BECKER COUNTY
DETROIT LAKES, MINNESOTA

YEAR ENDED DECEMBER 31, 2008

BECKER COUNTY
DETROIT LAKES, MINNESOTA

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INTRODUCTORY SECTION

BECKER COUNTY
DETROIT LAKES, MINNESOTA

ORGANIZATION SCHEDULE
DECEMBER 31, 2008

Office	Name	Term Expires
Commissioners		
1st District	Larry Knutson, Chair	January 2013
2nd District	Harold Salminen	January 2011
3rd District	Karen Mulari *	January 2009
4th District	John Bellefeuille	January 2011
5th District	Barry Nelson	January 2013
Officers		
Elected:		
Attorney	Mike Fritz	January 2011
Auditor-Treasurer	Ryan Tangen	January 2011
Coroner	Knute Thorsgard	January 2011
Recorder	Darlene Maneval	January 2011
Registrar of Titles	Darlene Maneval	January 2011
Sheriff	Tim Gordon	January 2011
Surveyor	Roy Smith	January 2011
Appointed:		
Administrator	Brian C. Berg	Indefinite
Assessor	Steven Skoog	January 2013
Highway Engineer	Brad Wentz	May 2009
Human Services Director	Nancy Nelson	Indefinite
Natural Resource Manager	Mark Lohmeier	Indefinite
Personnel Director	Nancy Grabanski	Indefinite
Solid Waste Officer	Steve Skoog	January 2013
Veteran Services Officer	Lauri Brooke	September 2010

* Replaced by Gerald Schram effective in January 2009.

FINANCIAL SECTION

HOFFMAN, DALE, & SWENSON, PLLC

GOVERNMENTAL AUDIT SERVICES

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

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Thief River Falls, MN 56701
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Becker County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County, Minnesota, as of and for the year ended December 31, 2008, and the business-type activities as of and for the year ended September 30, 2008, which comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sunnyside Care Center major enterprise fund as of and for the year ended September 30, 2008, which is the business-type activities of Becker County, or the Becker County Economic Development Authority which is the discretely presented component unit of Becker County. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for the Sunnyside Care Center Enterprise Fund and the Becker County Economic Development Authority component unit is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of December 31, 2008, and the Sunnyside Care Center Enterprise Fund at September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note IV, subdivision C, Other Post-Employment Benefits, Becker County has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009, on our consideration of Becker County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Becker County's basic financial statements. The introductory section and the supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Becker County. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 30, 2009

COUNTY OF BECKER
Ryan L. Tangen • County Auditor-Treasurer
P.O. Box 787 • Detroit Lakes, MN 56502-0787
Phone: 218-846-7311 • Fax: 218-846-7257
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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The management of Becker County offers readers of the County's Financial Statements this narrative overview and analysis of the financial activities of Becker County for the fiscal year ended December 31, 2008. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net assets of governmental activities are $69,008,741, of which $46,835,143 is invested in capital assets, net of related debt, $1,792,821 is restricted for specific purposes, and $20,380,777 is unrestricted. The total net assets of governmental activities decreased by $2,617,350 for the year ended December 31, 2008.

The total net assets of business-type activities are $1,272,015, of which $523,323 is invested in capital assets, net of related debt, $47,967 is restricted for capital projects, and $700,725 is unrestricted. The total net assets of business-type activities decreased by $94,444 for the year ended September 30, 2008.

At the close of 2008, the County's governmental funds reported combined ending fund balances of $22,485,391, a decrease of $4,411,815, from the prior year. Of the total fund balance amount, $2,281,635 is legally or contractually reserved, $1,852,875 is designated for specific purposes, and an additional $18,350,881 is available for spending at the County's discretion and is noted as unreserved, undesignated fund balance. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

Becker County started a 35,000 square foot expansion of its courthouse in the spring of 2007. The project also included the creation of 125 new parking spots to meet the needs of the new addition. Phase two of the construction project consists of remodeling and modifications to include a new heating and cooling system for the existing courthouse. The total estimated cost of the three part capital project is $10,400,000 to be paid in 2007 and 2008. These projects will be funded by bond proceeds and the use of $4,000,000 of unreserved undesignated fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

- Component unit—The County includes one separate legal entity in its report. The Becker County Economic Development Authority is presented in a separate column. Although legally separate, this "component unit" is important because the County is financially accountable for it.

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

Fund Financial Statements

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

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund-level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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

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

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

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 33 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by $70,280,756 at the close of 2008. The largest portion of the County's net assets (approximately 67 percent) reflects its investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, land improvements, and machinery and equipment), net of related debt used to acquire those assets. It should be noted that this amount is not available for future spending. Approximately three percent of the County's net assets are restricted and 30 percent of the County's net assets are unrestricted. The unrestricted net asset amount of $21,081,502, as of December 31, 2008, may be used to meet the County's ongoing obligations to citizens.

The County's overall financial position decreased from last year. Total assets decreased by $3,154,246 from the prior year and total liabilities decreased by $442,452 from the prior year, primarily as a result of highway infrastructure changes. During 2008 the County turned two roads over to the City of Detroit Lakes resulting in a loss on disposal of assets of about $5,000,000. Also, during 2008 about $2,300,000 of highway infrastructure was added through State Aid Regular Construction funding resulting in decreased net assets of $2,711,794.

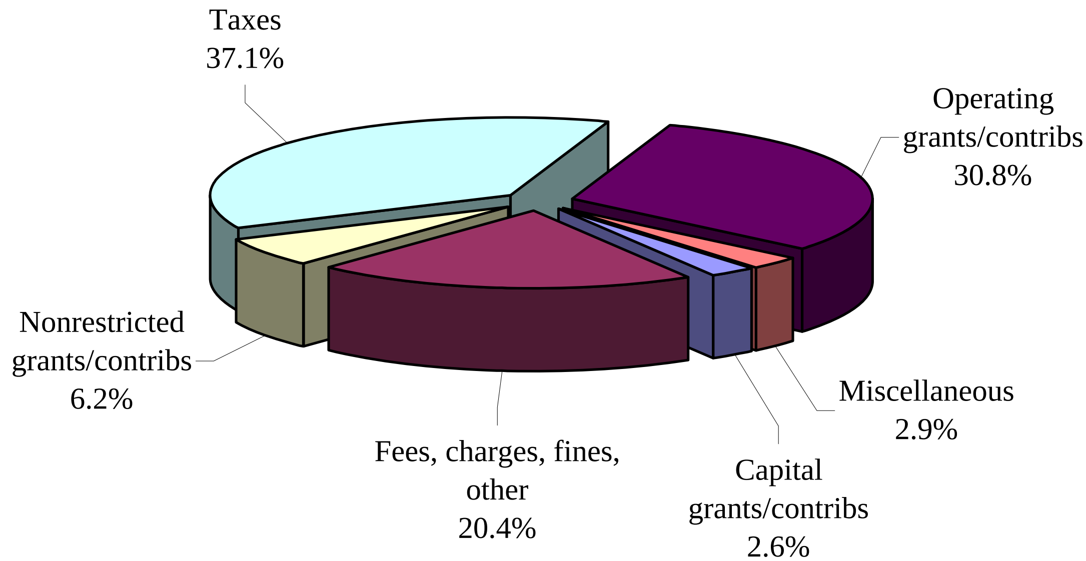
NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 26,844,415	$ 31,786,276	$ 1,077,014	$ 1,130,312	$ 27,921,429	$ 32,916,588
Capital assets	52,983,442	51,061,262	1,838,323	1,919,590	54,821,765	52,980,852
Total assets	$ 79,827,857	$ 82,847,538	$ 2,915,337	$ 3,049,902	$ 82,743,194	$ 85,897,440
Other liabilities	$ 2,550,572	$ 2,901,695	$ 196,851	$ 209,186	$ 2,747,423	$ 3,110,881
Long-term liabilities outstanding	8,268,544	8,319,752	1,446,471	1,474,257	9,715,015	9,794,009
Total liabilities	$ 10,819,116	$ 11,221,447	$ 1,643,322	$ 1,683,443	$ 12,462,438	$ 12,904,890
Net assets						
Invested in capital assets, net of related debt	$ 46,835,143	$ 44,484,613	$ 523,323	$ 577,590	$ 47,358,466	$ 45,062,203
Restricted	1,792,821	1,374,075	47,967	51,200	1,840,788	1,425,275
Unrestricted	20,380,777	25,767,403	700,725	737,669	21,081,502	26,505,072
Total net assets	$ 69,008,741	$ 71,626,091	$ 1,272,015	$ 1,366,459	$ 70,280,756	$ 72,992,550

