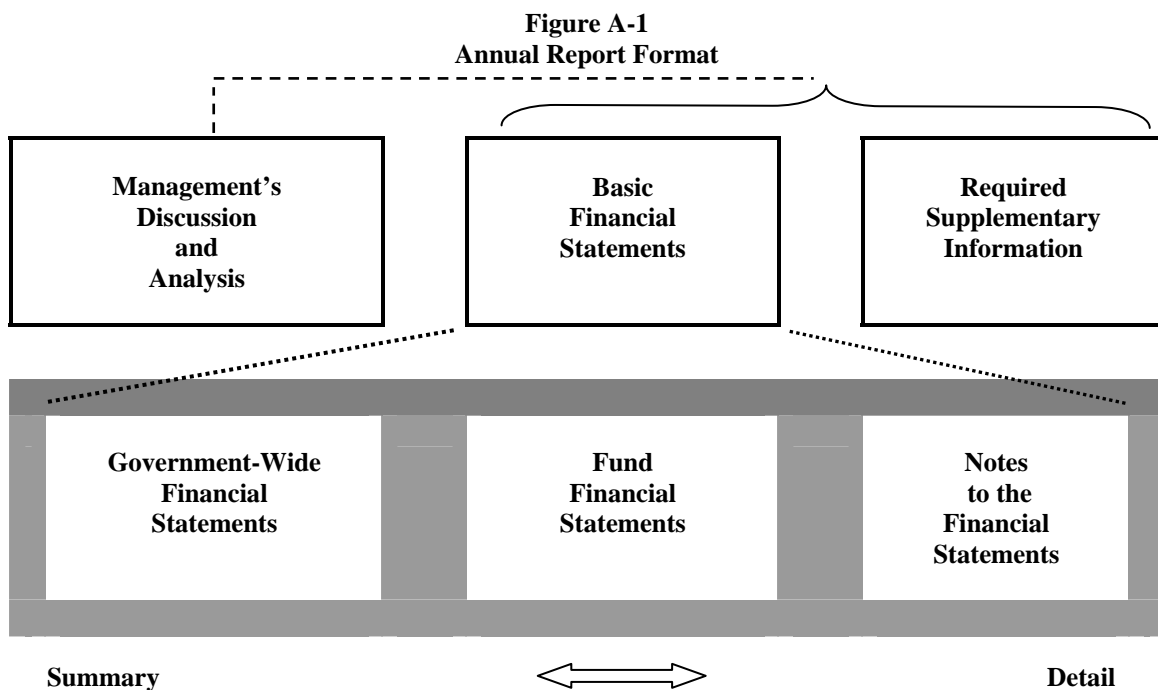


Figure A-2 summarizes the major features of the County’s financial statements, including the portion of the County’s activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and content of each of the statements.

Figure A-2 Major Features of the County’s Government-Wide and Fund Financial Statements				
	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and the County’s component unit	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private business	Instances in which the County is the trustee or agent for someone else’s resources
Required financial statements	Statement of net assets and statement of activities	Balance sheet and operating statement	Statement of net assets; statement of revenues, expenses, and changes in net assets; and statement of cash flows	Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; agency funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

County-Wide Statements

The county-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the County’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two county-wide statements report the County's net assets and how they have changed. Net assets--the difference between the County's assets and liabilities--are one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the County, additional nonfinancial factors such as changes in the County's property tax base and the condition of County buildings and other facilities need to be considered.

In the county-wide financial statements, the County's activities are shown in two categories:

- Governmental activities - The County's basic services are included here. Property taxes and state aids finance most of these activities.
- Business-type activities - Those activities supported to a large extent by user fees and charges.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's funds--focusing on its most significant or "major" funds--not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The County establishes other funds to control and manage money for particular purposes (for example, repaying its long-term debts) or to show that it is properly using certain revenues (for example, federal grants).

The County has three kinds of funds:

- Governmental funds - The County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the county-wide statements, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to explain the relationship (or differences) between them.

- Proprietary funds - The County maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Stearns County uses an enterprise fund to account for its Septic Loan Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among Stearns County's various functions. Stearns County uses internal service funds to account for its information services improvements and self-insurance. These services benefit governmental functions and have been allocated to governmental activities in the government-wide financial statements.
- Fiduciary funds - The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the county-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were \$314,495,747 on December 31, 2011. (See Table A-1.)

	2011	2010	Percent (%) Change
Assets			
Current and other assets	\$ 88,003,773	\$ 84,823,339	3.7
Capital assets	269,800,148	245,685,242	9.8
Total Assets	\$ 357,803,921	\$ 330,508,581	8.3
Liabilities			
Current liabilities	\$ 17,343,567	\$ 17,869,586	(2.9)
Long-term liabilities	25,964,607	29,638,817	(12.4)
Total Liabilities	\$ 43,308,174	\$ 47,508,403	(8.8)
Net Assets			
Invested in capital assets, net of related debt	\$ 263,255,983	\$ 233,256,619	12.9
Restricted	8,799,852	2,141,240	311.0
Unrestricted	42,439,912	47,602,319	(10.8)
Total Net Assets	\$ 314,495,747	\$ 283,000,178	11.1

(Unaudited)

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Changes in Net Assets

The county-wide total revenues were \$139,615,110 for the year ended December 31, 2011. Property taxes and intergovernmental revenues accounted for 90.8 percent of total revenue for the year. (See Figure A-2.)

Table A-2
Changes in Net Assets

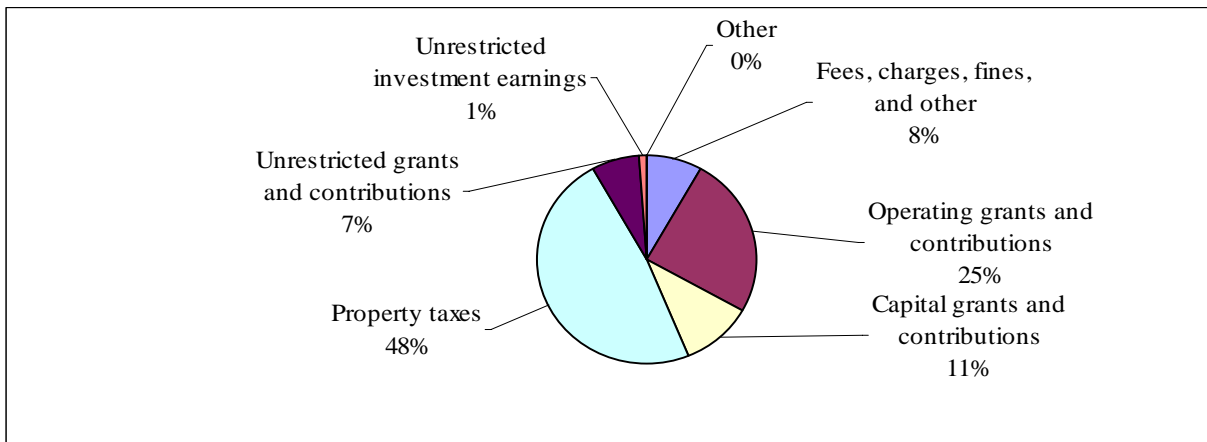
	2011	2010	Percent (%) Change
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 10,930,168	\$ 10,277,226	6.4
Operating grants and contributions	34,367,278	26,906,242	27.7
Capital grants and contributions	15,750,122	8,701,352	81.0
General revenues			
Property taxes	66,902,915	64,497,859	3.7
Unrestricted grants and contributions	9,725,388	9,738,494	(0.1)
Unrestricted investment earnings	1,652,439	796,801	107.4
Other	286,800	241,496	18.8
Total Revenues	\$ 139,615,110	\$ 121,159,470	15.2
Expenses			
General government	\$ 20,316,720	\$ 20,324,858	-
Public safety	28,278,203	28,856,779	(2.0)
Highways and streets	12,444,486	11,528,389	7.9
Sanitation	494,967	533,084	(7.2)
Human services	32,877,287	31,028,265	6.0
Health	3,101,608	2,803,444	10.6
Culture and recreation	4,214,792	3,646,061	15.6
Conservation of natural resources	4,527,515	4,531,290	(0.1)
Economic development	1,029,798	893,781	15.2
Interest	834,165	942,693	(11.5)
Total Expenses	\$ 108,119,541	\$ 105,088,644	2.9
Increase in Net Assets	\$ 31,495,569	\$ 16,070,826	96.0
Beginning Net Assets	283,000,178	266,929,352	6.0
Ending Net Assets	\$ 314,495,747	\$ 283,000,178	11.1

Total revenues surpassed expenses, increasing net assets \$31,495,569 over last year.

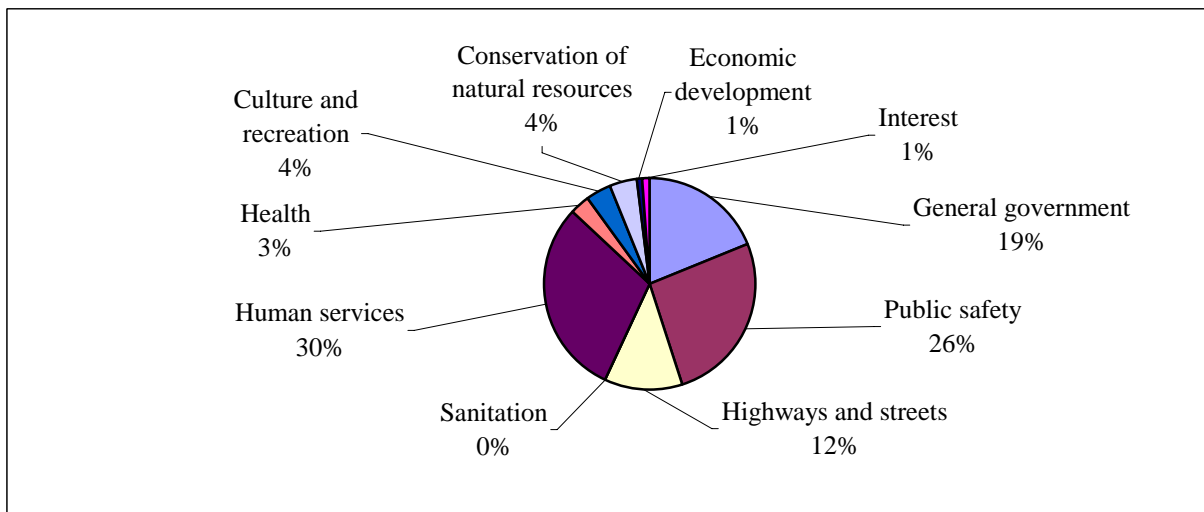
The county-wide cost of all governmental activities this year was \$108,118,871.

- Some of the cost was paid by the users of the County’s programs (\$10,927,691).
- The federal and state governments subsidized certain programs with grants and contributions (\$50,117,400).
- The remaining County costs (\$47,073,780), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$66,902,915 in property taxes, \$9,725,388 in state aid, and \$1,939,239 with investment earnings and other general revenues.

**Figure A-3
Sources of County Revenues for 2011**



**Figure A-4
County Expenses for 2011**



**Table A-3
Cost of Services
Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2011	2010	Percent (%) Change	2011	2010	Percent (%) Change
General government	\$ 20,316,720	\$ 20,324,858	-	\$ 14,533,636	\$ 14,562,851	(0.2)
Public safety	28,278,203	28,856,779	(2.0)	23,657,642	23,644,028	0.1
Highways and streets	12,444,486	11,528,389	7.9	(14,157,298)	(1,238,622)	1043.0
Sanitation	494,297	532,414	(7.2)	(908,753)	(723,338)	25.6
Human services	32,877,287	31,028,265	6.0	15,676,908	14,502,027	8.1
Health	3,101,608	2,803,444	10.6	540,471	391,662	38.0
Culture and recreation	4,214,792	3,646,061	15.6	3,569,622	3,508,001	1.8
Conservation of natural resources	4,527,515	4,531,290	(0.1)	2,996,156	2,888,857	3.7
Economic development	1,029,798	893,781	15.2	331,231	726,355	(54.4)
Interest	834,165	942,693	(11.5)	834,165	942,693	(11.5)
Total	\$ 108,118,871	\$ 105,087,974	2.9	\$ 47,073,780	\$ 59,204,514	(20.5)

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$75,590,236. Of this amount, \$65,313,175, or approximately 86 percent, is available for spending at the County’s discretion.

Revenues for the County’s governmental funds were \$144,159,128, while total expenditures were \$137,239,696.

General Fund

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects. The following schedule presents a summary of General Fund revenues:

**Table A-4
General Fund Revenues**

Source	Year Ended December 31		Change	
	2011	2010	Increase/ (Decrease)	Percent (%) Change
Taxes	\$ 32,762,067	\$ 30,211,983	\$ 2,550,084	8.4
Intergovernmental	9,027,204	10,800,099	(1,772,895)	(16.4)
Charges for services	3,922,354	4,140,003	(217,649)	(5.3)
Investment income	1,583,840	639,035	944,805	147.8
Miscellaneous and other	3,139,543	2,748,667	390,876	14.2
Total General Fund Revenues	\$ 50,435,008	\$ 48,539,787	\$ 1,895,221	3.9

Total General Fund revenues increased by \$1,895,221, or 3.9 percent, from the previous year. The mix of property tax and state aid can change significantly from year to year without any net change in revenue.

The following schedule presents a summary of General Fund expenditures:

**Table A-5
General Fund Expenditures**

Function	Year Ended December 31		Change	
	2011	2010	Increase/ (Decrease)	Percent (%) Change
General government	\$ 18,656,537	\$ 18,886,577	\$ (230,040)	(1.2)
Public safety	19,871,893	19,743,592	128,301	0.6
Culture and recreation	2,743,898	2,742,994	904	-
Conservation of natural resources	4,683,766	4,374,411	309,355	7.1
Economic development	65,273	111,060	(45,787)	(41.2)
Community development	639,214	132,192	507,022	383.5
Total General Fund Expenditures	\$ 46,660,581	\$ 45,990,826	\$ 669,755	1.5

General Fund Budgetary Highlights

Over the course of the year, the County revised the annual operating budget, reducing budgeted expenditures by \$1,621,568.

- Actual revenues were \$2,220,698 more than expected.
- The actual expenditures were \$960,865 less than final budget.

CONSTRUCTION PROJECTS AND DEBT SERVICE

The Capital Projects Fund is currently being used to track the capital notes and capital improvement bonds approved by the Board over the past years. The majority of the expenditures is for the construction of various capital improvements throughout the County. An annual levy is made to fund the bond payments for all previous bond issues.

CAPITAL ASSETS

By the end of 2011, the County had invested over \$269,000,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-6.) More detailed information about capital assets can be found in Note 3.A.3. to the financial statements. Total depreciation expense for the year was \$7,516,913.

**Table A-6
Capital Assets**

	2011	2010	Percent (%) Change
Land	\$ 14,880,285	\$ 14,880,285	-
Construction in progress	11,193,793	7,403,447	51.2
Right-of-way	14,087,389	13,934,478	1.1
Infrastructure	231,895,860	205,117,446	13.1
Buildings	59,828,004	59,787,021	0.1
Machinery, furniture, and equipment	21,192,769	20,970,817	1.1
Less: accumulated depreciation	<u>(83,277,952)</u>	<u>(76,408,252)</u>	<u>9.0</u>
 Total	 <u>\$ 269,800,148</u>	 <u>\$ 245,685,242</u>	 9.8

LONG-TERM LIABILITIES

At year-end, the County had \$36,237,611 in long-term liabilities outstanding. The current portion of these liabilities is \$10,273,004.

**Table A-7
Long-Term Liabilities**

	2011	2010	Increase/ (Decrease)	Percent (%) Change
General obligation bonds payable	\$ 20,666,507	\$ 24,030,885	\$ (3,364,378)	(14.0)
Revenue bonds payable	5,160,000	5,615,000	(455,000)	(8.1)
Loans payable	-	25,000	(25,000)	-
Compensated absences payable	7,942,407	7,929,990	12,417	0.2
OPEB liability	<u>2,468,697</u>	<u>1,996,748</u>	<u>471,949</u>	<u>23.6</u>
 Total	 <u>\$ 36,237,611</u>	 <u>\$ 39,597,623</u>	 <u>\$ (3,360,012)</u>	 (8.5)

FACTORS BEARING ON THE COUNTY'S FUTURE

The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the Legislature may decrease revenues again.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Jim Stegura, Financial Manager, at 320-656-3914, or Randy Schreifels, County Auditor/Treasurer, at 320-656-3901.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority of Stearns County
<u>Assets</u>				
Cash and pooled investments	\$ 73,748,983	\$ 14,079	\$ 73,763,062	\$ 747,604
Petty cash and change funds	11,575	-	11,575	-
Departmental cash	2,500	-	2,500	-
Taxes receivable delinquent	2,446,913	-	2,446,913	177,704
Special assessments receivable				
Delinquent	87,386	-	87,386	-
Deferred	527,825	-	527,825	-
Accounts receivable - net	798,494	-	798,494	18,945
Accrued interest receivable	306,702	-	306,702	71
Loans receivable	269,681	23,460	293,141	25,243
Internal balances	33,500	(33,500)	-	-
Due from other governments	8,513,313	-	8,513,313	214,453
Inventories	1,062,983	-	1,062,983	-
Prepaid items	1,823	-	1,823	6,276
Deferred charges	188,056	-	188,056	57,791
Assets held for resale	-	-	-	416,185
Capital assets				
Non-depreciable	40,161,467	-	40,161,467	379,794
Depreciable - net of accumulated depreciation	229,638,681	-	229,638,681	3,567,107
Total Assets	\$ 357,799,882	\$ 4,039	\$ 357,803,921	\$ 5,611,173
<u>Liabilities</u>				
Accounts payable	\$ 2,844,704	\$ -	\$ 2,844,704	\$ 46,309
Salaries payable	2,204,406	-	2,204,406	23,526
Contracts payable	742,185	-	742,185	-
Due to other governments	658,656	-	658,656	-
Accrued interest payable	97,056	-	97,056	16,513
Unearned revenue	523,556	-	523,556	4,990
Noncurrent liabilities				
Due within one year	10,273,004	-	10,273,004	123,277
Due in more than one year	25,964,607	-	25,964,607	2,137,136
Total Liabilities	\$ 43,308,174	\$ -	\$ 43,308,174	\$ 2,351,751

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

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority of Stearns County
<u>Net Assets</u>				
Invested in capital assets - net of related debt	\$ 263,255,983	\$ -	\$ 263,255,983	\$ 1,744,003
Restricted for				
General government	935,834	-	935,834	-
Public safety	577,250	-	577,250	-
Sanitation	1,936,553	-	1,936,553	-
Conservation of natural resources	324,323	-	324,323	-
Economic development	895,781	-	895,781	-
Debt service	4,130,111	-	4,130,111	23,871
Section 8 housing	-	-	-	77,755
Future projects	-	-	-	88,377
Unrestricted	42,435,873	4,039	42,439,912	1,325,416
Total Net Assets	\$ 314,491,708	\$ 4,039	\$ 314,495,747	\$ 3,259,422

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government			
Governmental activities			
General government	\$ 20,316,720	\$ 5,129,104	\$ 653,980
Public safety	28,278,203	1,157,581	3,432,473
Highways and streets	12,444,486	104,403	10,777,766
Sanitation	494,297	643,737	759,313
Human services	32,877,287	2,850,060	14,350,319
Health	3,101,608	108,785	2,452,352
Culture and recreation	4,214,792	392,810	252,360
Conservation of natural resources	4,527,515	481,858	1,049,501
Economic development	1,029,798	59,353	639,214
Interest	834,165	-	-
Total governmental activities	\$ 108,118,871	\$ 10,927,691	\$ 34,367,278
Business-type activities			
Solid waste	670	2,477	-
Total Primary Government	\$ 108,119,541	\$ 10,930,168	\$ 34,367,278
Component unit			
Housing and Redevelopment Authority of Stearns County	\$ 3,078,193	\$ 581,114	\$ 1,125,009

General Revenues

Property taxes
Tax increments
Gravel taxes
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain on sale of capital assets

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Primary Government			Component Unit Housing and Redevelopment Authority of Stearns County
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (14,533,636)	\$ -	\$ (14,533,636)	
30,507	(23,657,642)	-	(23,657,642)	
15,719,615	14,157,298	-	14,157,298	
-	908,753	-	908,753	
-	(15,676,908)	-	(15,676,908)	
-	(540,471)	-	(540,471)	
-	(3,569,622)	-	(3,569,622)	
-	(2,996,156)	-	(2,996,156)	
-	(331,231)	-	(331,231)	
-	(834,165)	-	(834,165)	
\$ 15,750,122	\$ (47,073,780)	\$ -	\$ (47,073,780)	
-	-	1,807	1,807	
\$ 15,750,122	\$ (47,073,780)	\$ 1,807	\$ (47,071,973)	
\$ 796,385				\$ (575,685)
	\$ 66,902,915	\$ -	\$ 66,902,915	\$ 236,991
	-	-	-	57,136
	56,844	-	56,844	-
	187,823	-	187,823	-
	9,725,388	-	9,725,388	34,136
	1,652,439	-	1,652,439	8,653
	42,133	-	42,133	-
	\$ 78,567,542	\$ -	\$ 78,567,542	\$ 336,916
	\$ 31,493,762	\$ 1,807	\$ 31,495,569	\$ (238,769)
	282,997,946	2,232	283,000,178	3,498,191
	\$ 314,491,708	\$ 4,039	\$ 314,495,747	\$ 3,259,422

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 30,159,500	\$ 5,789,492
Petty cash and change funds	9,985	-
Departmental cash	2,500	-
Taxes receivable delinquent	1,139,623	259,866
Special assessments receivable		
Delinquent	-	-
Deferred	-	-
Accounts receivable	421,363	123,506
Accrued interest receivable	306,702	-
Loans receivable	-	-
Due from other funds	45,984	-
Due from other governments	466,726	5,480,084
Inventories	1,861	1,061,122
Advance to other funds	-	-
Prepaid items	100	-
	\$ 32,554,344	\$ 12,714,070
Total Assets	\$ 32,554,344	\$ 12,714,070
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 1,529,674	\$ 111,206
Salaries payable	1,171,289	137,553
Contracts payable	-	742,185
Due to other funds	-	49
Due to other governments	648,717	-
Deferred revenue - unavailable	1,047,308	717,646
Deferred revenue - unearned	523,556	-
Advance from other funds	-	283,570
	\$ 4,920,544	\$ 1,992,209
Total Liabilities	\$ 4,920,544	\$ 1,992,209
Fund Balances		
Nonspendable	\$ 1,961	\$ 1,061,122
Restricted	1,426,284	-
Committed	-	-
Assigned	4,186	9,660,739
Unassigned	26,201,369	-
	\$ 27,633,800	\$ 10,721,861
Total Fund Balances	\$ 27,633,800	\$ 10,721,861
Total Liabilities and Fund Balances	\$ 32,554,344	\$ 12,714,070

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

EXHIBIT 3

Human Services	Debt Service	Capital Projects	Nonmajor Funds	Total
\$ 14,638,929	\$ 4,191,916	\$ 13,452,648	\$ 4,062,867	\$ 72,295,352
225	-	-	1,365	11,575
-	-	-	-	2,500
818,957	176,215	-	52,252	2,446,913
-	10,213	-	77,173	87,386
-	421,619	-	106,206	527,825
165,890	-	-	87,735	798,494
-	-	-	-	306,702
-	-	-	269,681	269,681
-	-	5,990	165,161	217,135
2,563,607	-	-	2,896	8,513,313
-	-	-	-	1,062,983
-	-	-	317,070	317,070
1,723	-	-	-	1,823
\$ 18,189,331	\$ 4,799,963	\$ 13,458,638	\$ 5,142,406	\$ 86,858,752
\$ 921,615	\$ -	\$ 100,415	\$ 23,450	\$ 2,686,360
870,581	-	-	24,983	2,204,406
-	-	-	-	742,185
103	-	201,652	15,331	217,135
6,668	-	-	3,271	658,656
1,120,576	572,796	-	494,322	3,952,648
-	-	-	-	523,556
-	-	-	-	283,570
\$ 2,919,543	\$ 572,796	\$ 302,067	\$ 561,357	\$ 11,268,516
\$ -	\$ -	\$ -	\$ 317,070	\$ 1,380,153
-	4,227,167	-	3,243,457	8,896,908
-	-	-	609,942	609,942
15,269,788	-	13,156,571	410,580	38,501,864
-	-	-	-	26,201,369
\$ 15,269,788	\$ 4,227,167	\$ 13,156,571	\$ 4,581,049	\$ 75,590,236
\$ 18,189,331	\$ 4,799,963	\$ 13,458,638	\$ 5,142,406	\$ 86,858,752

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)		\$	75,590,236
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			269,800,148
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.			3,952,648
Internal service funds are used by the County to charge the cost of improvements for information services and insurance to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			1,295,287
Deferred debt issuance charges are not available to pay current expenditures and, therefore, are not deferred in the funds.			188,056
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Bonds payable - net of premium and discount	\$ (25,826,507)		
Compensated absences	(7,942,407)		
Other postemployment benefits liability	<u>(2,468,697)</u>		(36,237,611)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.			<u>(97,056)</u>
Net Assets of Governmental Activities (Exhibit 1)		\$	<u>314,491,708</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

	General	Road and Bridge
Revenues		
Taxes	\$ 32,762,067	\$ 6,736,419
Special assessments	-	-
Licenses and permits	450,991	51,462
Intergovernmental	9,027,204	30,547,531
Charges for services	3,922,354	8,203
Fines and forfeits	140,967	-
Gifts and contributions	2,180	-
Investment income	1,583,840	-
Miscellaneous	2,545,405	42,238
	\$ 50,435,008	\$ 37,385,853
Expenditures		
Current		
General government	\$ 18,656,537	\$ -
Public safety	19,871,893	-
Highways and streets	-	33,217,412
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	2,743,898	-
Conservation of natural resources	4,683,766	83,668
Economic development	65,273	-
Intergovernmental		
Highways and streets	-	659,592
Community development	639,214	-
Capital outlay		
General government	-	-
Public safety	-	-
Highways and streets	-	-
Human services	-	-
Culture and recreation	-	-
Sanitation	-	-
Conservation of natural resources	-	-
Debt service		
Principal	-	-
Interest	-	-
	\$ 46,660,581	\$ 33,960,672
Excess of Revenues Over (Under) Expenditures	\$ 3,774,427	\$ 3,425,181

EXHIBIT 5

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 21,422,504	\$ 4,719,483	\$ -	\$ 1,529,875	\$ 67,170,348
-	59,017	-	689,584	748,601
-	-	-	76,077	578,530
19,980,033	226,018	2,561,762	358,145	62,700,693
1,857,458	-	-	600,105	6,388,120
-	-	-	189,938	330,905
-	-	47	4,324	6,551
-	-	-	12,406	1,596,246
1,612,352	-	14,000	425,139	4,639,134
\$ 44,872,347	\$ 5,004,518	\$ 2,575,809	\$ 3,885,593	\$ 144,159,128
\$ -	\$ 17,591	\$ -	\$ 387,768	\$ 19,061,896
7,557,504	-	-	15,089	27,444,486
-	-	-	540	33,217,952
-	-	-	466,860	466,860
33,603,930	-	-	-	33,603,930
3,121,108	-	-	-	3,121,108
-	-	-	1,337,898	4,081,796
-	-	-	33,234	4,800,668
-	-	-	325,311	390,584
-	-	-	-	659,592
-	-	-	-	639,214
-	-	305,979	-	305,979
-	-	506,743	-	506,743
-	-	586,975	-	586,975
-	-	24,596	-	24,596
-	-	128,888	-	128,888
-	-	31,896	3,476,288	3,508,184
-	-	73,795	-	73,795
-	3,775,000	-	25,000	3,800,000
-	816,450	-	-	816,450
\$ 44,282,542	\$ 4,609,041	\$ 1,658,872	\$ 6,067,988	\$ 137,239,696
\$ 589,805	\$ 395,477	\$ 916,937	\$ (2,182,395)	\$ 6,919,432

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

	<u>General</u>	<u>Road and Bridge</u>
Other Financing Sources (Uses)		
Transfers in	\$ 2,703,338	\$ 83,513
Transfers out	(3,433,313)	(419,348)
Proceeds from sale of capital assets	23,749	18,384
	<u>23,749</u>	<u>18,384</u>
Total Other Financing Sources (Uses)	\$ (706,226)	\$ (317,451)
Net Change in Fund Balances	\$ 3,068,201	\$ 3,107,730
Fund Balances - January 1	24,565,599	7,100,305
Increase (decrease) in inventories	<u>-</u>	<u>513,826</u>
Fund Balances - December 31	<u>\$ 27,633,800</u>	<u>\$ 10,721,861</u>

EXHIBIT 5
(Continued)

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 1,100,130	\$ -	\$ 1,700,000	\$ 18,222	\$ 5,605,203
(2,464,870)	-	-	(19,120)	(6,336,651)
-	-	-	-	42,133
<u>\$ (1,364,740)</u>	<u>\$ -</u>	<u>\$ 1,700,000</u>	<u>\$ (898)</u>	<u>\$ (689,315)</u>
\$ (774,935)	\$ 395,477	\$ 2,616,937	\$ (2,183,293)	\$ 6,230,117
16,044,723	3,831,690	10,539,634	6,764,342	68,846,293
-	-	-	-	513,826
<u>\$ 15,269,788</u>	<u>\$ 4,227,167</u>	<u>\$ 13,156,571</u>	<u>\$ 4,581,049</u>	<u>\$ 75,590,236</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT 6

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

Net change in fund balances - total governmental funds (Exhibit 5) \$ 6,230,117

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 - unavailable - December 31	\$ 3,952,648	
Deferred revenue - unavailable - January 1	<u>(7,573,819)</u>	(3,621,171)

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	\$ 31,662,812	
Net book value of assets sold	(30,993)	
Current year depreciation	<u>(7,516,913)</u>	24,114,906

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

Principal repayments		
General obligation bonds	\$ 3,320,000	
Revenue bonds	455,000	
Loans payable	25,000	
Current year amortization of issuance costs, discounts, and premiums	<u>17,312</u>	3,817,312

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

***EXHIBIT 6
(Continued)***

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

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$	10,674	
Change in compensated absences		(12,417)	
Change in other postemployment benefits liability		(471,949)	
Change in inventories		<u>513,826</u>	40,134

Internal service funds are used to charge improvements for information services and insurance to the individual funds. The increase or decrease in net assets of the internal service funds is reported in the government-wide statement of activities.