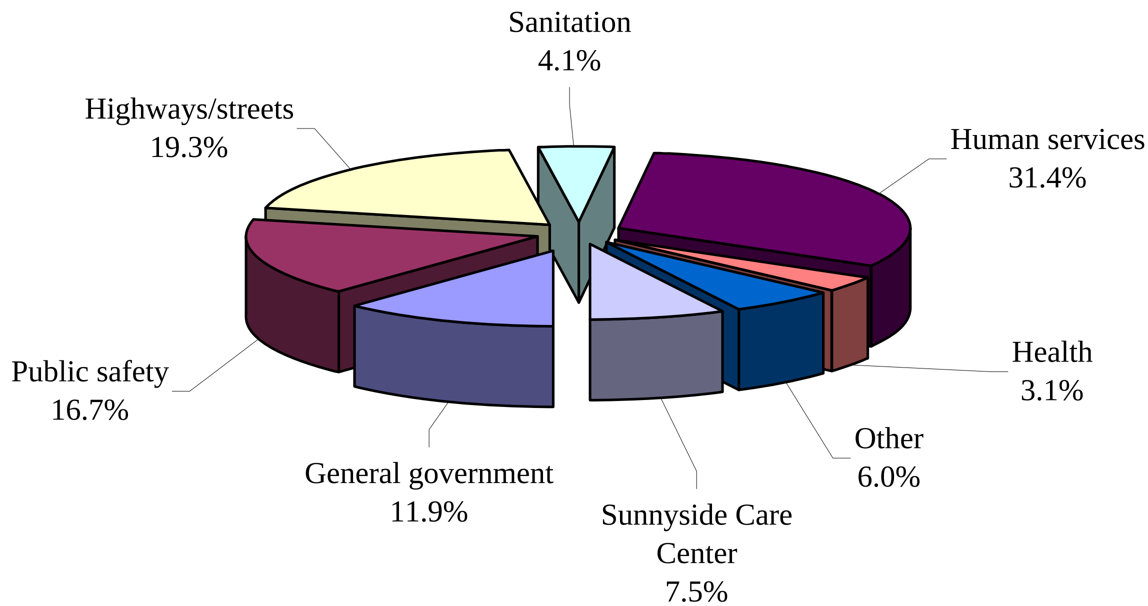
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues						
Charges for services	$ 5,770,807	$ 6,376,661	$ 2,851,402	$ 3,027,247	$ 8,622,209	$ 9,403,908
Operating grants and contributions	13,031,290	11,889,300	9,005	6,778	13,040,295	11,896,078
Capital grants and contributions	1,074,946	1,258,507	23,425	765	1,098,371	1,259,272
General Revenues and Other						
Property taxes	15,312,011	13,989,574	-	-	15,312,011	13,989,574
Other taxes	385,707	458,716	-	-	385,707	458,716
Grants and contributions not restricted to specific programs	2,629,997	3,562,602	-	-	2,629,997	3,562,602
Other general revenues	1,225,018	1,769,515	8,336	5,196	1,233,354	1,774,711
Special item	(4,987,104)	-	-	-	(4,987,104)	-
Total revenues	$ 34,442,672	$ 39,304,875	$ 2,892,168	$ 3,039,986	$ 37,334,840	$ 42,344,861
Expenses						
General government	$ 4,753,861	$ 5,449,334	$ -	$ -	$ 4,753,861	$ 5,449,334
Public safety	6,707,074	6,428,043	-	-	6,707,074	6,428,043
Highways and streets	7,727,168	6,808,368	-	-	7,727,168	6,808,368
Public transportation	473,120	704,777	-	-	473,120	704,777
Sanitation	1,658,806	1,669,953	-	-	1,658,806	1,669,953
Human services	12,575,185	12,321,070	-	-	12,575,185	12,321,070
Health	1,242,848	1,198,797	-	-	1,242,848	1,198,797
Culture and recreation	610,185	561,724	-	-	610,185	561,724
Conservation of natural resources	744,516	971,172	-	-	744,516	971,172
Economic development	140,055	125,178	-	-	140,055	125,178
Interest	427,204	189,017	-	-	427,204	189,017
Sunnyside Care Center	-	-	2,986,612	3,135,150	2,986,612	3,135,150
Total expenses	$ 37,060,022	$ 36,427,433	$ 2,986,612	$ 3,135,150	$ 40,046,634	$ 39,562,583
Increase (decrease) in net assets	$ (2,617,350)	$ 2,877,442	$ (94,444)	$ (95,164)	$ (2,711,794)	$ 2,782,278
Net assets, January 1	71,626,091	68,748,649	1,366,459	1,461,623	72,992,550	70,210,272
Net assets, December 31	$ 69,008,741	$ 71,626,091	$ 1,272,015	$ 1,366,459	$ 70,280,756	$ 72,992,550