912,464

Change in Net Assets of Governmental Activities (Exhibit 2)

\$ 31,493,762

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PROPRIETARY FUNDS

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011**

		Governmental Activities		
Business-Type Activities Septic Loan Enterprise Fund	Information Services Improvements Internal Service Fund	Self Insurance Internal Service Fund	Total Internal Service Funds	
<u>Assets</u>				
Current assets				
Cash and pooled investments	\$ 14,079	\$ 1,246,846	\$ 206,785	\$ 1,453,631
Noncurrent assets				
Loans receivable	23,460	-	-	-
Total Assets	\$ 37,539	\$ 1,246,846	\$ 206,785	\$ 1,453,631
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ -	\$ 8,044	\$ 150,300	\$ 158,344
Noncurrent liabilities				
Advance from other funds	33,500	-	-	-
Total Liabilities	\$ 33,500	\$ 8,044	\$ 150,300	\$ 158,344
<u>Net Assets</u>				
Unrestricted	\$ 4,039	\$ 1,238,802	\$ 56,485	\$ 1,295,287

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Business-Type Activities Septic Loan Enterprise Fund</u>	<u>Governmental Activities</u>		<u>Total Internal Service Funds</u>
		<u>Information Services Improvements Internal Service Fund</u>	<u>Self Insurance Internal Service Fund</u>	
Operating Revenues				
Charges for services	\$ -	\$ 468,000	\$ 1,224,264	\$ 1,692,264
Interest on loans	<u>2,477</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	\$ 2,477	\$ 468,000	\$ 1,224,264	\$ 1,692,264
Operating Expenses				
Cost of services	<u>-</u>	<u>373,976</u>	<u>1,167,779</u>	<u>1,541,755</u>
Operating Income (Loss)	\$ 2,477	\$ 94,024	\$ 56,485	\$ 150,509
Nonoperating Revenues (Expenses)				
Intergovernmental	\$ -	\$ 30,507	\$ -	\$ 30,507
Interest expense	<u>(670)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	\$ (670)	\$ 30,507	\$ -	\$ 30,507
Income (Loss) Before Transfers	\$ 1,807	\$ 124,531	\$ 56,485	\$ 181,016
Transfers In and (Out)				
Transfers in	<u>-</u>	<u>731,448</u>	<u>-</u>	<u>731,448</u>
Change in Net Assets	\$ 1,807	\$ 825,472	\$ 56,485	\$ 912,464
Net Assets - January 1	<u>2,232</u>	<u>382,823</u>	<u>-</u>	<u>382,823</u>
Net Assets - December 31	<u>\$ 4,039</u>	<u>\$ 1,238,802</u>	<u>\$ 56,485</u>	<u>\$ 1,295,287</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Governmental Activities</u>			<u>Total Internal Service Funds</u>
	<u>Business-Type Activities</u>	<u>Information</u>	<u>Self</u>	
		<u>Services</u>	<u>Insurance</u>	
		<u>Improvements</u>	<u>Internal</u>	
<u>Septic Loan Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Service Fund</u>		
Cash Flows from Operating Activities				
Septic system loans made	\$ (3,975)	\$ -	\$ -	\$ -
Interest received on loans	2,477	-	-	-
Receipts from customers and users	15,907	2,928	-	2,928
Receipts from internal services provided	-	465,072	1,224,264	1,689,336
Payments to suppliers	-	(443,608)	(1,017,479)	(1,461,087)
Net cash provided by (used in) operating activities	\$ 14,409	\$ 24,392	\$ 206,785	\$ 231,177
Cash Flows from Noncapital Financing Activities				
Intergovernmental	\$ -	\$ 30,507	\$ -	\$ 30,507
Interest paid	(670)	-	-	-
Transfers in	-	731,448	-	731,448
Net cash provided by (used in) noncapital financing activities	\$ (670)	\$ 761,955	\$ -	\$ 761,955
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 13,739	\$ 786,347	\$ 206,785	\$ 993,132
Cash and Cash Equivalents at January 1	340	460,499	-	460,499
Cash and Cash Equivalents at December 31	\$ 14,079	\$ 1,246,846	\$ 206,785	\$ 1,453,631
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Net operating income (loss)	\$ 2,477	\$ 94,024	\$ 56,485	\$ 150,509
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
(Increase) decrease in loans receivable	\$ 11,932	\$ -	\$ -	\$ -
Increase (decrease) in accounts payable	-	(69,632)	150,300	80,668
Total adjustments	\$ 11,932	\$ (69,632)	\$ 150,300	\$ 80,668
Net Cash Provided by (Used in) Operating Activities	\$ 14,409	\$ 24,392	\$ 206,785	\$ 231,177

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

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FIDUCIARY FUND

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STEARNS COUNTY
ST. CLOUD, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2011

	<u>Agency Fund</u>
<u>Assets</u>	
Cash and pooled investments	\$ <u>4,692,889</u>
<u>Liabilities</u>	
Accounts payable	\$ 66,235
Due to other governments	<u>4,626,654</u>
Total Liabilities	\$ <u>4,692,889</u>

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

Stearns County was established February 23, 1854, 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 Stearns County 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.

Blended Component Unit

Blended component units are entities which are legally separate from the County, but are so intertwined that they are, in substance, the same as the County. They are reported as part of the primary government.

The Stearns County Regional Rail Authority is governed by a five-member board consisting of three Stearns County Commissioners and two St. Cloud City Council members, and has the power to levy taxes, issue bonds, and enter into contracts. The Authority was established for the preservation and improvement of local rail service. Although it is legally separate from the County, the activity of the Regional Rail Authority is included in the Stearns County reporting entity as the

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Unit (Continued)

Regional Rail Authority Special Revenue Fund because Stearns County Commissioners comprise a voting majority of the Authority's governing body. Separate financial statements are not available for the Stearns County Regional Rail Authority.

Discrete Component Unit

The Housing and Redevelopment Authority (HRA) of Stearns County is a component unit of Stearns County and is reported in a separate column in the County's government-wide financial statements to emphasize that the HRA is legally separate from Stearns County. The HRA operates as a local governmental unit for the purpose of providing housing and redevelopment services to Stearns County. The governing body consists of a five-member Board of Commissioners appointed by the Stearns County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended June 30, 2011.

The complete financial statements of the HRA of Stearns County can be obtained by writing to the Housing and Redevelopment Authority of Stearns County, 401 West Wind Court, P. O. Box 484, Cold Spring, Minnesota 56320.

Joint Ventures

The County participates in joint ventures described in Note 4.C. The County also participates in a jointly-governed organization described in Note 4.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the 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.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. 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.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the County's enterprise fund includes interest on septic system loans. Operating expenses for enterprise and internal service fund activities may include cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County reports the following major governmental funds:

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

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

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

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

The Capital Projects Fund is used to account for the financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major enterprise fund:

The Septic Loan Fund is used to account for loans issued to individuals within the County for septic system upgrades.

Additionally, the County reports the following fund types:

The Information Services Improvements Internal Service Fund accounts for information service projects.

The Self Insurance Internal Service Fund accounts for health insurance premiums and payments.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. This fund accounts for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Stearns County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt,

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2011, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2011 were \$1,583,840.

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary funds. Pooled investments, which have the characteristics of demand deposits, are considered to be cash and cash equivalents on the statement of cash flows.

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

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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.”

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

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.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. The inventory in the General Fund and the Road and Bridge Special Revenue Fund consists of expendable supplies held for consumption. The cost of the inventory is recorded as an expenditure at the time individual inventory items are purchased. Significant inventory balances are equally offset by nonspendable fund balance to indicate that they do not constitute available spendable resources.

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

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items) are reported in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 50
Office furniture and equipment	5 - 10
Machinery and automotive equipment	3 - 12
Infrastructure	50 - 75
Software	5 - 10

5. 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 financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. 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.

8. Classification of Fund Balances

The County adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011. This standard changed fund balance classifications within the fund financial statements.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

8. Classification of Fund Balances (Continued)

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 reported in the governmental funds. The classifications are as follows:

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

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

Committed - amounts that can be used only for the specific purposes imposed by formal action of the Board of Commissioners. 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 it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned - is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

8. Classification of Fund Balances (Continued)

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 amounts, 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 restricted fund balance classifications could be used.

9. 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

Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget at the function level for the year ended December 31, 2011:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
Conservation of natural resources	\$ 4,683,766	\$ 4,431,812	\$ 251,954
Intergovernmental			
Economic development	639,214	-	639,214

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations (Continued)

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds			
Road and Bridge			
Current			
Highways and streets	\$ 33,217,412	\$ 31,090,169	\$ 2,127,243
Intergovernmental			
Highways and streets	659,592	-	659,592
Human Services			
Current			
Public safety	7,557,504	7,079,336	478,168
Human services	33,603,930	32,940,725	663,205
Health	3,121,108	2,903,676	217,432
Debt Service Fund			
Debt service			
Principal	3,775,000	3,730,000	45,000
Nonmajor Funds			
County Building			
Current			
General government	165,018	140,000	25,018
Public safety	15,089	-	15,089
Highways and streets	540	-	540
County Park			
Current			
Culture and recreation	1,207,139	1,031,819	175,320
Solid Waste			
Capital outlay			
Sanitation	3,476,288	570,000	2,906,288
Economic Development			
Current			
Economic development	150,000	60,000	90,000
Debt service			
Principal	25,000	-	25,000

**STEARNS COUNTY
ST. CLOUD, 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:

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 73,748,983
Petty cash and change funds	11,575
Departmental cash	2,500
Business-type activities	
Cash and pooled investments	14,079
Statement of fiduciary net assets	
Fiduciary funds	
Cash and pooled investments	4,692,889
	<hr/>
Total Cash and Investments	\$ 78,470,026
	<hr/> <hr/>

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.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the County's deposits may not be returned to it.

The County's policy is to minimize custodial risk for its deposits by monitoring the collateral balances on a daily basis and obtaining monthly updates on the par and market value of collateral pledged from financial institutions. As of December 31, 2011, 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;

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Custodial Credit Risk

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

The County's policy is that all investment securities purchased by the County shall be held in safekeeping by a third-party institution designated by the County. At December 31, 2011, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County's policy is to minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County's policy is to minimize its exposure to interest rate risk by: (1) structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and (2) investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

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 in instruments which are guaranteed or direct issues of the United States or rated in the highest quality category by at least two nationally recognized rating agencies.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2011, and information relating to potential investment risk:

Investment Type	Credit Risk		Concentration	Interest Rate	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5 Percent of Portfolio	Risk Maturity Date	
Federal Home Loan Bank	AAA	S&P		5 - 7 years	\$ 1,114,988
Federal Home Loan Bank	AAA	S&P		6 - 10 years	17,064,875
Federal Home Loan Bank	AAA	S&P		10 - 15 years	<u>2,010,520</u>
Total Federal Home Loan Bank			17.06%		<u>\$ 20,190,383</u>
Federal Home Loan Mortgage Corporation	AAA	S&P		3 - 5 years	\$ 249,895
Federal Home Loan Mortgage Corporation	AAA	S&P		6 - 10 years	1,620,615
Federal Home Loan Mortgage Corporation	AAA	S&P		10 - 15 years	<u>17,311,168</u>
Total Federal Home Loan Mortgage Corporation			23.51%		<u>\$ 19,181,678</u>
Federal National Mortgage Association	AAA	S&P		1 - 3 years	\$ 526,909
Federal National Mortgage Association	AAA	S&P		6 - 10 years	9,594,308
Federal National Mortgage Association	AAA	S&P		10 - 15 years	<u>1,001,600</u>
Total Federal National Mortgage Association			31.58%		<u>\$ 11,122,817</u>
Government National Mortgage Association	AAA	S&P		03/20/2031	<u>\$ 19,099</u>
Total U.S. Government Agency Securities					<u>\$ 50,513,977</u>
Commercial paper	A-1, P-1	S&P, M		< 1 year	\$ 4,999,750
Commercial paper	A-1, P-1	S&P, M		< 1 year	<u>2,499,445</u>
Total commercial paper			23.14%		<u>\$ 7,499,195</u>
Negotiable certificates of deposit	N/A	N/A		< 1 year	\$ 502,980
Negotiable certificates of deposit	N/A	N/A		1 - 3 years	1,917,596
Negotiable certificates of deposit	N/A	N/A		3 - 5 years	<u>203,263</u>
Total negotiable certificates of deposit					<u>\$ 2,623,839</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration	Interest Rate	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Risk Maturity Date	
MAGIC Fund	N/A	N/A	N/A	N/A	\$ 10,445,401
Total investments					\$ 71,082,412
Deposits					\$ 7,373,539
Petty cash and change funds					11,575
Departmental cash					2,500
Total Cash and Investments - Primary Government					\$ 78,470,026

N/A - Not Applicable

S&P - Standard and Poor's

M - Moody's

2. Receivables

Property Taxes and Special Assessments

Property taxes and special assessments which remain unpaid at December 31 are delinquent. No allowance for uncollectible taxes/assessments has been provided because such amounts are not expected to be material.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Loans Receivable

The following economic development loans made to private enterprises under the County's economic development loan program were outstanding at December 31, 2011:

	Original Loan Amount	Balance Repaid at December 31, 2011	Outstanding Balance at December 31, 2011	Term (Years)	Interest Rate (%)
Governmental activities					
Precision Products, Inc.	\$ 50,000	\$ 22,164	\$ 27,836	10	3.0
Felling Trailers	150,000	2,887	147,113	8	2.0
Royal Tire, Inc.	125,000	125,000	-	20	2.0
Wenner Gas Company	50,000	48,916	1,084	8	1.0
Brenny Transportation	75,000	28,215	46,785	10	2.0
Notch Manufacturing, Inc.	75,000	28,137	46,863	10	2.0
Total Loans Receivable - Governmental Activities	<u>\$ 525,000</u>	<u>\$ 255,319</u>	<u>\$ 269,681</u>		
Business-type activities					
Septic system loans					
Various individuals	<u>\$ 71,736</u>	<u>\$ 48,276</u>	<u>\$ 23,460</u>		
		<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
Amounts expected to be collected within one year		\$ 41,712	\$ 4,112		
Amounts due in more than one year		227,969	19,348		
Total		<u>\$ 269,681</u>	<u>\$ 23,460</u>		

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 14,880,285	\$ -	\$ -	\$ 14,880,285
Construction in progress	7,403,447	30,771,810	26,981,464	11,193,793
Right-of-way	13,934,478	152,911	-	14,087,389
Total capital assets not depreciated	\$ 36,218,210	\$ 30,924,721	\$ 26,981,464	\$ 40,161,467
Capital assets depreciated				
Buildings	\$ 59,787,021	\$ 40,983	\$ -	\$ 59,828,004
Improvements other than buildings	80,012	94,385	-	174,397
Machinery and automotive	12,153,962	749,831	656,748	12,247,045
Office furniture and equipment	7,221,912	46,785	12,301	7,256,396
Software	1,514,931	-	-	1,514,931
Infrastructure	205,117,446	26,787,571	9,157	231,895,860
Total capital assets depreciated	\$ 285,875,284	\$ 27,719,555	\$ 678,206	\$ 312,916,633
Less: accumulated depreciation for				
Buildings	\$ 14,759,368	\$ 1,372,758	\$ -	\$ 16,132,126
Improvements other than buildings	2,667	8,480	-	11,147
Machinery and automotive	7,993,613	992,412	634,729	8,351,296
Office furniture and equipment	4,975,577	599,830	12,301	5,563,106
Software	1,332,494	70,080	-	1,402,574
Infrastructure	47,344,533	4,473,353	183	51,817,703
Total accumulated depreciation	\$ 76,408,252	\$ 7,516,913	\$ 647,213	\$ 83,277,952
Total capital assets depreciated, net	\$ 209,467,032	\$ 20,202,642	\$ 30,993	\$ 229,638,681
Governmental Activities - Capital Assets, Net	\$ 245,685,242	\$ 51,127,363	\$ 27,012,457	\$ 269,800,148

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

Governmental Activities	
General government	\$ 1,144,700
Public safety	866,249
Highways and streets, including depreciation of infrastructure assets	5,241,168
Human services	151,466
Culture and recreation	98,038
Conservation of natural resources	15,292
Total Depreciation Expense - Governmental Activities	\$ 7,516,913

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Advance From/To Other Funds

Receivable Fund	Payable Fund	Amount
Solid Waste Fund	Septic Loan Enterprise Fund	\$ 33,500
Economic Development Fund	Road and Bridge Fund	283,570
Total Advance From/To Other Funds		<u>\$ 317,070</u>

The Economic Development Special Revenue Fund advanced funds to the Road and Bridge Special Revenue Fund for the resurfacing of roads. The advance will be repaid with state aid.