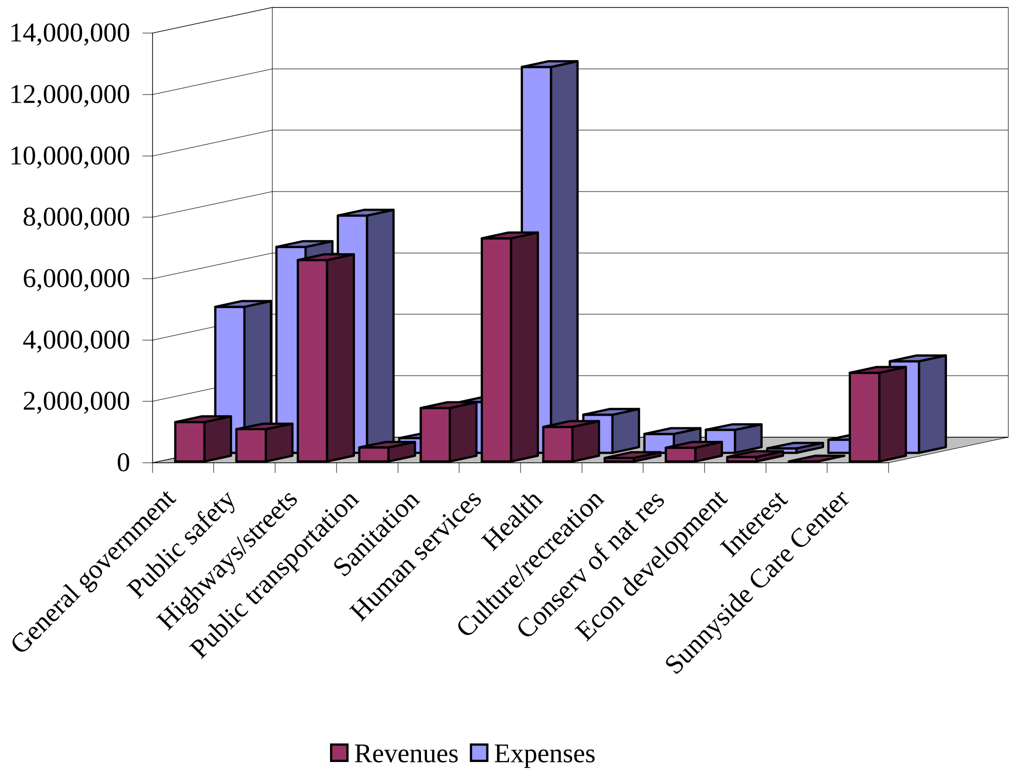
Revenues by Source



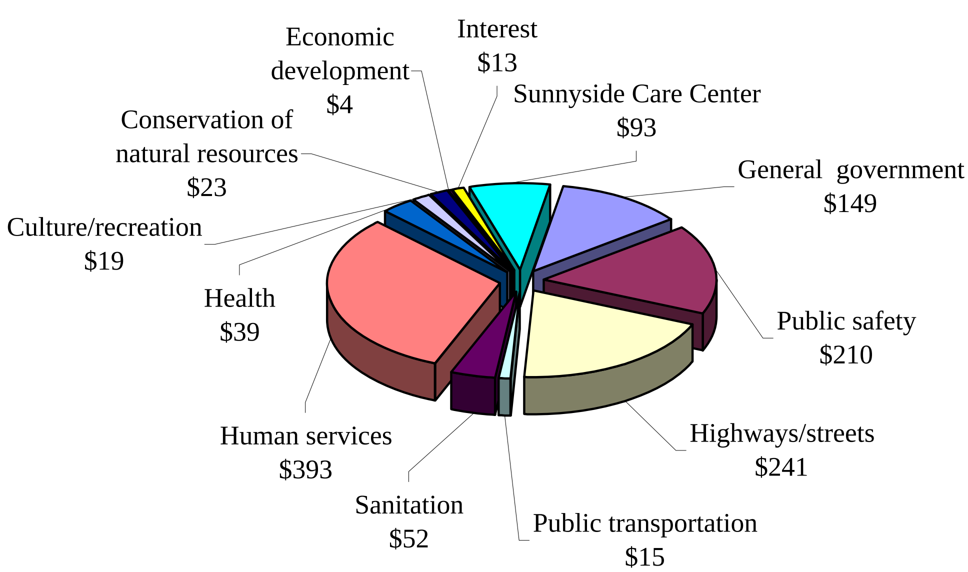
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita
32,000 Population as of 07-01-08



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

At the end of 2008, the County's governmental funds reported combined ending fund balances of $22,485,391. Of this amount, approximately 10 percent constitutes legally or contractually reserved fund balance, eight percent constitutes specifically designated fund balance, and 82 percent constitutes available unreserved, undesignated fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was $6,353,132. The General Fund's reserved fund balance was $504,473, unreserved, designated fund balance was $1,701,171, and the unreserved, undesignated fund balance was $4,147,488. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures for 2008. Unreserved fund balance represents approximately 50 percent of total General Fund expenditures, while total fund balance represents 54 percent of that same amount.

In 2008, the fund balance amount in the General Fund decreased by $5,462,434. The primary reason for this decrease of the fund balance is the courthouse building project. The $10,400,000 courthouse addition and remodeling project was funded with a $6,400,000 bond and $4,000,000 from undesignated unreserved fund balance. The bonds were issued in 2007 and shown as part of the 2007 financials. The $3,000,000 balance of the bond issuance was paid out during 2008. The depletion of the bond proceeds and the planned spend down of undesignated unreserved fund balance resulted in the decrease.

The fund balance of the Public Safety Special Revenue Fund increased $250,952 from the prior year, due primarily to greater than expected boarding of prisoner revenue and decreased expense for contractor services in the Jail budget. The boarding of prisoner revenue was greater than expected because the State Inmate Work Program continued to be located in Becker County beyond the projected program end date. The contractor services expenditures were less than expected due to a downward trend of juvenile detention cases.

The fund balance of the Road and Bridge Special Revenue Fund decreased $9,774 in 2008, due to higher than expected petroleum prices resulting in higher prices for fuel and bituminous.

The fund balance of the Human Services Special Revenue Fund increased $343,515 from the prior year, due to changes within the structure of child services. Beginning July 1, 2008 the White Earth Children's Initiative was established transferring 81 cases from Becker County to the initiative. Further structure changes included the State taking over the child care program resulting in continued revenue receipts for prior work billed and no additional expenditures. Also, at budget time significant cuts to grants for targeted case management were projected. The 2008 budget reflected minimal revenue for targeted case management but the State decided to postpone the cuts.

The fund balance of the Environmental Affairs Special Revenue Fund decreased $12,733 from the prior year, due to decreased charges for services. The downturn in the economy also resulted in decrease tipping fees.

Proprietary Fund

The Sunnyside Care Center Enterprise Fund's total operating revenues decreased $175,845 or approximately six percent, as a result of decreased resident services revenue due to decreased nursing facility occupancy. Operating expenses decreased $148,538 or approximately five percent, as a result of a decline in ancillary utilization. This combination of a decrease in operating revenues and a decrease in operating expenses yielded an operating loss of $65,775. However, when the nonoperating revenues and expenses are added to our analysis, the total change in net assets was $(94,444).

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budgets as approved for 2008.

Actual revenues were less than overall final budgeted revenues by $19,862, with the largest variance in intergovernmental revenue. Actual expenditures were less than overall final budgeted expenditures by $694,138. The largest positive variance was in general government for buildings and grounds due to the courthouse expansion project resulting in expenditures under budget by $1,011,690.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2008 and business-type activities as of September 30, 2008, amounted to $54,821,765 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately 3.5 percent. This was primarily due to the continued construction of the courthouse and the completion of various highway projects.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land	$ 1,462,220	$ 646,854	$ 2,325	$ 2,325	$ 1,464,545	$ 649,179
Right-of-Way	633,736	628,972	-	-	633,736	628,972
Construction in progress	1,232,166	4,525,151	14,876	-	1,247,042	4,525,151
Infrastructure	36,729,723	39,840,976	-	-	36,729,723	39,840,976
Buildings and improvements	10,119,919	3,589,637	1,714,192	1,794,976	11,834,111	5,384,613
Land improvements	1,116,875	356,461	17,853	19,195	1,134,728	375,656
Machinery and equipment	1,688,803	1,473,211	89,077	103,094	1,777,880	1,576,305
Total capital assets	$ 52,983,442	$ 51,061,262	$ 1,838,323	$ 1,919,590	$ 54,821,765	$ 52,980,852

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

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of $7,463,299 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General obligation bonds	$ 6,090,000	$ 6,395,000	$ 1,210,000	$ 1,230,000	$ 7,300,000	$ 7,625,000
Add: Bond premium	-	8,841	-	-	-	8,841
General obligation revenue notes	-	-	105,000	112,000	105,000	112,000
Capital leases	58,299	92,663	-	-	58,299	92,663
	$ 6,148,299	$ 6,496,504	$ 1,315,000	$ 1,342,000	$ 7,463,299	$ 7,838,504

The County's net decrease in debt of $375,205 during the fiscal year was primarily due to the repayment of debt.

Minnesota Statutes limit the amount of debt that a County may have to three percent of its total market value, excluding revenue bonds. At the end of 2008, overall debt of the County is below the three percent debt limit.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for Becker County was 9.0 percent as of December 31, 2008. This is higher than the statewide rate of 6.8 percent and the national average rate of 7.1 percent.

- Becker County's population at July 1, 2008 was 32,000, an increase of 2,000 since 2000. This ranks Becker County 33rd of 87 in the State of Minnesota.

- On December 23, 2008, Becker County set its 2008 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 1

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Primary Government			Discretely Presented
	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and pooled deposits and investments	$ 22,334,061	$ 716,346	$ 23,050,407	$ 1,601,111
Petty cash and change funds	10,350	-	10,350	-
Cash with escrow agent	-	-	-	76,631
Cash with fiscal agent	243,292	-	243,292	-
Fund deposits	9,342	-	9,342	-
Taxes receivable				
Current - net	402,351	-	402,351	4,281
Prior - net	176,617	-	176,617	2,887
Special assessments receivable				
Current - net	5,864	-	5,864	-
Prior - net	9,928	-	9,928	-
Accounts receivable - net	1,377,334	284,335	1,661,669	41,250
Accrued interest receivable	112,274	-	112,274	-
Loans receivable	-	-	-	35,000
Contract for deed receivable - current	-	-	-	38,004
Property held for resale	-	-	-	931,559
Due from other governments	1,673,147	-	1,673,147	292,005
Prepaid items	-	12,357	12,357	-
Inventories	488,814	-	488,814	-
Contract for deed receivable - noncurrent	-	-	-	1,095,902
Special assessments receivable				
Noncurrent - net	1,041	-	1,041	-
Investment in joint ventures	-	-	-	2,700
Restricted assets				
Donor-restricted assets	-	47,967	47,967	-
Resident trust funds	-	16,009	16,009	-
Capital assets -				
Non-depreciable	3,328,122	17,201	3,345,323	326,354
Depreciable - net of accumulated depreciation	49,655,320	1,821,122	51,476,442	3,856,253
Total Assets	**$ 79,827,857**	**$ 2,915,337**	**$ 82,743,194**	**$ 8,303,937**
Liabilities				
Accounts payable	$ 620,728	$ 92,931	$ 713,659	$ 150,024
Salaries payable	599,500	76,799	676,299	-
Contracts payable	616,307	-	616,307	-
Due to other governments	607,820	-	607,820	17,314
Accrued interest payable	106,217	11,112	117,329	12,834
Deferred revenue - unearned	-	-	-	33,177
Security deposits	-	-	-	11,497
Other current liabilities	-	-	-	10,709
Payable from restricted assets				
Residents trust funds	-	16,009	16,009	-
Long-term liabilities				
Due within one year	279,044	126,358	405,402	18,000
Due in more than one year	7,989,500	1,320,113	9,309,613	3,041,875
Total Liabilities	**$ 10,819,116**	**$ 1,643,322**	**$ 12,462,438**	**$ 3,295,430**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-type Activities	Total	
Net Assets				
Invested in capital assets, net of related debt	$ 46,835,143	$ 523,323	$ 47,358,466	$ 1,565,230
Resricted for				
General government	488,309	-	488,309	-
Public safety	395,439	-	395,439	-
Conservation of natural resources	247,728	-	247,728	-
Capital projects	-	47,967	47,967	-
Debt service	645,181	-	645,181	-
Minnesota housing revolving loan fund	-	-	-	1,852,727
Other purposes	16,164	-	16,164	-
Unrestricted	20,380,777	700,725	21,081,502	1,590,550
Total Net Assets	**$ 69,008,741**	**$ 1,272,015**	**$ 70,280,756**	**$ 5,008,507**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Expenses	Program Revenues: Fees, Charges, Fines and Other	Program Revenues: Operating Grants and Contributions
Functions/Programs			
Primary Government			
Governmental activities			
General government	$ 4,753,861	$ 1,113,671	$ 161,597
Public safety	6,707,074	258,631	787,340
Highways and streets	7,727,168	955,526	4,259,462
Public transportation	473,120	150,105	299,136
Sanitation	1,658,806	1,657,523	79,060
Human services	12,575,185	840,503	6,430,404
Health	1,242,848	281,268	841,172
Culture and recreation	610,185	2,105	105,589
Conservation of natural resources	744,516	373,418	67,530
Economic development	140,055	138,057	-
Interest	427,204	-	-
Total governmental activities	**$ 37,060,022**	**$ 5,770,807**	**$ 13,031,290**
Business-type activities			
Sunnyside Care Center	$ 2,986,612	$ 2,851,402	$ 9,005
Total primary government	**$ 40,046,634**	**$ 8,622,209**	**$ 13,040,295**
Component Unit			
Housing and Economic Development Authority	$ 825,635	$ 197,466	$ 614,368

General revenues and other
- Property taxes
- Gravel taxes
- Mortgage registry and deed tax
- Payments in lieu of tax
- Grants and contributions not restricted to specific programs
- Investment earnings
- Miscellaneous
- Gain (loss) on sale of capital assets
- Special item