The Solid Waste Special Revenue Fund advanced funds to the Septic Loan Enterprise Fund to finance various loans to individuals for updates to septic systems. The advance will be repaid from principal and interest payments on the loans.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of the following:

	Transfers In	Description
Transfers to General Fund from		
Human Services Fund	\$ 1,812,882	Salaries adjustment
Human Services Fund	451,988	State cuts to county program aid
Road and Bridge Fund	227,348	Salaries adjustment
Road and Bridge Fund	192,000	State cuts to county program aid
Parks Fund	10,000	Salaries adjustment
Parks Fund	9,120	State cuts to county program aid
Total transfers to General Fund	<u>\$ 2,703,338</u>	

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

2. Interfund Transfers (Continued)

	<u>Transfers In</u>	<u>Description</u>
Transfers to Road and Bridge Fund from		
General Fund	\$ 63,152	PC projects
General Fund	8,310	Information services charges
General Fund	12,051	Salaries adjustment
	<u>83,513</u>	
Total transfers to Road and Bridge Fund	<u>\$ 83,513</u>	
Transfers to Human Services Fund from		
General Fund	\$ 78,120	PC projects
General Fund	994,216	Information services charges
General Fund	27,794	Salaries adjustment
	<u>1,100,130</u>	
Total transfers to Human Services Fund	<u>\$ 1,100,130</u>	
Transfers to Capital Projects Fund from		
General Fund	\$ 1,500,000	Future capital projects funding
Human Services Fund	200,000	PC projects
	<u>1,700,000</u>	
Total transfers to Capital Projects Fund	<u>\$ 1,700,000</u>	
Transfers to nonmajor funds from		
General Fund	\$ 2,570	PC projects
General Fund	9,270	Information services charges
General Fund	6,382	Salaries adjustment
	<u>18,222</u>	
Total transfers to nonmajor funds	<u>\$ 18,222</u>	
Transfers to Information Services Improvements Internal Service Fund		
General Fund	\$ 731,448	Technology projects
	<u>731,448</u>	
Total Interfund Transfers	<u><u>\$ 6,336,651</u></u>	

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2011, were as follows:

	Governmental Activities
Accounts	\$ 2,844,704
Salaries	2,204,406
Contracts	742,185
Due to other governments	658,656
Accrued interest	97,056
Total Payables	\$ 6,547,007

2. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable, state grants that are not collected soon enough after year-end to pay liabilities of the current period, state and federal grants received but not yet earned, long-term loans receivable, state-aid highway allotments, and other revenue sources either received but unearned or not received soon enough after year-end. Deferred revenue at December 31, 2011, is summarized below by fund:

	Taxes and Special Assessments	Grants	Loans	State-Aid Highway Allotments	Other	Total
Major governmental funds						
General	\$ 900,946	\$ 367,983	\$ -	\$ -	\$ 301,935	\$ 1,570,864
Road and Bridge	210,744	4,671	-	502,231	-	717,646
Human Services	658,938	461,638	-	-	-	1,120,576
Debt Service	572,796	-	-	-	-	572,796
Other governmental funds						
County Building	4,399	-	-	-	-	4,399
County Park	25,696	-	-	-	-	25,696
Solid Waste	182,884	-	-	-	-	182,884
Economic Development	-	-	269,681	-	-	269,681
Ditch	495	-	-	-	-	495
Regional Rail Authority	11,167	-	-	-	-	11,167
Total	\$ 2,568,065	\$ 834,292	\$ 269,681	\$ 502,231	\$ 301,935	\$ 4,476,204
Deferred Revenue						
Unavailable	\$ 2,568,065	\$ 466,309	\$ 269,681	\$ 502,231	\$ 146,362	\$ 3,952,648
Unearned	-	367,983	-	-	155,573	523,556
Total	\$ 2,568,065	\$ 834,292	\$ 269,681	\$ 502,231	\$ 301,935	\$ 4,476,204

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Vacation and Sick Leave

County employees are granted paid time off, in varying amounts, depending on union/non-union status and length of service.

The County pays unused accumulated paid time off to employees upon termination based on two different severance plans. Unvested paid time off valued at \$3,510,594 at December 31, 2011, is available to employees in the event of an absence but is not paid to them at termination.

4. Long-Term Debt - Bonds

Bond payments are typically made from the debt service funds. Information on individual bonds payables is as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2011
General obligation bonds		\$40,000 -			
2005A G.O. Drainage Bonds	2024	\$75,000	3.50 - 4.37	\$ 1,090,000	\$ 795,000
2008 G.O. Capital Improvement Bonds	2022	\$535,000 - \$1,080,000	3.25 - 4.25	12,800,000	9,815,000
2010A G.O. Capital Improvement Bonds	2018	\$305,000 - \$2,550,000	2.00 - 3.00	8,935,000	7,135,000
2010B Taxable G.O. Capital Improvement Bonds - Recovery Zone Economic Development Bonds (RZEDBs)	2020	\$330,000 - \$685,000	4.15 - 4.50	1,665,000	1,665,000
2010C G.O. Capital Improvement Refunding Bonds	2013	\$225,000 - \$750,000	2.00	1,935,000	980,000
Total General Obligation Bonds				<u>\$ 26,425,000</u>	\$ 20,390,000
Add: Unamortized premium					<u>276,507</u>
Total General Obligation Bonds, Net					<u>\$ 20,666,507</u>
Revenue bonds					
2006A Public Facilities Revenue Bonds	2020	\$455,000 - \$2,230,000	2.35	\$ 11,200,000	\$ 5,160,000

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds and Notes	
	Principal	Interest
2012	\$ 3,510,000	\$ 572,816
2013	3,665,000	483,089
2014	1,490,000	416,014
2015	1,535,000	369,190
2016	1,580,000	319,102
2017 - 2021	6,120,000	830,274
2022 - 2024	825,000	45,128
Total	\$ 18,725,000	\$ 3,035,613

Year Ending December 31	Revenue Bonds		Taxable General Obligation Bonds (RZEDBs)	
	Principal	Interest	Principal	Interest
2012	\$ 475,000	\$ 116,010	\$ -	\$ 73,120
2013	480,000	104,749	-	73,120
2014	500,000	93,195	-	73,120
2015	510,000	81,289	-	73,120
2016	525,000	69,090	-	73,120
2017 - 2021	2,670,000	123,810	1,665,000	199,930
Total	\$ 5,160,000	\$ 588,143	\$ 1,665,000	\$ 565,530

As part of the American Recovery and Reinvestment Act of 2009 (ARRA), Stearns County issued \$1,665,000 of Recovery Zone Economic Development Bonds (RZEDBs) which were issued to finance capital improvements under an approved capital improvement plan. The 2010B bonds are direct pay tax credit RZEDBs, in which the County will receive a payment from the federal government equal to 45 percent of the amount of interest payable on each interest payment date. The County has complied with all requirements of ARRA to be eligible for the RZEDB interest credit. The Series 2010B bonds were issued as taxable obligations that the County elected to irrevocably designate as qualified RZEDBs. The entire County has been designated as a recovery zone pursuant to a resolution adopted by the Board of Commissioners of the County on November 24, 2009.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Debt Service Requirements (Continued)

Taking into consideration the above RZEDB interest credit, as of December 31, 2011, the County's net annual debt service requirements to amortize all taxable general obligation bonds outstanding, including interest of \$311,041 on the governmental activities debt is as follows:

Year Ending December 31	Principal	Interest	Federal Subsidy	Net Interest	Total Payment
2012	\$ -	\$ 73,120	\$ 32,904	\$ 40,216	\$ 40,216
2013	-	73,120	32,904	40,216	40,216
2014	-	73,120	32,904	40,216	40,216
2015	-	73,120	32,904	40,216	40,216
2016	-	73,120	32,904	40,216	40,216
2017 - 2020	1,665,000	199,930	89,969	109,961	1,774,961
Total	<u>\$ 1,665,000</u>	<u>\$ 565,530</u>	<u>\$ 254,489</u>	<u>\$ 311,041</u>	<u>\$ 1,976,041</u>

6. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 22,045,000	\$ -	\$ 3,320,000	\$ 18,725,000	\$ 3,510,000
Taxable general obligation bonds	1,665,000	-	-	1,665,000	-
Revenue bonds payable	5,615,000	-	455,000	5,160,000	475,000
Loans payable	25,000	-	25,000	-	-
Compensated absences	7,929,990	6,761,981	6,749,564	7,942,407	6,288,004
Bond premiums	322,208	-	45,701	276,507	-
Bond discount	(1,323)	-	(1,323)	-	-
OPEB liability	1,996,748	706,564	234,615	2,468,697	-
Total Long-Term Liabilities	<u>\$ 39,597,623</u>	<u>\$ 7,468,545</u>	<u>\$ 10,828,557</u>	<u>\$ 36,237,611</u>	<u>\$ 10,273,004</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Operating Leases

The County currently has eight operating leases. The County made operating lease payments totaling \$175,596 in 2011. The following is a schedule of future minimum operating lease payments:

Year Due	Lease Payments
2012	\$ 103,791
2013	48,130
2014	14,260
2015	400
2016	400
2017	400
Total	\$ 167,381

D. Fund Balances

1. Nonspendable Fund Balance

The detail of nonspendable fund balance as of December 31, 2011 is as follows:

	General	Road and Bridge	Other Governmental Funds	Total
Nonspendable fund balance				
Inventories	\$ 1,861	\$ 1,061,122	\$ -	\$ 1,062,983
Prepays	100	-	-	100
Advances to other funds	-	-	317,070	317,070
	\$ 1,961	\$ 1,061,122	\$ 317,070	\$ 1,380,153

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

D. Fund Balances (Continued)

2. Restricted Fund Balance

The detail of restricted fund balance as of December 31, 2011 is as follows:

	General	Debt Service	Other Governmental Funds	Total
Restricted fund balance				
Recorder's technology equipment	\$ 280,151	\$ -	\$ -	\$ 280,151
Economic development	-	-	494,280	494,280
E-911	460,230	-	-	460,230
Recorder's compliance	479,606	-	-	479,606
Sheriff's contingency	456	-	-	456
Attorney's forfeited property	50,639	-	-	50,639
DWI vehicle forfeitures	116,564	-	-	116,564
Debt service	-	4,227,167	-	4,227,167
Law library	-	-	86,800	86,800
Landfill	-	-	57,339	57,339
Gravel pit closure	-	-	203,614	203,614
Regional rail authority	-	-	401,501	401,501
Ditch	-	-	120,709	120,709
HAVA grant	38,638	-	-	38,638
Sanitation	-	-	1,879,214	1,879,214
	<u>\$1,426,284</u>	<u>\$4,227,167</u>	<u>\$ 3,243,457</u>	<u>\$ 8,896,908</u>

3. Committed Fund Balance

The detail of committed fund balance as of December 31, 2011 is as follows:

	Other Governmental Funds
Committed fund balance	
Parks	\$ 529,602
County building	80,340
	<u>\$ 609,942</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

D. Fund Balances (Continued)

4. Assigned Fund Balance

The detail of assigned fund balance as of December 31, 2011 is as follows:

	General	Road and Bridge	Human Services	Capital Projects	Other Governmental Funds	Total
Assigned fund balance						
Road and bridge	\$ -	\$ 9,660,739	\$ -	\$ -	\$ -	\$ 9,660,739
Human services	-	-	15,269,788	-	-	15,269,788
K9 unit	-	-	-	-	18,337	18,337
Sheriff's equipment	-	-	-	-	8,291	8,291
Sheriff's mounted reserve	4,186	-	-	-	-	4,186
Parks contingency	-	-	-	-	181,520	181,520
Miscellaneous	-	-	-	-	177,869	177,869
Wellness activities	-	-	-	-	24,563	24,563
Capital projects	-	-	-	13,156,571	-	13,156,571
Total Assigned	<u>\$ 4,186</u>	<u>\$ 9,660,739</u>	<u>\$ 15,269,788</u>	<u>\$ 13,156,571</u>	<u>\$ 410,580</u>	<u>\$ 38,501,864</u>

E. Other Postemployment Benefits (OPEB)

Plan Description

Pursuant to Minn. Stat. § 471.61, subd. 2a, the County provides postemployment health care and dental benefits for eligible retired employees, spouses, and dependents through a single-employer defined benefit plan.

Qualified retirees are eligible to receive a postemployment benefit that reduces the monthly premium of the health care insurance coverage provided under Minn. Stat. § 471.61, subd. 2b, by \$10 per month for each year of consecutive County service up to a maximum of 20 years of consecutive County service for a period of 24 months immediately upon retirement. In order to qualify for this benefit, retirees must meet the following criteria:

- (1) 12 or more consecutive years of County service and
- (2) Meets Public Employees Retirement Association of Minnesota (PERA) requirements for retirement benefits.

Retirees that receive health care benefits from subsequent employment are no longer eligible for this benefit. Also, retirees must take any available Medicare benefits. The benefit terminates upon the death of the retiree.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

In addition, the County provides benefits for other retirees and spouses of retirees as required by Minn. Stat. § 471.61, subd. 2b. These benefits include access to the same health care and dental insurance coverage provided by the County to active employees.