Total general revenues and other

Change in net assets

Net assets - January 1

Net assets - December 31

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

EXHIBIT 2

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Discretely Presented
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
$ -	$ (3,478,593)	$ -	$ (3,478,593)	
-	(5,661,103)	-	(5,661,103)	
1,074,946	(1,437,234)	-	(1,437,234)	
-	(23,879)	-	(23,879)	
-	77,777	-	77,777	
-	(5,304,278)	-	(5,304,278)	
-	(120,408)	-	(120,408)	
-	(502,491)	-	(502,491)	
-	(303,568)	-	(303,568)	
-	(1,998)	-	(1,998)	
-	(427,204)	-	(427,204)	
$ 1,074,946	**$ (17,182,979)**	**$ -**	**$ (17,182,979)**	
$ 23,425	$ -	$ (102,780)	$ (102,780)	
$ 1,098,371	**$ (17,182,979)**	**$ (102,780)**	**$ (17,285,759)**	
$ 108,000				$ 94,199
	$ 15,312,011	$ -	$ 15,312,011	$ 162,109
	65,549	-	65,549	-
	33,495	-	33,495	-
	286,663	-	286,663	-
	2,629,997	-	2,629,997	14,602
	982,300	8,336	990,636	34,132
	261,273	-	261,273	10,699
	(18,555)	-	(18,555)	114,803
	(4,987,104)	-	(4,987,104)	-
	$ 14,565,629	**$ 8,336**	**$ 14,573,965**	**$ 336,345**
	$ (2,617,350)	**$ (94,444)**	**$ (2,711,794)**	**$ 430,544**
	71,626,091	**1,366,459**	**72,992,550**	**4,577,963**
	$ 69,008,741	**$ 1,272,015**	**$ 70,280,756**	**$ 5,008,507**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General Fund	Public Safety
Assets		
Cash and pooled deposits and investments	$ 6,848,810	$ 3,531,385
Petty cash and change funds	8,400	1,200
Undistributed cash in agency funds	3,308	-
Cash with fiscal agent	-	-
Fund deposits	9,342	-
Taxes receivable		
Current	51,076	138,428
Prior	27,764	58,020
Special assessments receivable		
Current	-	-
Prior	-	-
Accounts receivable	27,206	3,110
Accrued interest receivable	112,274	-
Due from other funds	37,525	1,537
Due from other governments	48,359	62,572
Inventories	-	-
Special assessments receivable		
Noncurrent	-	-
Total Assets	**$ 7,174,064**	**$ 3,796,252**
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 72,680	$ 79,512
Salaries payable	134,205	166,495
Contracts payable	508,743	-
Due to other funds	8,005	7,662
Due to other governments	37,936	67,909
Deferred revenue - unavailable	59,363	145,793
Total Liabilities	**$ 820,932**	**$ 467,371**

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

EXHIBIT 3

Special Revenue Funds: Road and Bridge	Special Revenue Funds: Human Services	Special Revenue Funds: Environmental Affairs	Other Governmental Funds (Statement A-1)	Total Governmental Funds
$ 2,004,451	$ 3,327,355	$ 5,257,758	$ 1,360,994	$ 22,330,753
300	200	250	-	10,350
-	-	-	-	3,308
-	-	-	243,292	243,292
-	-	-	-	9,342
57,846	142,077	-	12,924	402,351
25,675	63,175	-	1,983	176,617
-	-	5,864	-	5,864
-	-	9,928	-	9,928
5,633	843,177	96,526	401,682	1,377,334
-	-	-	-	112,274
128,926	-	-	71,725	239,713
681,923	880,160	133	-	1,673,147
488,814	-	-	-	488,814
1,041	-	-	-	1,041
$ 3,394,609	**$ 5,256,144**	**$ 5,370,459**	**$ 2,092,600**	**$ 27,084,128**
$ 74,350	$ 347,388	$ 34,408	$ 12,390	$ 620,728
82,731	193,664	12,672	9,733	599,500
107,564	-	-	-	616,307
-	10,567	103	213,376	239,713
2,080	401,566	1,865	96,464	607,820
434,803	934,675	13,356	326,679	1,914,669
$ 701,528	**$ 1,887,860**	**$ 62,404**	**$ 658,642**	**$ 4,598,737**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General Fund	Public Safety
Fund Balances		
Reserved for		
Missing heirs	$ 16,164	$ -
Inventories	-	-
Law library	22,311	-
Recorder's equipment	264,093	-
Enhancement	153,784	-
Debt service	-	-
Enhanced 911	-	395,439
Elections	48,121	-
Conservation of natural resources	-	-
Gravel pit closure	-	-
Unreserved		
Designated for		
DARE	-	9,846
Future expenditures	-	-
Sheriff's equipment and education	-	78,699
Sheriff's contingency - drugs and alcohol	-	5,000
Sheriff's auxiliary	-	5,657
Employee health insurance	1,606,002	-
Transit	95,169	-
Undesignated	4,147,488	2,834,240
Total Fund Balances	**$ 6,353,132**	**$ 3,328,881**
Total Liabilities and Fund Balances	**$ 7,174,064**	**$ 3,796,252**

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

EXHIBIT 3
(Continued)

Special Revenue Funds							Other Governmental Funds (Statement A-1)		Total Governmental Funds
Road and Bridge		Human Services		Environmental Affairs					
$	-	$	-	$	-	$	-	$	16,164
	488,814		-		-		-		488,814
	-		-		-		-		22,311
	-		-		-		-		264,093
	-		-		-		-		153,784
	-		-		-		645,181		645,181
	-		-		-		-		395,439
	-		-		-		-		48,121
	-		-		-		34,260		34,260
	-		-		-		213,468		213,468
	-		-		-		-		9,846
	-		-		-		52,502		52,502
	-		-		-		-		78,699
	-		-		-		-		5,000
	-		-		-		-		5,657
	-		-		-		-		1,606,002
	-		-		-		-		95,169
	2,204,267		3,368,284		5,308,055		488,547		18,350,881
$	**2,693,081**	**$**	**3,368,284**	**$**	**5,308,055**	**$**	**1,433,958**	**$**	**22,485,391**
$	**3,394,609**	**$**	**5,256,144**	**$**	**5,370,459**	**$**	**2,092,600**	**$**	**27,084,128**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)		**$ 22,485,391**
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.		52,983,442
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		1,914,669
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (6,090,000)	
Capital leases	(58,299)	
Other post employment benefits	(162,887)	
Compensated absences	(1,957,358)	
Accrued interest payable	(106,217)	(8,374,761)
Net assets of governmental activities (Exhibit 1)		**$ 69,008,741**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

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

	General Fund	Public Safety
Revenues		
Taxes	$ 2,080,303	$ 5,178,533
Special assessments	-	-
Licenses and permits	235,133	8,853
Intergovernmental	1,760,316	1,273,723
Charges for services	958,264	155,317
Fines and forfeitures	66,040	17,818
Gifts and contributions	-	2,613
Investment earnings	980,736	5,511
Miscellaneous	432,707	76,643
Total Revenues	**$ 6,513,499**	**$ 6,719,011**
Expenditures		
Current		
General government	$ 10,046,020	$ -
Public safety	-	6,468,059
Public transportation	495,260	-
Highways and streets	-	-
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	367,510	-
Conservation of natural resources	376,617	-
Economic development	136,325	-
Debt service		
Principal retirement	177,061	-
Interest	202,476	-
Total Expenditures	**$ 11,801,269**	**$ 6,468,059**
Excess of Revenues Over (Under) Expenditures	**$ (5,287,770)**	**$ 250,952**

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

EXHIBIT 5

Special Revenue Funds			Other	
Road and Bridge	Human Services	Environmental Affairs	Other Governmental Funds (Statement A-2)	Total Governmental Funds
$ 2,221,605	$ 5,318,400	$ -	$ 489,178	$ 15,288,019
3,362	-	192,272	-	195,634
12,631	-	-	-	256,617
6,365,883	7,779,547	91,170	217,405	17,488,044
145,573	-	1,405,106	2,105	2,666,365
-	-	-	-	83,858
-	-	-	-	2,613
670	-	-	894	987,811
801,198	953,981	76,891	344,409	2,685,829
$ 9,550,922	**$ 14,051,928**	**$ 1,765,439**	**$ 1,053,991**	**$ 39,654,790**
$ -	$ -	$ -	$ -	$ 10,046,020
-	-	-	-	6,468,059
-	-	-	-	495,260
9,428,969	-	-	-	9,428,969
-	-	1,693,693	-	1,693,693
-	12,465,565	-	-	12,465,565
-	1,242,848	-	-	1,242,848
-	-	-	199,173	566,683
-	-	-	362,858	739,475
-	-	-	-	136,325
15,350	-	13,953	133,000	339,364
3,262	-	526	124,965	331,229
$ 9,447,581	**$ 13,708,413**	**$ 1,708,172**	**$ 819,996**	**$ 43,953,490**
$ 103,341	**$ 343,515**	**$ 57,267**	**$ 233,995**	**$ (4,298,700)**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

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

	General Fund	Public Safety
Other Financing Sources (Uses)		
Transfers in	$ 70,000	$ -
Transfers out	(244,664)	-
Total Other Financing Sources (Uses)	**$ (174,664)**	**$ -**
Net Change in Fund Balance	**$ (5,462,434)**	**$ 250,952**
Fund Balance - January 1	**11,815,566**	**3,077,929**
Increase (decrease) in reserved for inventories	**-**	**-**
Fund Balance - December 31	**$ 6,353,132**	**$ 3,328,881**

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

EXHIBIT 5
(Continued)

Special Revenue Funds			Other Governmental Funds (Statement A-2)	Total Governmental Funds
Road and Bridge	**Human Services**	**Environmental Affairs**		
$ -	$ -	$ -	$ 244,664	$ 314,664
-	-	(70,000)	-	(314,664)
$ -	**$ -**	**$ (70,000)**	**$ 244,664**	**$ -**
$ 103,341	**$ 343,515**	**$ (12,733)**	**$ 478,659**	**$ (4,298,700)**
2,702,855	**3,024,769**	**5,320,788**	**955,299**	**26,897,206**
		-		
(113,115)	**-**	**-**	**-**	**(113,115)**
$ 2,693,081	**$ 3,368,284**	**$ 5,308,055**	**$ 1,433,958**	**$ 22,485,391**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds (Exhibit 5)		**$ (4,298,700)**
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets and infrastructure	$ 10,148,608	
Current year depreciation	(3,220,769)	6,927,839
In the statement of activities, only the gain or loss on the disposal of capital assets are reported 'whereas in the governmental funds, the proceeds from the disposal increase financial resources. Therefore the change in net assets differs from the change in fund balance by the cost of the capital assets disposed of.		(18,555)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Change in deferred revenue		(206,459)
The net value of capital assets turned over to the City of Detroit Lakes are reported as a special item in the statement of activity, but are not reported in governmental funds.		(4,987,104)
Repayment of debt principal is an expenditure in the governmental funds. but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Principal repayments		
General obligation bonds	$ 305,000	
Capital leases	34,364	339,364
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	$ 76,025	
Changes in other post employment benefits	(162,887)	
Change in compensated absences	(134,110)	
Change in the amortizational schedule	(39,648)	
Change in inventories	(113,115)	(373,735)
Change in net assets of governmental activities (Exhibit 2)		**$ (2,617,350)**

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

EXHIBIT 7

STATEMENT OF NET ASSETS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2008

Assets		
Current Assets		
Cash and pooled deposits and investments	$	716,346
Accounts receivable - net of allowance for uncollectible accounts of $5,000		284,335
Inventories		-
Prepaid items		12,357
Total Current Assets	**$**	**1,013,038**
Restricted Assets		
Donor-restricted assets	$	47,967
Resident trust funds		16,009
Total Restricted Assets	**$**	**63,976**
Noncurrent Assets		
Capital assets		
Non-depreciable	$	17,201
Depreciable - net of accumulated depreciation		1,821,122
Total Noncurrent Assets	**$**	**1,838,323**
Total Assets	**$**	**2,915,337**

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

EXHIBIT 7
(Continued)

STATEMENT OF NET ASSETS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2008

Liabilities		
Current Liabilities		
Accounts payable	$	92,931
Salaries payable		76,799
Compensated absences payable - current		99,358
General obligation revenue notes payable - current		27,000
Interest payable		11,112
Total Current Liabilities	**$**	**307,200**
Current Liabilities Payable from Restricted Assets		
Resident trust funds	$	16,009
Noncurrent Liabilities		
Compensated absences payable - long-term	$	32,113
General obligation bonds payable - long-term		1,190,000
General obligation revenue notes payable - long-term		98,000
Total Noncurrent Liabilities	**$**	**1,320,113**
Total Liabilities	**$**	**1,643,322**
Net Assets		
Invested in capital assets, net of related debt	$	523,323
Restricted for capital acquisitions		47,967
Unrestricted		700,725
Total Net Assets	**$**	**1,272,015**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Operating Revenues		
Net resident service revenue	$	2,799,700
Other operating revenue		51,702
Total Operating Revenues	**$**	**2,851,402**
Operating Expenses		
Employee benefits	$	445,662
Nursing services		1,010,462
Administration and fiscal services		338,896
Social service and activities		98,242
Ancillary services		172,369
Plant operations		173,904
Laundry and linen		47,532
Dietary		287,845
Housekeeping		80,315
Medical care surcharge		153,887
Depreciation		108,063
Total Operating Expenses	**$**	**2,917,177**
Operating Income (Loss)	**$**	**(65,775)**
Nonoperating Revenues (Expenses)		
Noncapital grants and contributions	$	9,005
Investment earnings		8,336
Interest expense		(69,435)
Total Nonoperating Revenues (Expenses)	**$**	**(52,094)**
Income (Loss) Before Contributions	**$**	**(117,869)**
Capital contributions		23,425
Change in Net Assets	**$**	**(94,444)**
Net Assets - October 1		**1,366,459**
Net Assets - September 30	**$**	**1,272,015**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities		
Receipts from customers and users	$	2,916,494
Payments to suppliers		(902,797)
Payments to employees		(1,910,850)
Net cash provided by (used in) operating activities	**$**	**102,847**
Cash Flows from Noncapital Financing Activities		
Grants and contributions	$	9,005
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	$	(11,920)
Principal paid on long-term debt		(27,000)
Interest paid on long-term debt		(69,601)
Capital grants and contributions		23,425
Net cash provided by (used in) capital and related financing activities	**$**	**(85,096)**
Cash Flows from Investing Activities		
Investment earnings received	$	8,336
Increase in restricted assets		3,233
Net cash provided by (used in) investing activities	**$**	**11,569**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**38,325**
Cash and Cash Equivalents at October 1		**678,021**
Cash and Cash Equivalents at September 30	**$**	**716,346**

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

EXHIBIT 9
(Continued)

STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008
Increase (Decrease) in Cash and Cash Equivalents

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	$	(65,775)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	108,063
Provision for bad debts		(8,174)
Changes in operating assets and liabilities		
Accounts receivable		73,266
Inventories		17,360
Prepaid items		7,252
Accounts payable		(8,067)
Accrued expenses		(21,078)
Total adjustments	**$**	**168,622**
Net cash provided by (used in) operating activities	**$**	**102,847**

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital asset purchases included in accounts payable	$	14,876

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008

	Agency (Statement C-1)
Assets	
Cash and pooled deposits	**$ 723,057**
Liabilities	
Accounts payable	$ 12,301
Due to other governments	611,950
Deferred credits	98,806
Total Liabilities	**$ 723,057**

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

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

I. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

Discretely Presented Component Unit

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

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

Joint Ventures

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

I. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

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

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

The Road and Bridge Special Revenue Fund is used to account for financial transactions of County highway operations. Financing is provided by annual tax levy, intergovernmental revenues designated for highway purposes, and charges for services.