The benefits are administered by the County Board of Commissioners and can be amended through its personnel manual and labor contracts. A separate benefits plan report is not issued. The activity of the plan is reported in the government-wide financial statements.

Participants

Participants of the plan consisted of the following at January 1, 2011, the date of the most recent actuarial valuation:

Active employees	810
Retired employees	40
Spouses of retirees	<u>3</u>
Total Plan Participants	<u>853</u>

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the Stearns County Board of Commissioners. The County finances the plan on a “pay-as-you-go” basis. During 2011, the County expended \$234,615 for these benefits.

For those qualified retirees that meet the criteria for a full medical insurance benefit, the County contributes 100 percent of the benefit cost. All other retirees and their spouses contribute 100 percent of the premium cost for medical and dental insurance. Since the premium is a blended rate determined on the entire active and retiree population, the retirees receive an implicit rate subsidy.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's OPEB cost for 2011, the amount actuarially contributed to the plan, and changes in the County's net OPEB obligation.

ARC	\$	738,597
Interest on net OPEB obligation		89,854
Adjustment to ARC		(121,887)

Annual OPEB cost	\$	706,564
Contributions during the year		(234,615)

Increase in net OPEB obligation	\$	471,949
Net OPEB Obligation - Beginning of Year		1,996,748

Net OPEB Obligation - End of Year	\$	2,468,697

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008, 2009, 2010, and 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 883,516	\$ 271,558	30.74%	\$ 611,958
December 31, 2009	1,041,894	300,067	28.80	1,353,785
December 31, 2010	1,030,123	387,160	37.58	1,996,748
December 31, 2011	706,564	234,615	33.21	2,468,697

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of plan assets is zero.

Actuarial accrued liability (AAL)	\$	5,753,918
Actuarial value of plan assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	5,753,918
Funded ratio (actuarial value of plan assets/AAL)		0.0%
Covered payroll (active plan members)	\$	46,584,529
UAAL as a percentage of covered payroll		12.4%

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows 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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

In the January 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return and an annual health care cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 6 years. The actuarial value of plan assets was set equal to the market value of assets. The UAAL is being amortized over 30 years on a closed group basis. The remaining amortization period at December 31, 2011, was 26 years.

F. Contract Commitments

The Road and Bridge Special Revenue Fund entered into several contract commitments for road projects which have not been completed as of December 31, 2011, totaling \$1,165,099.

4. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors 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. The County is self-insured for its health benefits plan. The County purchases commercial insurance for other risks of loss. There were no significant reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2011 and \$460,000 per claim in

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

2012. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

On February 1, 2002, the County contracted with Health Partners and Resource Training & Solutions to administer health benefits plans for its employees as provided by plans accepted from Health Partners and Blue Cross/Blue Shield, respectively. The County sets annual premiums for the plans based on the recommendation of the plan administrators and accumulates premiums collected from all participating funds in the General Fund. Claims processing is handled differently between the two plans.

Claims against the Health Partners account are processed through Health Partners, which bills the County for the actual medical costs incurred. Claims against the Blue Cross/Blue Shield account are processed through Resource Training & Solutions. At the beginning of each month, the County remits to Resource Training & Solutions the anticipated costs for that month as established by the plan in the current plan year. All costs incurred by the County for a plan year in regard to the Blue Cross/Blue Shield plan are then paid from funds collected by Resource Training & Solutions during the plan year. Changes in the balances of claims liabilities for the past two years are:

	2011	2010
Unpaid claims - January 1	\$ 1,136,000	\$ 1,111,436
Current year claims	7,181,616	6,846,529
Claim payments	(7,129,616)	(6,821,965)
Unpaid Claims - December 31	\$ 1,188,000	\$ 1,136,000

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

B. Contingent Liabilities

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

C. Joint Ventures

Stearns-Benton Employment and Training Council

The Stearns-Benton Employment and Training Council was created for the purpose of undertaking, implementing, and maintaining the programs established under the Job Training Partnership Act of 1982 and other federal and state laws and regulations governing the establishment and implementation of programs within areas governed by Stearns and Benton Counties. The Council is an organized joint venture having the duties, powers, and privileges granted joint powers by Minn. Stat. § 471.59. The Council is governed by a Joint Powers Board and a Workforce Development Council. The Joint Powers Board is composed of two Commissioners each from Stearns and Benton Counties and one Workforce Development Council member. As of June 30, 2011, the Workforce Development Council was composed of 27 members from local business, industry, agriculture, labor organizations, public or private education, and community service groups. Included in the Joint Powers Board's duties and powers is the authority to approve the Council's budget and enter into any necessary contracts or leases.

Stearns County contributed \$61,752 for its share of the Council's operating costs in 2011.

Complete financial statements of the Stearns-Benton Employment and Training Council can be obtained by writing to the administrative offices at the Minnesota Workforce Center at 1540 Northway Drive, St. Cloud, Minnesota 56303.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Northstar Corridor Development Authority

In May 1997, Stearns County entered into a joint powers agreement to create the Northstar Corridor Development Authority (NCDA) to develop the Northstar commuter rail project from St. Cloud, Minnesota to Minneapolis, Minnesota. Currently, there are 24 counties, regional rail authorities, cities, and townships that make up this agreement. State and federal grant monies, member county contributions, and the regional railroad authorities' agreement to allocate the initial contributions of capital has provided funding for the NCDA.

The NCDA Joint Powers Board, which consists of one elected official from each of the member governmental units, has the authority to make all administrative decisions regarding the Northstar commuter rail. The NCDA does not have the authority to levy taxes or issue bonds, but it can enter into contracts, and acquire, hold and dispose of real and personal property. Upon termination of the joint powers agreement, the NCDA has the authority to dispose of any property. The joint powers agreement does not authorize the NCDA to operate or finance the operations of the Northstar commuter rail.

Members pay annual dues to the NCDA. In 2011, Stearns County paid dues of \$174,680 to the NCDA; this amount is recorded as an expenditure in the Regional Rail Authority Special Revenue Fund.

Anoka County, in an agency capacity, reports the cash transactions of the NCDA as part of the County's agency fund on its financial statements. Complete financial statements for the NCDA can be obtained by writing to its administrative offices at 2100 Third Avenue, Anoka, Minnesota 55303.

The Central Minnesota Emergency Medical Services Region (CMEMSR) was established in 2001 pursuant to Minn. Stat. § 471.59, and is currently operating under a memorandum of understanding between the counties of Benton, Cass, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright.

The purpose of the CMEMSR is to improve the planning, coordination, and implementation of emergency medical services within the member counties.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Central Minnesota Emergency Medical Services Region

The CMEMSR has established a board which has general supervision over its activities. The Board consists of 14 County Commissioners, one from each of the member counties. Stearns County is the fiscal agent for the CMEMSR and reports the CMEMSR's activities in an agency fund in its financial statements.

Complete financial information can be obtained from Marion Larson, Regional EMS Coordinator, Central Minnesota Emergency Medical Services Region, Stearns County Administration Center, 705 Courthouse Square, St. Cloud, Minnesota 56303.

Central Minnesota Regional Radio Board

The Central Minnesota Regional Radio Board was established by a joint powers agreement among the City of St. Cloud and the counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright. The Joint Powers Board is comprised of one city council member from the City of St. Cloud, and one County Commissioner from each member county. The parties entered into the joint powers agreement pursuant to Minn. Stat. §§ 403.39 and 471.59, for the purpose of preparing and administering a plan which provides for the installation, operation, and maintenance of local and regional enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

Central Minnesota Regional Radio Board

The City of St. Cloud is the fiscal agent for the Central Minnesota Regional Radio Board. Financial information for the Radio Board can be obtained from St. Cloud City Hall, Finance Department, 400 Second Street South, St. Cloud, Minnesota 56301.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

D. Jointly-Governed Organization

Tri-County Solid Waste Management Commission

The Tri-County Solid Waste Management Commission was established in July 1983 by a joint powers agreement among Stearns, Benton, and Sherburne Counties to conduct a solid waste management program on behalf of the participating counties. The Commission is an organized joint venture having the duties, powers, and privileges granted joint powers by Minn. Stat. § 471.59. A Board of Directors governs the Commission. Each member county is entitled to no less than two, and no more than four, of its own County Commissioners on the Board. Population of the member counties determines how many of their County Commissioners sit on the Board. The Board of Directors is currently composed of eight members: four County Commissioners from Stearns County and two each from Benton and Sherburne Counties.

Each county's proportionate share of the net operating costs is based on the usage of the household hazardous waste facility and the solid waste picked up in each county.

The Commission will remain in existence as long as two or more counties remain as parties to the agreement. Upon dissolution of the Commission, there will be an accounting to determine assets and liabilities. The assets of the Commission will be liquidated and, after payment of liabilities, the proceeds will be distributed to the member counties in the ratio that the total contributions made by each of them bears to the sum total of contributions made by all.

Complete financial statements for the Tri-County Solid Waste Management Commission can be obtained by writing to its administrative offices at 3601 - 5th Street South, Waite Park, Minnesota 56387.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

5. Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Stearns 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).

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.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

5. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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.

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.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

5. Pension Plans

A. Defined Benefit Plans (Continued)

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.

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

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, 2011, 2010, and 2009, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Employees Retirement Fund	\$ 3,054,431	\$ 2,922,577	\$ 2,694,612
Public Employees Police and Fire Fund	605,509	614,295	580,161
Public Employees Correctional Fund	410,019	400,420	378,768

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

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

5. Pension Plans (Continued)

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,258	\$ 7,258
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies

Reporting Entity

The Housing and Redevelopment Authority (HRA) of Stearns County is a component unit of Stearns County and is reported in a separate column in the County's financial statements to emphasize that the HRA is a legally separate entity from Stearns County. The HRA operates as a public agency created by Stearns County under the Minnesota Housing and Redevelopment Authority Act of 1947. The primary purpose is to provide housing and redevelopment services to the County. The governing body consists of a five-member Board of Commissioners appointed by the Stearns County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended June 30, 2011.

Deposits and Investments

The HRA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

Minnesota statutes authorize the HRA to invest, with certain restrictions, in obligations of the U.S. Treasury, general obligations of the State of Minnesota or any of its municipalities, banker's acceptances, commercial paper, repurchase or reverse repurchase agreements, shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are obligations guaranteed by the United States or its agencies, and guaranteed investment contracts.

Investments are stated at fair value. It is the policy of the HRA to invest funds in HUD-approved securities; there are no further restrictions than those set forth by HUD.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies (Continued)

Property Taxes

The HRA annually adopts a levy and certifies it to the County for collection. The County is responsible for collecting all property taxes for the HRA. Real property taxes are paid by taxpayers of the County in two equal installments on May 15 and October 15. The County provides tax settlements to the HRA four times per year--in January, June, July, and December.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets are defined by the HRA as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. 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.

Capital assets used in operations are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	40
Improvements other than buildings	10
Furniture and equipment	10 - 30

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the HRA's policy to permit certain employees to accumulate paid time off (PTO). After an employee has successfully completed probation, an employee who leaves the employment of the HRA in good standing shall be compensated for previously credited unused PTO at the current rate of pay up to a limited amount, based on years of service. A liability of \$57,515 represents accrued PTO time unused at year-end and is recognized as expense in the year it is earned.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

B. Detailed Notes

Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the HRA's deposits and investments may not be returned or the HRA will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes, and as authorized by the HRA, the HRA maintains deposits at depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all HRA deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government body.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

B. Detailed Notes

Deposits and Investments (Continued)

At year-end, the HRA's carrying amount of deposits was \$747,604, and the bank balance was \$825,119. Of the bank balance, \$575,284 was covered by federal depository insurance, and the remaining amount was covered by pledged collateral held by the HRA's agent in the HRA's name.

Custodial Credit Risk - Investments

In accordance with the HRA's investment policy, the investment officer shall structure all investments, deposits, and repurchase agreements so that the custodial risk is categorized as either insured or registered, or securities held by the HRA or its agent in the HRA's name, or uninsured and unregistered, with securities held by the counterparty's trust department or agent in the HRA's name. All investments are placed in safekeeping at financial institutions.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The HRA's investment policy does not address concentration of credit risk; however, the HRA diversifies its investment portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The maturities selected shall provide for stability of income and reasonable liquidity.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

B. Detailed Notes

Deposits and Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and indicate associated credit risk. Minnesota statutes and HRA investment policy limit the HRA's investments to those authorized by Minnesota statute.

Loans Receivable

The following is a summary of loans receivable at June 30, 2011:

Down payment assistance loans	\$ 25,243
DEED	3,879,187
Minnesota Department of Health	50,000
Minnesota Department of Health 2	41,000
Less: allowance for forgivable loans	<u>(3,970,187)</u>
Total Loans Receivable	<u>\$ 25,243</u>

Loans have been issued by the HRA to provide mortgage or down payment assistance to County property owners. These loans are secured by property mortgages. In addition, loans are receivable from property owners who have been provided rehabilitation assistance. These loans are forgivable based on the number of years the owner lives in the rehabilitated property.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

B. Detailed Notes (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities				
Capital assets not depreciated				
Land	\$ 24,379	\$ -	\$ -	\$ 24,379
Capital assets depreciated				
Buildings	\$ 491,599	\$ -	\$ -	\$ 491,599
Machinery and equipment	50,480	-	-	50,480
Total capital assets depreciated	\$ 542,079	\$ -	\$ -	\$ 542,079
Less: accumulated depreciation for				
Buildings	\$ 61,450	\$ 12,290	\$ -	\$ 73,740
Machinery and equipment	45,309	2,969	-	48,278
Total accumulated depreciation	\$ 106,759	\$ 15,259	\$ -	\$ 122,018
Total capital assets depreciated, net	\$ 435,320	\$ (15,259)	\$ -	\$ 420,061
Governmental Activities Capital Assets, Net	\$ 459,699	\$ (15,259)	\$ -	\$ 444,440
Business-Type Activities				
Capital assets not depreciated				
Land	\$ 355,415	\$ -	\$ -	\$ 355,415
Capital assets depreciated				
Land improvements	\$ 127,155	\$ -	\$ -	\$ 127,155
Buildings	4,033,273	31,965	-	4,065,238
Machinery and equipment	201,227	-	-	201,227
Total capital assets depreciated	\$ 4,361,655	\$ 31,965	\$ -	\$ 4,393,620
Less: accumulated depreciation for				
Land improvements	\$ 60,481	\$ 4,407	\$ -	\$ 64,888
Buildings	958,571	100,900	-	1,059,471
Machinery and equipment	111,806	10,409	-	122,215
Total accumulated depreciation	\$ 1,130,858	\$ 115,716	\$ -	\$ 1,246,574
Total capital assets depreciated, net	\$ 3,230,797	\$ (83,751)	\$ -	\$ 3,147,046
Business-Type Activities Capital Assets, Net	\$ 3,586,212	\$ (83,751)	\$ -	\$ 3,502,461

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

B. Detailed Notes

Capital Assets (Continued)

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

Governmental Activities		
General government		
Housing and economic development	\$	<u>15,259</u>
Business-Type Activities		
Public housing	\$	46,935
Rental properties		48,551
Section 8 housing		2,496
The Bell		<u>17,734</u>
Total Depreciation Expense - Business-Type Activities	\$	<u>115,716</u>

Long-Term Debt

1. Housing Development Bonds

The following bonds were issued to finance the construction of rental buildings and will be repaid from rental income.