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

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

The County reports the following major enterprise fund:

The Sunnyside Care Center Enterprise Fund is used to account for the operations of the Sunnyside Care Center. The Care Center's financial position and operations are presented as of and for the year ended September 30, 2008.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

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

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

I. Summary of Significant Accounting Policies

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

2. Cash and Pooled 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 deposits and investments are reported at their fair value at December 31, 2008, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled deposits and investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2008 were $979,649. Total investment earnings for 2008 were $996,147.

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

3. Receivables and Payables

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

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

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

4. Inventories and Prepaid Items

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

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Inventories and Prepaid Items (Continued)

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include land, right-of-way, construction in progress, infrastructure (e.g., roads, bridges, and similar items), buildings and improvements, land improvements, and machinery and equipment, are reported in the applicable government-wide financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per asset of $25,000, except all land, buildings and improvements, construction in progress, and infrastructure which are capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

I. Summary of Significant Accounting Policies

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

7. Compensated absences

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

8. Deferred Revenue

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

9. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

The County began to calculate and record a net other post-employment benefit (OPEB) obligation at December 31, 2008. The OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2008.

I. Summary of Significant Accounting Policies

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

10. Net Assets and Fund Balance

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

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

11. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget – Nonmajor Funds

As of December 31, 2008, the Parks and Recreation Special Revenue Fund had expenditures in excess of budget in the amount of $724 and the Resource Development Special Revenue Fund had expenditures in excess of budget in the amount of $33,833.

B. Land Management

The County manages approximately 74,717 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

III. Detailed Notes on All Funds

A. Assets

1. Cash and Pooled Deposits and Investments

Reconciliations of the County's total cash and pooled deposits and investments to the basic financial statements, as of December 31, 2008, are reported as follows:

Primary government	
Cash and pooled deposits and investments	$ 23,050,407
Petty cash and change funds	10,350
Cash with fiscal agent	243,292
Fund deposits	9,342
Restricted assets	
Donor-restricted assets	47,967
Resident trust funds	16,009
Fiduciary funds	
Cash and pooled deposits and investments	723,057
Component unit	
Cash and pooled deposits and investments	1,601,111
Cash with escrow agent	76,631
Total cash and investments	$ 25,778,166
Deposits	$ 3,755,095
Cash on hand	13,259
Investments	21,981,347
Change in Enterprise Funds' cash from September 30 to December 31, 2008	28,465
Total deposits, cash on hand, and investments	$ 25,778,166

Deposits

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

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

III. Detailed Notes on All Funds

A. Assets

1. Cash and Pooled Deposits and Investments (Continued)

Custodial Credit Risk

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

Investments

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

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

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

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

(4) bankers' acceptances of United States banks;

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

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

Interest Rate Risk

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

At December 31, 2008, the County had the following investments and maturities:

III. Detailed Notes on All Funds

A. Assets

1. Cash and Pooled Deposits and Investments

Interest Rate Risk (Continued)

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
Federal Home Loan Bank	$ 1,002,810	$ -	$ -	$ 1,002,810
Federal Home Loan Mortgage Corporation	3,458,540	-	2,505,695	952,845
Federal National Mortgage Association	24,512	-	1,892	22,620
Certificates of Deposit Account Registry Services (CDARS)	5,000,000	3,000,000	2,000,000	-
GE Capital Commercial Paper	999,770	999,770	-	-
Negotiable Certificates of Deposit	3,388,832	1,404,536	1,984,296	-
Minnesota Association of Governments Investing for Counties (MAGIC)	8,106,883	8,106,883	-	-
Total Investments	$ 21,981,347	$ 13,511,189	$ 6,491,883	$ 1,978,275
	100%	61%	30%	9%

Credit Risk

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

The County’s exposure to credit risk as of December 31, 2008, is as follows:

III. Detailed Notes on All Funds

A. Assets

1. Cash and Pooled Deposits and Investments

Credit Risk (Continued)

	S&P Rating	Fair Value
Federal Home Loan Bank	AAA	$ 1,002,810
Federal Home Loan Mortgage Corporation	AAA	2,307,016
Federal Home Loan Mortgage Corporation	N/R	1,151,524
Federal National Mortgage Association	N/R	24,512
Certificates of Deposits Account Registry Services (CDARS)	N/A	5,000,000
GE Capital Commercial Paper	A1+	999,770
Negotiable Certificates of Deposit	N/A	3,388,832
Minnesota Association of Governments Investing Counties (MAGIC)	N/A	8,106,883
		$ 21,981,347

N/R – not rated
N/A – not applicable

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. It is the County's policy to limit investments to the types of securities listed in Sections 6 and 9 of its Investment Policy and as prescribed by Minnesota Statute, § 118A.01 through 118A.08. At December 31, 2008, 29.1 percent of the County's investments were subject to custodial credit risk in the following amounts by issuer.

Issuer	Amount
Federal Home Loan Bank	$ 824,020
Federal Home Loan Mortgage Corporation	2,402,334
Federal National Mortgage Association	19,492
GE Capital Commercial Paper	802,008
Negotiable CDs	2,358,656
	$ 6,406,510

III. Detailed Notes on All Funds

A. Assets

1. Cash and Pooled Deposits and Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, investment pools, and mutual funds. The County's CDARS are with 59 separate financial institutions and are not exposed to concentration of credit risk. The County's negotiable certificates of deposit are with 36 separate financial institutions and are not exposed to concentration of credit risk.

Investments in any one issuer that represent five percent or more of the County's investments are with the Federal Home Loan Mortgage Corporation in the amount of $3,458,540, or 15.8 percent of total investments.

2. Receivables

Receivables as of December 31, 2008, for the County's governmental activities and as of September 30, 2008, for the County's business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 578,968	$ -
Special Assessments	16,833	1,041
Accounts	1,377,334	-
Accrued Interest	112,274	-
Due from other governments	1,673,147	-
Total Governmental Activities	$ 3,758,556	$ 1,041
Business-Type Activities		
Accounts	$ 284,335	$ -

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2008, and for the business-type activities for the year ended September 30, 2008, was as follows:

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 646,854	$ 815,366	$ -	$ 1,462,220
Right-of-way	628,972	4,764	-	633,736
Construction in progress	4,525,151	1,220,466	4,513,451	1,232,166
Total capital assets not depreciated	$ 5,800,977	$ 2,040,596	$ 4,513,451	$ 3,328,122
Capital assets being depreciated				
Infrastructure	$ 67,933,642	$ 366,924	$ 1,192,156	$ 67,108,410
Buildings and improvements	8,984,551	6,982,492	26,827	15,940,216
Land improvements	467,923	797,095	-	1,265,018
Machinery and equipment	4,572,419	683,902	151,033	5,105,288
Total capital assets being depreciated	$ 81,958,535	$ 8,830,413	$ 1,370,016	$ 89,418,932
Less: accumulated depreciation for				
Infrastructure	$ 28,092,666	$ 2,564,519	$ 278,498	$ 30,378,687
Buildings and improvements	5,394,914	433,655	8,272	5,820,297
Land improvements	111,462	36,681	-	148,143
Machinery and equipment	3,099,208	468,310	151,033	3,416,485
Total accumulated depreciation	$ 36,698,250	$ 3,503,165	$ 437,803	$ 39,763,612
Total capital assets, depreciated, net	$ 45,260,285	$ 5,327,248	$ 932,213	$ 49,655,320
Governmental Activities Capital Assets, Net	$ 51,061,262	$ 7,367,844	$ 5,445,664	$ 52,983,442