	<u>Authorized and Issued</u>	<u>Interest Rate (%)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year-End</u>
Housing Development Crossover Refunding Bonds, Series 2006	\$ 990,000	4.00 - 4.25	12/19/2006	02/01/2031	<u>\$ 905,000</u>

2. Loans and Notes

The following loans and notes are through the state's Economic Development and Housing Challenge Program used in the production of housing.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate (%)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
MHFA Loans	\$ 555,500	-	3/15/2002	05/01/2032	\$ 555,500
Bell Apartment Loan	400,000	4.38	4/28/2005	05/15/2020	269,019
Bell MHFA Note	91,369	-	2/10/2009	02/10/2014	91,369
Kimball 12 Apartment Loan	300,000	3.85	3/31/2010	03/15/2030	286,837
Kimball DEED Loan	95,173	-	6/30/2011	06/30/2016	<u>95,173</u>
Total Loans and Notes					<u>\$ 1,297,898</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

B. Detailed Notes

Long-Term Debt (Continued)

3. Debt Service Requirements

Debt service requirements at June 30, 2011, were as follows:

Year Ending June 30,	MHFA Loans		Housing Development Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 35,762	\$ 22,352	\$ 30,000	\$ 37,288
2013	37,368	20,745	30,000	36,088
2014	130,353	19,130	35,000	34,888
2015	40,669	17,444	35,000	33,488
2016	137,559	15,728	35,000	32,088
2017 - 2021	200,798	50,171	200,000	138,237
2022 - 2026	84,648	23,367	245,000	94,321
2027 - 2031	75,241	5,770	295,000	38,675
2032	555,500	-	-	-
Total	<u>\$ 1,297,898</u>	<u>\$ 174,707</u>	<u>\$ 905,000</u>	<u>\$ 445,073</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 26,674	\$ 27,416	\$ 25,621	\$ 28,469	\$ 28,469

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

B. Detailed Notes

Long-Term Debt

4. Changes in Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable					
Housing Development Crossover Refunding Bonds, Series 2006	\$ 935,000	\$ -	\$ 30,000	\$ 905,000	\$ 30,000
Loans and notes					
MHFA loan	\$ 555,500	\$ -	\$ -	\$ 555,500	\$ -
Bell Apartment loan	293,169	-	24,150	269,019	25,198
Bell MHFA note	91,369	-	-	91,369	-
Kimball 12 Apartment loan	297,026	-	10,189	286,837	10,564
Kimball 12 DEED loan	-	95,173	-	95,173	-
Total loans and notes	\$ 1,237,064	\$ 95,173	\$ 34,339	\$ 1,297,898	\$ 35,762
Compensated absences	\$ 27,162	\$ 30,496	\$ 28,612	\$ 29,046	\$ 29,046
Business-Type Activities Long-Term Liabilities	\$ 2,199,226	\$ 125,669	\$ 92,951	\$ 2,231,944	\$ 94,808

C. Defined Contribution Pension Plans

On October 1, 1998, the HRA adopted a defined contribution pension plan for all employees working at least 20 hours per week for at least five months out of the year. The employer contributes 7.00 percent annually of the employee's base rate of pay to the plan, increasing to 7.25 percent during 2011. Participating employees shall vest in employer contributions at the rate of 50 percent for each full year of continuous employment. For the fiscal years ended June 30, 2011, 2010, and 2009, employer contributions totaled \$35,467, \$33,180, and \$26,491, respectively. The plan does not issue a stand-alone financial report.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County (Continued)

D. Other Information

Risk Management

The HRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the HRA carries insurance through the Minnesota Counties Intergovernmental Trust. The HRA retains risk for the deductible portions of the insurance. The amount of these deductibles is considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The HRA's management is not aware of any incurred but not reported claims.

Joint Powers Agreement

A Joint Powers Agreement has been entered into between the Housing and Redevelopment Authorities of Carver County, Northwest Minnesota Multi-County, Olmsted County, the City of St. Cloud, Scott County, Southeastern Minnesota Multi-County, and Stearns County (the Members) pursuant to Minn. Stat. § 471.59 and chapter 462C. The purpose of this agreement is to preserve the quality of life in these jurisdictions through the maintenance provision and preservation of adequate housing stock, to encourage new housing construction, and to provide affordable housing to persons of low and moderate income.

The Members have obtained allocations of tax-exempt bonding authority to be used for issuance of qualified mortgage bonds and have previously issued certain single-family mortgage revenue refunding bonds, which they have determined to refund. The bonds shall be special limited obligations of the Members, payable solely from proceeds, revenues, and other amounts pledged thereto, and more fully described in, the indenture. The bonds and interest thereon shall neither constitute nor give rise to indebtedness; pecuniary liability; general or moral obligation; or a pledge of the faith or loan of credit of the Members, the State, or any other political subdivision thereof.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

D. Other Information (Continued)

Conduit Debt Obligations

The HRA has issued Industrial Development Notes and Public Project Revenue Bonds to finance construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and shall not constitute debt for which the full faith and credit or taxing powers of the HRA will be pledged. Neither the HRA nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2011, there were bonds outstanding with an aggregate principal payable of \$1,182,798.

E. Commitment

On June 18, 2007, the HRA entered into a development agreement with the City of Belgrade, Minnesota, for a construction project. The HRA has an obligation to the City for a portion of the bond payments, for bonds issued to finance the project. If tax increment revenue received by the City is insufficient to cover the principal and interest amounts for the applicable period, the HRA is required to pay the City a portion of the net deficiency. As of June 30, 2011, the HRA has a possible remaining principal obligation of \$130,000 plus interest at a rate of 4.050 to 4.175 percent. The final payment on the bonds is March 1, 2026.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County (Continued)

F. Capital Grant Program

The HRA receives capital grant funds from the U.S. Department of Housing and Urban Development. The following schedule reconciles the grants with the current activity:

	Grant Year		
	2009	2010	Total
Funds approved	\$ 34,869	\$ 34,752	\$ 69,621
Funds expended	34,869	34,752	69,621
Excess of Funds Approved	\$ -	\$ -	\$ -
Funds Advanced	\$ 34,869	\$ 34,752	\$ 69,621
Revenue	\$ 617	\$ 34,752	\$ 35,369

G. Subsequent Event

On September 1, 2011, the Stearns County Housing and Redevelopment Authority issued a \$380,000 promissory note to finance the purchase of a rental property in Sauk Centre.

REQUIRED SUPPLEMENTARY INFORMATION

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT A-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 32,760,526	\$ 32,760,526	\$ 32,762,067	\$ 1,541
Licenses and permits	519,500	519,500	450,991	(68,509)
Intergovernmental	9,014,132	7,908,262	9,027,204	1,118,942
Charges for services	3,397,250	3,722,286	3,922,354	200,068
Fines and forfeits	500,000	544,176	140,967	(403,209)
Gifts and contributions	-	-	2,180	2,180
Investment income	700,000	700,000	1,583,840	883,840
Miscellaneous	2,009,560	2,059,560	2,545,405	485,845
Total Revenues	\$ 48,900,968	\$ 48,214,310	\$ 50,435,008	\$ 2,220,698
Expenditures				
Current				
General government				
Commissioners	\$ 444,615	\$ 456,216	\$ 490,324	\$ (34,108)
Courts	210,000	210,000	206,355	3,645
County administration	883,939	911,506	889,619	21,887
Auditor-Treasurer	4,686,112	4,814,561	4,615,941	198,620
Assessor	1,562,632	1,549,943	1,573,078	(23,135)
Purchasing	361,071	247,680	261,038	(13,358)
Information services	2,444,608	-	25,859	(25,859)
Graphical information systems	239,890	274,947	236,836	38,111
Human resources	803,442	844,804	878,311	(33,507)
Attorney	5,842,619	5,949,463	5,776,545	172,918
Recorder	1,278,198	1,309,509	1,145,121	164,388
Maintenance	2,362,660	2,276,451	2,157,415	119,036
Veterans service officer	272,656	276,381	282,063	(5,682)
Sexual assault victims	30,000	30,000	21,525	8,475
Other general government	(394,833)	627,841	96,507	531,334
Total general government	\$ 21,027,609	\$ 19,779,302	\$ 18,656,537	\$ 1,122,765
Public safety				
Sheriff	\$ 9,512,077	\$ 9,308,606	\$ 9,309,967	\$ (1,361)
Boat and water safety	65,682	65,682	41,606	24,076
Coroner	246,011	246,011	302,698	(56,687)
E-911 system	250,000	250,000	155,695	94,305
County jail	10,649,670	10,499,871	9,827,299	672,572
Civil defense	295,539	230,983	234,628	(3,645)
Total public safety	\$ 21,018,979	\$ 20,601,153	\$ 19,871,893	\$ 729,260

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

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

*EXHIBIT A-1
(Continued)*

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

	<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	\$ 566,000	\$ 566,000	\$ 566,000	\$ -
County library	2,177,898	2,177,898	2,177,898	-
Total culture and recreation	\$ 2,743,898	\$ 2,743,898	\$ 2,743,898	\$ -
Conservation of natural resources				
County extension	\$ 393,314	\$ 388,770	\$ 369,738	\$ 19,032
Soil and water conservation	950,000	950,000	950,000	-
Agricultural society	20,000	20,000	20,000	-
Environmental services	3,023,933	3,073,042	3,344,028	(270,986)
Total conservation of natural resources	\$ 4,387,247	\$ 4,431,812	\$ 4,683,766	\$ (251,954)
Economic development				
Community development	\$ 65,281	\$ 65,281	\$ 65,273	\$ 8
Intergovernmental				
Economic development	\$ -	\$ -	\$ 639,214	\$ (639,214)
Total Expenditures	\$ 49,243,014	\$ 47,621,446	\$ 46,660,581	\$ 960,865
Excess of Revenues Over (Under) Expenditures	\$ (342,046)	\$ 592,864	\$ 3,774,427	\$ 3,181,563
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 2,703,338	\$ 2,703,338	\$ -
Transfers out	-	(3,433,313)	(3,433,313)	-
Proceeds from sale of capital assets	10,000	10,000	23,749	13,749
Total Other Financing Sources (Uses)	\$ 10,000	\$ (719,975)	\$ (706,226)	\$ 13,749
Net Change in Fund Balance	\$ (332,046)	\$ (127,111)	\$ 3,068,201	\$ 3,195,312
Fund Balance - January 1	24,565,599	24,565,599	24,565,599	-
Fund Balance - December 31	\$ 24,233,553	\$ 24,438,488	\$ 27,633,800	\$ 3,195,312

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT A-2

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,822,871	\$ 6,822,871	\$ 6,736,419	\$ (86,452)
Licenses and permits	36,000	36,000	51,462	15,462
Intergovernmental	12,296,177	24,621,915	30,547,531	5,925,616
Charges for services	1,600	1,600	8,203	6,603
Miscellaneous	18,000	18,000	42,238	24,238
Total Revenues	\$ 19,174,648	\$ 31,500,386	\$ 37,385,853	\$ 5,885,467
Expenditures				
Current				
Highways and streets				
Administration	\$ 756,682	\$ 824,148	\$ 792,170	\$ 31,978
Maintenance	5,176,106	4,961,626	4,838,330	123,296
Construction	11,072,459	23,209,524	25,454,314	(2,244,790)
Equipment maintenance and shop	2,098,819	2,094,871	2,131,057	(36,186)
Other highway and streets	-	-	1,541	(1,541)
Total highways and streets	\$ 19,104,066	\$ 31,090,169	\$ 33,217,412	\$ (2,127,243)
Conservation of natural resources				
Agricultural inspector	\$ 87,582	\$ 87,582	\$ 83,668	\$ 3,914
Intergovernmental				
Highways and streets	\$ -	\$ -	\$ 659,592	\$ (659,592)
Total Expenditures	\$ 19,191,648	\$ 31,177,751	\$ 33,960,672	\$ (2,782,921)
Excess of Revenues Over (Under)				
Expenditures	\$ (17,000)	\$ 322,635	\$ 3,425,181	\$ 3,102,546
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 83,513	\$ 83,513	\$ -
Transfers out	-	(419,348)	(419,348)	-
Proceeds from sale of capital assets	17,000	17,000	18,384	1,384
Total Other Financing Sources (Uses)	\$ 17,000	\$ (318,835)	\$ (317,451)	\$ 1,384
Net Change in Fund Balance	\$ -	\$ 3,800	\$ 3,107,730	\$ 3,103,930
Fund Balance - January 1	7,100,305	7,100,305	7,100,305	-
Increase (decrease) in inventories	-	-	513,826	513,826
Fund Balance - December 31	\$ 7,100,305	\$ 7,104,105	\$ 10,721,861	\$ 3,617,756

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

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT A-3

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 21,877,780	\$ 21,877,780	\$ 21,422,504	\$ (455,276)
Intergovernmental	18,880,128	19,759,747	19,980,033	220,286
Charges for services	1,552,223	1,592,223	1,857,458	265,235
Miscellaneous	1,208,980	1,218,980	1,612,352	393,372
Total Revenues	\$ 43,519,111	\$ 44,448,730	\$ 44,872,347	\$ 423,617
Expenditures				
Current				
Public safety				
Community corrections	\$ 7,247,319	\$ 7,079,336	\$ 7,557,504	\$ (478,168)
Human services				
Administrative services	\$ 3,670,560	\$ 3,500,239	\$ 3,468,687	\$ 31,552
Gateway services	8,082,069	7,641,877	8,056,545	(414,668)
Community support	8,816,041	8,983,133	9,386,788	(403,655)
Family and children services	6,676,573	6,451,175	6,173,725	277,450
Finance and technology	6,043,301	6,364,301	6,518,185	(153,884)
Total human services	\$ 33,288,544	\$ 32,940,725	\$ 33,603,930	\$ (663,205)
Health				
Nursing service	\$ 2,983,248	\$ 2,903,676	\$ 3,121,108	\$ (217,432)
Total Expenditures	\$ 43,519,111	\$ 42,923,737	\$ 44,282,542	\$ (1,358,805)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ 1,524,993	\$ 589,805	\$ (935,188)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 1,100,130	\$ 1,100,130	\$ -
Transfers out	-	(2,464,870)	(2,464,870)	-
Total Other Financing Sources (Uses)	\$ -	\$ (1,364,740)	\$ (1,364,740)	\$ -
Net Change in Fund Balance	\$ -	\$ 160,253	\$ (774,935)	\$ (935,188)
Fund Balance - January 1	16,044,723	16,044,723	16,044,723	-
Fund Balance - December 31	\$ 16,044,723	\$ 16,204,976	\$ 15,269,788	\$ (935,188)

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2011**

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, 2007	\$ -	\$ 6,649,905	\$ 6,649,905	0.0%	\$ 35,087,133	18.95%
January 1, 2009	-	7,975,763	7,975,763	0.0	46,357,707	17.20
January 1, 2011	-	5,753,918	5,753,918	0.0	46,584,529	12.35

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

1. Budgetary Information

Budget Policies

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, certain special revenue funds, and the Debt Service Fund. All annual appropriations lapse at fiscal year-end unless specifically carried over to the next budget year by Board action. Expenditures may not exceed budgeted appropriations at the function level within each individual fund.

Budgets can be amended or modified during the year only by the County Board, County Auditor-Treasurer, or Financial Manager. All transfers of budgeted amounts within departments (except capital outlay) can be made by the County Auditor-Treasurer or the Financial Manager. Any other transfers, appropriations, or capital outlay changes or additions require County Board approval. Additional appropriations would be allowed only to the extent that resources are currently available or attainable to cover expenditures.

Encumbrances

Encumbrance accounting, under which commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the governmental funds. Encumbrances lapse at year-end and are rebudgeted the following year.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

2. Excess of Expenditures Over Budget

The following major governmental funds had expenditures in excess of budget at the function level for the year ended December 31, 2011.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
Conservation of natural resources	\$ 4,683,766	\$ 4,431,812	\$ 251,954
Intergovernmental			
Economic development	639,214	-	639,214
Special Revenue Funds			
Road and Bridge			
Current			
Highways and streets	33,217,412	31,090,169	2,127,243
Intergovernmental			
Highways and streets	659,592	-	659,592
Human Services			
Current			
Public safety	7,557,504	7,079,336	478,168
Human services	33,603,930	32,940,725	663,205
Health	3,121,108	2,903,676	217,432
Debt Service Fund			
Debt service			
Principal	3,775,000	3,730,000	45,000

3. Other Postemployment Benefits Funded Status

Stearns County implemented the requirements of 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. Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets is zero.

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

SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,799,082	\$ 4,799,082	\$ 4,719,483	\$ (79,599)
Special assessments	-	-	59,017	59,017
Intergovernmental	222,653	222,653	226,018	3,365
Total Revenues	\$ 5,021,735	\$ 5,021,735	\$ 5,004,518	\$ (17,217)
Expenditures				
Current				
General government				
Other	\$ 100,000	\$ 100,000	\$ 17,591	\$ 82,409
Debt service				
Principal	3,730,000	3,730,000	3,775,000	(45,000)
Interest	1,191,735	1,191,735	816,450	375,285
Total Expenditures	\$ 5,021,735	\$ 5,021,735	\$ 4,609,041	\$ 412,694
Net Change in Fund Balance	\$ -	\$ -	\$ 395,477	\$ 395,477
Fund Balance - January 1	3,831,690	3,831,690	3,831,690	-
Fund Balance - December 31	\$ 3,831,690	\$ 3,831,690	\$ 4,227,167	\$ 395,477

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes.

County Building - to account for funds being accumulated for future building construction and capital acquisition. Financing is provided primarily by an annual property tax levy.

County Park - to account for the operations of the County's park system. Financing is provided primarily by an annual property tax levy and state grants.

Law Library - to account for funds used to maintain the law library. Financing is provided by the assessment of fees according to state statute.

Solid Waste - to account for revenues and expenditures related to County-wide solid waste management. Financing is provided by a County-wide solid waste management fee.

Economic Development - to account for the revenues and expenditures associated with economic development loans issued to the business community to spur growth. Financing is provided by repayments of loans originally financed by intergovernmental revenues.

Ditch - to account for the costs for maintaining County ditches. Financing is provided by special assessments against the benefited property owners.

Miscellaneous - to account for County gravel tax, missing heirs, forfeited tax sale, and other activities.

Regional Rail Authority - to account for the revenues and expenditures related to the preservation of rail right-of-ways for alternative modes of transportation. The Regional Rail Authority is governed by a five-member board and has independent taxing authority.

AGENCY FUND

Agency Fund - to account for assets held by the County as an agent for other governmental units, individuals, private organizations, or other funds.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>County Building</u>	<u>County Park</u>	<u>Law Library</u>
<u>Assets</u>			
Cash and pooled investments	\$ 94,505	\$ 504,153	\$ 99,720
Petty cash and change funds	-	1,065	-
Taxes receivable delinquent	5,382	31,696	-
Special assessments receivable			
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	-	39,794	-
Loans receivable	-	-	-
Due from other funds	-	265	-
Due from other governments	-	-	-
Advance to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 99,887</u>	<u>\$ 576,973</u>	<u>\$ 99,720</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 59	\$ 2,374	\$ 10,771
Salaries payable	-	16,495	2,149
Due to other funds	15,089	242	-
Due to other governments	-	2,564	-
Deferred revenue - unavailable	4,399	25,696	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 19,547</u>	<u>\$ 47,371</u>	<u>\$ 12,920</u>
Fund Balances			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	86,800
Committed	80,340	529,602	-
Assigned	-	-	-
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>\$ 80,340</u>	<u>\$ 529,602</u>	<u>\$ 86,800</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 99,887</u>	<u>\$ 576,973</u>	<u>\$ 99,720</u>

EXHIBIT C-1

Special Revenue Funds					
Solid Waste	Economic Development	Ditch	Miscellaneous	Regional Rail Authority	Total
\$ 1,671,533	\$ 494,912	\$ 120,709	\$ 679,841	\$ 397,494	\$ 4,062,867
-	-	-	300	-	1,365
-	-	-	-	15,174	52,252
77,166	-	7	-	-	77,173
105,718	-	488	-	-	106,206
47,941	-	-	-	-	87,735
-	269,681	-	-	-	269,681
164,896	-	-	-	-	165,161
2,896	-	-	-	-	2,896
33,500	283,570	-	-	-	317,070
\$ 2,103,650	\$ 1,048,163	\$ 121,204	\$ 680,141	\$ 412,668	\$ 5,142,406
\$ 1,638	\$ -	\$ -	\$ 8,608	\$ -	\$ 23,450
6,339	-	-	-	-	24,983
-	-	-	-	-	15,331
75	632	-	-	-	3,271
182,884	269,681	495	-	11,167	494,322
\$ 190,936	\$ 270,313	\$ 495	\$ 8,608	\$ 11,167	\$ 561,357
\$ 33,500	\$ 283,570	\$ -	\$ -	\$ -	\$ 317,070
1,879,214	494,280	120,709	260,953	401,501	3,243,457
-	-	-	-	-	609,942
-	-	-	410,580	-	410,580
\$ 1,912,714	\$ 777,850	\$ 120,709	\$ 671,533	\$ 401,501	\$ 4,581,049
\$ 2,103,650	\$ 1,048,163	\$ 121,204	\$ 680,141	\$ 412,668	\$ 5,142,406

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

	<u>County Building</u>	<u>County Park</u>	<u>Law Library</u>
Revenues			
Taxes	\$ 131,526	\$ 803,784	\$ -
Special assessments	-	-	-
Licenses and permits	-	76,077	-
Intergovernmental	6,301	314,206	-
Charges for services	-	3,898	-
Fines and forfeits	-	-	189,938
Gifts and contributions	-	4,174	-
Investment income	-	235	-
Miscellaneous	34,849	22,835	175
Total Revenues	\$ 172,676	\$ 1,225,209	\$ 190,113
Expenditures			
Current			
General government	\$ 165,018	\$ -	\$ 162,978
Public safety	15,089	-	-
Highways and streets	540	-	-
Sanitation	-	-	-
Culture and recreation	-	1,207,139	-
Conservation of natural resources	-	-	-
Economic development	-	-	-
Capital outlay			
Sanitation	-	-	-
Debt service			
Principal	-	-	-
Total Expenditures	\$ 180,647	\$ 1,207,139	\$ 162,978
Excess of Revenues Over (Under) Expenditures	\$ (7,971)	\$ 18,070	\$ 27,135
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 16,806	\$ -
Transfers out	-	(19,120)	-
Total Other Financing Sources (Uses)	\$ -	\$ (2,314)	\$ -
Net Change in Fund Balance	\$ (7,971)	\$ 15,756	\$ 27,135
Fund Balance - January 1	88,311	513,846	59,665
Fund Balance - December 31	\$ 80,340	\$ 529,602	\$ 86,800

EXHIBIT C-2

Special Revenue Funds					
Solid Waste	Economic Development	Ditch	Miscellaneous	Regional Rail Authority	Total
\$ -	\$ -	\$ -	\$ 56,844	\$ 537,721	\$ 1,529,875
687,704	-	1,880	-	-	689,584
-	-	-	-	-	76,077
-	-	-	-	37,638	358,145
596,207	-	-	-	-	600,105
-	-	-	-	-	189,938
-	-	-	150	-	4,324
8,428	3,743	-	-	-	12,406
4,101	55,610	-	307,569	-	425,139
\$ 1,296,440	\$ 59,353	\$ 1,880	\$ 364,563	\$ 575,359	\$ 3,885,593
\$ -	\$ -	\$ -	\$ 59,772	\$ -	\$ 387,768
-	-	-	-	-	15,089
-	-	-	-	-	540
466,860	-	-	-	-	466,860
-	-	-	130,759	-	1,337,898
-	-	33,234	-	-	33,234
-	150,000	-	-	175,311	325,311
3,476,288	-	-	-	-	3,476,288
-	25,000	-	-	-	25,000
\$ 3,943,148	\$ 175,000	\$ 33,234	\$ 190,531	\$ 175,311	\$ 6,067,988
\$ (2,646,708)	\$ (115,647)	\$ (31,354)	\$ 174,032	\$ 400,048	\$ (2,182,395)
\$ 1,416	\$ -	\$ -	\$ -	\$ -	\$ 18,222
-	-	-	-	-	(19,120)
\$ 1,416	\$ -	\$ -	\$ -	\$ -	\$ (898)
\$ (2,645,292)	\$ (115,647)	\$ (31,354)	\$ 174,032	\$ 400,048	\$ (2,183,293)
4,558,006	893,497	152,063	497,501	1,453	6,764,342
\$ 1,912,714	\$ 777,850	\$ 120,709	\$ 671,533	\$ 401,501	\$ 4,581,049

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 133,793	\$ 133,793	\$ 131,526	\$ (2,267)
Intergovernmental	6,207	6,207	6,301	94
Miscellaneous	-	-	34,849	34,849
Total Revenues	\$ 140,000	\$ 140,000	\$ 172,676	\$ 32,676
Expenditures				
Current				
General government	\$ 140,000	\$ 140,000	\$ 165,018	\$ (25,018)
Public safety	-	-	15,089	(15,089)
Highways and streets	-	-	540	(540)
Total Expenditures	\$ 140,000	\$ 140,000	\$ 180,647	\$ (40,647)
Net Change in Fund Balance	\$ -	\$ -	\$ (7,971)	\$ (7,971)
Fund Balance - January 1	88,311	88,311	88,311	-
Fund Balance - December 31	\$ 88,311	\$ 88,311	\$ 80,340	\$ (7,971)

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT C-4

**BUDGETARY COMPARISON SCHEDULE
COUNTY PARK SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 804,760	\$ 804,760	\$ 803,784	\$ (976)
Licenses and permits	65,000	65,000	76,077	11,077
Intergovernmental	37,337	118,431	314,206	195,775
Charges for services	-	-	3,898	3,898
Gifts and contributions	-	1,942	4,174	2,232
Investment income	-	-	235	235
Miscellaneous	-	15,501	22,835	7,334
Total Revenues	\$ 907,097	\$ 1,005,634	\$ 1,225,209	\$ 219,575
Expenditures				
Current				
Culture and recreation	\$ 907,097	\$ 1,031,819	\$ 1,207,139	\$ (175,320)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ (26,185)	\$ 18,070	\$ 44,255
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 16,806	\$ 16,806	\$ -
Transfers out	-	(19,120)	(19,120)	-
Total Other Financing Sources (Uses)	\$ -	\$ (2,314)	\$ (2,314)	\$ -
Net Change in Fund Balance	\$ -	\$ (28,499)	\$ 15,756	\$ 44,255
Fund Balance - January 1	513,846	513,846	513,846	-
Fund Balance - December 31	\$ 513,846	\$ 485,347	\$ 529,602	\$ 44,255

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT C-5

**BUDGETARY COMPARISON SCHEDULE
LAW LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 224,729	\$ 224,729	\$ 189,938	\$ (34,791)
Miscellaneous	-	-	175	175
Total Revenues	\$ 224,729	\$ 224,729	\$ 190,113	\$ (34,616)
Expenditures				
Current				
General government				
Law library	\$ 224,729	\$ 224,729	\$ 162,978	\$ 61,751
Net Change in Fund Balance	\$ -	\$ -	\$ 27,135	\$ 27,135
Fund Balance - January 1	59,665	59,665	59,665	-
Fund Balance - December 31	\$ 59,665	\$ 59,665	\$ 86,800	\$ 27,135

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT C-6

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 648,000	\$ 648,000	\$ 687,704	\$ 39,704
Charges for services	600,000	600,000	596,207	(3,793)
Investment income	-	-	8,428	8,428
Miscellaneous	10,000	10,000	4,101	(5,899)
Total Revenues	<u>\$ 1,258,000</u>	<u>\$ 1,258,000</u>	<u>\$ 1,296,440</u>	<u>\$ 38,440</u>
Expenditures				
Current				
Sanitation				
Solid waste	\$ 688,000	\$ 689,416	\$ 466,860	\$ 222,556
Capital outlay				
Sanitation	570,000	570,000	3,476,288	(2,906,288)
Total Expenditures	<u>\$ 1,258,000</u>	<u>\$ 1,259,416</u>	<u>\$ 3,943,148</u>	<u>\$ (2,683,732)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ -</u>	<u>\$ (1,416)</u>	<u>\$ (2,646,708)</u>	<u>\$ (2,645,292)</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 1,416	\$ 1,416	\$ -
Net Change in Fund Balance	\$ -	\$ -	\$ (2,645,292)	\$ (2,645,292)
Fund Balance - January 1	<u>4,558,006</u>	<u>4,558,006</u>	<u>4,558,006</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 4,558,006</u>	<u>\$ 4,558,006</u>	<u>\$ 1,912,714</u>	<u>\$ (2,645,292)</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT C-7

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ 10,000	\$ 10,000	\$ 3,743	\$ (6,257)
Miscellaneous	50,000	50,000	55,610	5,610
Total Revenues	\$ 60,000	\$ 60,000	\$ 59,353	\$ (647)
Expenditures				
Current				
Economic development				
Community development	\$ 60,000	\$ 60,000	\$ 150,000	\$ (90,000)
Debt Service				
Principal	-	-	25,000	(25,000)
Total Expenditures	\$ 60,000	\$ 60,000	\$ 175,000	\$ (115,000)
Net Change in Fund Balance	\$ -	\$ -	\$ (115,647)	\$ (115,647)
Fund Balance - January 1	893,497	893,497	893,497	-
Fund Balance - December 31	\$ 893,497	\$ 893,497	\$ 777,850	\$ (115,647)

FIDUCIARY FUND

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT D-1

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
 <u>Assets</u>				
Cash and pooled investments	\$ 4,684,683	\$ 301,826,339	\$ 301,818,133	\$ 4,692,889
 <u>Liabilities</u>				
Accounts payable	\$ 336,764	\$ 66,235	\$ 336,764	\$ 66,235
Due to other governments	4,347,919	301,760,104	301,481,369	4,626,654
Total Liabilities	\$ 4,684,683	\$ 301,826,339	\$ 301,818,133	\$ 4,692,889

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OTHER SCHEDULES

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**BALANCE SHEET - BY DITCH
(ACCRUAL BASIS)
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2011**

	Assets			
	Cash and Pooled Investments	Intrafund Advances	Special Assessments Receivable	
			Delinquent	Deferred
Judicial Ditches				
1 Grove Lake	\$ 196	\$ -	\$ -	\$ -
3	162	-	-	-
County Ditches				
4	1,443	-	-	-
8	38,180	-	-	-
9	2,100	-	-	-
17	1,872	-	-	-
28	10	-	-	-
29	8,833	-	2	-
32	59,249	8,800	5	-
37	4,006	-	-	-
50	456	-	-	-
51	4,202	-	-	488
Total	\$ 120,709	\$ 8,800	\$ 7	\$ 488
Reconcilement				
Add (Deduct)	-	(8,800)	-	-
Modified Accrual Per Exhibit C-1	\$ 120,709	\$ -	\$ 7	\$ 488

EXHIBIT E-1

<u>Total</u>	<u>Liabilities</u>			<u>Restricted Fund Balance</u>	<u>Total Liabilities and Fund Balance</u>
	<u>Deferred Revenue</u>	<u>Intrafund Advances</u>	<u>Total</u>		
\$ 196	\$ -	\$ -	\$ -	\$ 196	\$ 196
162	-	6,200	6,200	(6,038)	162
1,443	-	-	-	1,443	1,443
38,180	-	-	-	38,180	38,180
2,100	-	-	-	2,100	2,100
1,872	-	-	-	1,872	1,872
10	-	2,600	2,600	(2,590)	10
8,835	2	-	2	8,833	8,835
68,054	5	-	5	68,049	68,054
4,006	-	-	-	4,006	4,006
456	-	-	-	456	456
4,690	488	-	488	4,202	4,690
\$ 130,004	\$ 495	\$ 8,800	\$ 9,295	\$ 120,709	\$ 130,004
(8,800)	-	(8,800)	(8,800)	-	(8,800)
\$ 121,204	\$ 495	\$ -	\$ 495	\$ 120,709	\$ 121,204

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT E-2

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

Shared Revenue

State

Highway users tax	\$ 14,088,066
County program aid	6,359,846
Market value credit	3,127,215
PERA rate reimbursement	145,954
Disparity reduction aid	46,927
Police aid	420,747
Enhanced 911	232,151
	<u>232,151</u>

Total shared revenue **\$ 24,420,906**

Reimbursement for Services

Minnesota Department of Human Services	\$ 2,229,994
--	---------------------

Payments

Local

Payments in lieu of taxes	\$ 187,823
Local share of construction	2,831,152
Local grants	45,446
Household hazardous waste	18,057
	<u>18,057</u>

Total payments **\$ 3,082,478**

Grants

State

Minnesota Department/Board of	
Agriculture	\$ 810
Corrections	2,465,072
Public Safety	23,829
Transportation	72,248
Health	1,046,434
Natural Resources	232,900
Human Services	3,994,943
Veterans Affairs	20,000
Water and Soil Resources	624,794
Pollution Control Agency	388,897
Peace Officer Standards and Training Board	24,239
	<u>24,239</u>

Total state **\$ 8,894,166**

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

***EXHIBIT E-2
(Continued)***

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

Grants (Continued)

Federal

Department of	
Agriculture	\$ 1,559,405
Commerce	30,507
Housing and Urban Development	639,214
Justice	375,926
Transportation	13,297,239
Health and Human Services	8,076,927
Homeland Security	124,438

Total federal **\$ 24,103,656**

Total state and federal grants **\$ 32,997,822**

Total Intergovernmental Revenue **\$ 62,731,200**

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT E-3

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

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	\$ 601,899
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>957,506</u>
Total U.S. Department of Agriculture		<u>\$ 1,559,405</u>
U.S. Department of Commerce		
Passed Through Central Minnesota Regional Radio Board Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 30,507</u>
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	<u>\$ 639,214</u>
U.S. Department of Justice		
Direct		
State Criminal Alien Assistance Program	16.606	\$ 47,512
Bulletproof Vest Partnership Program	16.607	1,643
Edward Byrne Memorial Justice Assistance Grant Program	16.738	50,112
Congressionally Recommended Awards	16.753	100,000
Passed Through Minnesota Department of Public Safety Juvenile Accountability Block Grants	16.523	21,303
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>161,888</u>
Total U.S. Department of Justice		<u>\$ 382,458</u>
U.S. Department of Transportation		
Highway Planning and Construction Cluster Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 12,849,696
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	37,852

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**EXHIBIT E-3
(Continued)**

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Transportation (Continued)		
Highway Safety Cluster		
Passed Through City of St. Cloud		
State and Community Highway Safety	20.600	4,721
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	3,701
Passed Through Minnesota Department of Public Safety		
Safety Belt Performance Grants	20.609	10,197
Passed Through Minnesota Department of Public Safety		
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	544
Total U.S. Department of Transportation		\$ 12,906,711
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	\$ 202,455
Immunization Cluster		
Immunization Cooperative Agreements	93.268	42,084
Immunization - ARRA	93.712	2,736
PPHF 2012 National Public Health Improvement Initiative	93.507	2,500
Temporary Assistance for Needy Families (TANF) Cluster		
Temporary Assistance for Needy Families	93.558	155,623
Refugee and Entrant Assistance - Discretionary Grants	93.576	1,832
Maternal and Child Health Services Block Grant to the States	93.994	134,871
Passed Through Minnesota Department of Human Services		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	56,757
Promoting Safe and Stable Families	93.556	65,369
Temporary Assistance for Needy Families (TANF) Cluster		
Temporary Assistance for Needy Families	93.558	1,335,489
Emergency Contingency Fund for TANF State Program - ARRA	93.714	64,039
Child Support Enforcement	93.563	2,058,950
Refugee and Entrant Assistance - State-Administered Programs	93.566	1,982
Child Care Cluster		
Child Care and Development Block Grant	93.575	39,124
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	41,446
Stephanie Tubbs Jones Child Welfare Services Program	93.645	12,145
Foster Care - Title IV-E	93.658	412,977

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**EXHIBIT E-3
(Continued)**

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services (Continued)		
Social Services Block Grant	93.667	618,313
Chafee Foster Care Independence Program	93.674	7,578
Medical Assistance Program	93.778	2,812,106
Block Grants for Community Mental Health Services	93.958	4,676
Total U.S. Department of Health and Human Services		\$ 8,073,052
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 11,875
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	61,612
Homeland Security Grant Program	97.067	49,369
Passed Through West Central Emergency Management System		
Homeland Security Grant Program	97.067	1,582
Total U.S. Department of Homeland Security		\$ 124,438
Total Federal Awards		\$ 23,715,785

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Stearns County. The County's reporting entity is defined in Note 1 to the financial statements. Stearns County's financial statements include the operations of the Stearns County Housing and Redevelopment Authority (HRA) component unit, which expended \$1,149,183 in federal awards during the year ended June 30, 2011. Those expenditures are not included in the County's Schedule of Expenditures of Federal Awards because it had a separate single audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Stearns County under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office 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 Stearns County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Stearns 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 Planning and Construction Cluster	\$12,887,548
Highway Safety Cluster	18,619
Immunization Cluster	44,820
Temporary Assistance for Needy Families Cluster	1,555,151
Child Care Cluster	80,570

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

5. Subrecipients

Of the expenditures presented in the schedule, Stearns County provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	\$ 639,214

6. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 24,103,656
Grants received more than 60 days after year-end, deferred in 2011	
Highway Planning and Construction	4,671
Medical Assistance Program	36,113
Refugee and Entrant Assistance - State-Administered Programs	701
Juvenile Accountability Block Grants	6,532
Deferred in 2010, recognized as revenue in 2011	
Highway Planning and Construction	(395,199)
Medical Assistance Program	(27,885)
Foster Care - Title IV-E	(3,235)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	(9,569)
	<u> </u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 23,715,785</u>

7. 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.

**Other Information
Section**

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT F-1

TAX CAPACITY, TAX CAPACITY RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS

	2010		2011		2012	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 142,476,820		\$ 138,202,316		\$ 127,204,202	
Personal property	2,320,199		2,233,188		2,426,059	
Net Tax Capacity	<u>\$ 144,797,019</u>		<u>\$ 140,435,504</u>		<u>\$ 129,630,261</u>	
Taxes Levied for County Purposes						
General	\$ 35,962,939	21.295	\$ 36,655,911	23.450	\$ 35,977,945	24.834
Road and Bridge	7,265,795	5.227	7,001,839	5.187	7,020,172	5.628
Human Services	22,795,280	16.398	22,830,225	16.912	22,945,623	18.395
County Building	140,000	0.101	140,000	0.104	140,000	0.112
County Park	904,516	0.651	855,151	0.633	874,527	0.701
Regional Library	2,168,925	1.560	2,177,898	1.613	2,093,432	1.678
Debt Service	4,788,677	3.425	5,021,735	3.701	4,909,014	3.916
Regional Rail Authority	380,000	0.273	575,000	0.426	355,000	0.285
Economic Development Authority	-	0.000	-	0.000	25,000	0.200
Total Levy for County Purposes	<u>\$ 74,406,132</u>	<u>48.930</u>	<u>\$ 75,257,759</u>	<u>52.026</u>	<u>\$ 74,340,713</u>	<u>55.749</u>
Less Credits Payable by State	<u>6,359,846</u>		<u>5,000,000</u>		<u>5,000,000</u>	
Net Levy Certified to State	<u>\$ 68,046,286</u>		<u>\$ 70,257,759</u>		<u>\$ 69,340,713</u>	
Less Market Value Credits Payable by State	<u>4,543,320</u>		<u>4,567,960</u>		<u>495,572</u>	
Net Levy for County Purposes	<u>\$ 63,502,966</u>		<u>\$ 65,689,799</u>		<u>\$ 68,845,141</u>	
Percentage of Tax Collections for All Purposes	97.85%		98.22%		N/A	

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **No**
- 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? **No**

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

Special Supplemental Nutrition Program for Women, Infants, and Children	CFDA #10.557
Highway Planning and Construction Cluster Highway Planning and Construction	CFDA #20.205
Recreational Trails Program	CFDA #20.219

The threshold for distinguishing between Types A and B programs was \$711,474.

Stearns County qualified as low-risk auditee? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-6 Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: Several of the County's departments that collect fees lack proper segregation of duties. Offices that do not have sufficient segregation of duties include the Sheriff, Jail, Environmental Services, License Centers, and Parks. These departments generally have one staff person who is responsible for billing, collecting, recording and depositing receipts as well as reconciling bank accounts.

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

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

Recommendation: We recommend that the County's elected officials and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

Client Response:

We are aware of the problems with segregation of duties in certain areas. In many of these areas, we feel it would be cost-prohibitive to implement total segregation (cost vs. benefit). Thereby, other accounting techniques and methods are used to verify the reasonableness of these areas of concern.

07-1 Accounting Policies and Procedures Manual

Criteria: County management is responsible for developing and monitoring its internal controls. An essential element of monitoring controls includes documenting the County's accounting policies and procedures. Significant internal controls to be documented would include areas such as receipts, disbursements, payroll, capital assets, journal entries, and credit cards.

Condition: Inquiries of County management found that significant internal controls of its accounting system have not been documented. The County does not have a current and comprehensive accounting policies and procedures manual, including risk assessment and monitoring procedures.

Context: Documentation and monitoring of internal controls is necessary to determine controls are in place and operating effectively. An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. It can also help to prevent deterioration of key elements in the County's internal control system and can help to avoid circumvention of County policies.

Effect: As a result of this condition, the County's practices may not be followed as intended by management, and employees may not understand the purpose of internal controls. The lack of risk assessment and monitoring procedures increases the risk of fraud.

Cause: The County has begun the process of developing formal policies and procedures that will include monitoring. Due to limited time and resources, the County has not been able to complete this project.

Recommendation: We recommend the County Auditor-Treasurer's Office continue its efforts to develop a comprehensive accounting policies and procedures manual including documentation for the internal control systems over receipts, disbursements, payroll, capital assets, journal entries, and credit cards. The manual should be prepared by appropriate levels of management and be approved by the County Board to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which level of staff is to perform the procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support of controls.

Client's Response:

The County now has a more thorough understanding of what the financial system can do as it relates to designing internal controls through the use of the system. Thereby, the policies and procedures relative to that aspect of internal controls can now be documented.

The documentation as it relates to policies and procedures to aspects outside the areas of the financial system have a good start to them but more time will be needed to address all the departments since almost all function differently and each may have to have a special design to drafting good internal controls as it relates to the handling of cash and other accounting concerns.

PREVIOUSLY REPORTED ITEMS RESOLVED

Preparation of Financial Statements (02-1)

The County needed to broaden its participation in the preparation of its financial statements and not rely so extensively on its external auditors for financial reporting.

Resolution

For 2011, the County prepared the working trial balances, the fund level and government-wide financial statements, and related notes.

Controls over Accounting System Journal Entries (07-3)

Someone independent of the journal entry process was not adequately monitoring journal entries posted to the accounting system.

Resolution

Through an upgrade to the County's financial system at least two people are required to enter, approve, and post journal entries. Compensating controls were also implemented including the development of written policies and procedures over the monitoring of journal entries.

Preparation of the Schedule of Expenditures of Federal Awards (10-1)

The County needed to improve its system of identifying federal award information to facilitate preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Resolution

The County has improved its system of identifying federal award information and prepared the SEFA for 2011.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM RESOLVED

Energy Efficiency and Conservation Block Grant (EECBG) Program - ARRA (CFDA No. 81.128) - Davis-Bacon Act, and Procurement, Suspension, and Debarment (10-2)

The County had no documented monitoring process for determining compliance with the Davis-Bacon Act, or the procurement, suspension, and debarment requirements.

Resolution

The County did not expend federal grant dollars under the EECBG Program during 2011.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Alternative Dissemination of Bids (10-3)

The County solicited bids for numerous projects via the County website but did not simultaneously provide notice of such in the official newspaper.

Resolution

We noted no instances of noncompliance with Minnesota statutes regarding bid solicitations during the current audit.

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

Board of County Commissioners
Stearns County

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stearns County as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2012. Our report includes a reference to 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. Other auditors audited the financial statements of the Housing and Redevelopment Authority (HRA) of Stearns County, the discretely presented component unit, for the year ended June 30, 2011, as described in our report on Stearns 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

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

A deficiency in internal control 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-6 and 07-1 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* 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 study included all of the listed categories, except that we did not test for compliance in tax increment financing since the County has no tax increment financing districts of its own.

The results of our tests indicate that for the items tested, Stearns County complied with the material terms and conditions of applicable legal provisions.

Stearns County's written responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 27, 2012

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

Board of County Commissioners
Stearns County

Compliance

We have audited Stearns 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 its major federal programs for the year ended December 31, 2011. Stearns County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Stearns County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Stearns County component unit, which expended \$1,149,183 in federal awards during the year ended June 30, 2011, which are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2011. Our audit, described below, did not include the operations of the HRA of Stearns County because it was audited by other auditors.

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 Stearns County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

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

Internal Control Over Compliance

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

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 27, 2012

/s/Greg Hierlinger

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