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 2,325	$ -	$ -	$ 2,325
Construction in progress	-	14,876	-	14,876
Total capital assets not depreciated	$ 2,325	$ 14,876	$ -	$ 17,201
Capital assets being depreciated				
Buildings and improvements	$ 2,566,022	$ 2,704	$ -	$ 2,568,726
Land improvements	149,767	-	-	149,767
Machinery and equipment	433,780	9,217	-	442,997
Total capital assets being depreciated	$ 3,149,569	$ 11,921	$ -	$ 3,161,490
Less: accumulated depreciation for				
Buildings and improvements	$ 771,046	$ 83,488	$ -	$ 854,534
Land improvements	130,572	1,342	-	131,914
Machinery and equipment	330,686	23,234	-	353,920
Total accumulated depreciation	$ 1,232,304	$ 108,064	$ -	$ 1,340,368
Total capital assets, depreciated, net	$ 1,917,265	$ (96,143)	$ -	$ 1,821,122
Business-Type Activities Capital Assets, Net	$ 1,919,590	$ (81,267)	$ -	$ 1,838,323

Depreciation Expense

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

Governmental Activites	
General government	$ 403,173
Public safety	165,168
Highways and streets, including depreciation of infrastructure assets	2,789,622
Public transportation	32,938
Sanitation	50,581
Human services	14,370
Culture and recreation	43,501
Conservation of natural resources	659
Economic development	3,153
Total Depreciation Expense - Governmental Activities	$ 3,503,165
Business-Type Activities	
Sunnyside Care Center	$ 108,064

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Construction Commitments

The County has active construction commitments as of December 31, 2008, in the amount of $297,587 for general government – courthouse addition, with $7,104,289 spent-to-date on the projects.

Construction commitments are being financed by County taxes and intergovernmental revenue from local, state, and federal agencies.

B. Interfund Receivables, Payables, and Transfers

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

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Human Services SRF	$ 8,835	Charges for services
	Other Governmental	28,690	Forfeited tax sale proceeds
Total Due to General Fund		$ 37,525	
Public Safety Special Revenue Fund	Human Services SRF	$ 1,537	Charges for services
Road and Bridge Special Revenue Fund	General Fund	$ 8,005	Charges for services
	Public Safety SRF	7,662	Charges for services
	Human Services SRF	195	Charges for services
	Environmental Affairs SRF	$ 103	Charges for services
	Other Governmental	112,961	Gravel tax and charges for services
Total Due to Road and Bridge Special Revenue Fund		$ 128,926	
Other Governmental	Other Governmental	$ 71,725	Forfeited tax sale proceeds
Total Due To/From Other Funds		$ 239,713	

III. Detailed Notes on All Funds

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

Interfund Transfers

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

Transfer to General Fund from Environment Affairs Special Revenue Fund	$ 70,000	Administrative charges for services
Transfer to Other Governmental from General Fund	244,664	Bond contingency reserve
Total Interfund Transfers	$ 314,664	

C. Liabilities

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of December 31, 2008, governmental funds reported the following various components of deferred unavailable revenue:

	Deferred Unavailable
Taxes	$ 430,954
Special Assessments	14,397
Contracts	316,232
Grants	1,153,086
Total Deferred Revenue	$ 1,914,669

Compensated Absences

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

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately $881,112 at December 31, 2008, is available to employees in the event of illness-related absences and is not paid to them at termination.

III. Detailed Notes on All Funds

C. Liabilities (Continued)

Leases

Operating Leases

The County leases space under noncancelable operating leases. Total costs for such leases were $785,071 for the year ended December 31, 2008. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2009	$ 143,160
2010	143,160
2011	143,160
2012	143,160
2013	143,160
2014	69,271
Total	$ 785,071

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The capital leases consist of the following at December 31, 2008:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental Activities					
2005 Postage machine	2010	Annual	$ 5,842	$ 23,517	$ 6,013
2005 Landfill loader	2009	Annual	2,413	52,135	2,397
2007 Loader	2011	Annual	18,612	83,851	49,889
Less: Accumulated depreciation				(70,275)	-
Total Governmental Activities Capital Leases				$ 89,228	$ 58,299

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2008, were as follows:

III. Detailed Notes on All Funds

C. Liabilities

Leases

Capital Leases (Continued)

Year Ending December 31	Governmental Activities
2009	$ 26,867
2010	19,099
2011	18,612
Total minimum lease payments	$ 64,578
Less amount representing interest	(6,279)
Present Value of Minimum Lease Payments	$ 58,299

Long-Term Debt

Governmental Activities

	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2008
G.O. Courthouse Expansion Bonds of 2007	2027	$255,000-$435,000	3.5028	$ 6,395,000	$ 6,090,000

Business-Type Activities

	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance September 30, 2007
2004 G.O. Nursing Home Bonds	2034	$20,000-$90,000	5.00-5.65	$ 1,250,000	$ 1,210,000
2004 G.O. Revenue Note	2022	$7,000-$8,000	1.68	135,430	105,000
					$ 1,315,000

Debt Service Requirements

Debt service requirements at December 31, 2008, for governmental activities and September 30, 2008, for business-type activities were as follows:

III. Detailed Notes on All Funds

C. Liabilities

Debt Service Requirements (Continued)

Governmental Activities

Year Ending December 31	Principal	Interest
2009	$ 255,000	$ 244,831
2010	265,000	234,431
2011	275,000	223,631
2012	285,000	212,431
2013	250,000	201,731
2014-2018	1,400,000	847,657
2019-2023	1,710,000	534,422
2024-2027	1,650,000	143,438
Total	$ 6,090,000	$ 2,642,572

Business-Type Activities

Year Ending December 31	Principal	Interest
2009	$ 27,000	$ 67,934
2010	32,000	66,691
2011	32,000	65,324
2012	32,000	63,956
2013	32,000	62,589
2014-2018	193,000	287,916
2019-2023	232,000	236,419
2024-2028	270,000	170,556
2029-2033	375,000	81,219
2034	90,000	2,543
Total	$ 1,315,000	$ 1,105,147

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2008, and for the business-type activities for the year ended September 30, 2008, was as follows:

III. Detailed Notes on All Funds

C. Liabilities

Changes in Long-Term Liabilities (Continued)

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 6,395,000	$ -	$ 305,000	$ 6,090,000	$ 255,000
Add: Bond premium	8,841		8,841	-	-
Capital leases	92,663	-	34,364	58,299	24,044
Net OPEB Payable	-	224,922	62,035	162,887	-
Compensated Absences	1,823,248	1,303,044	1,168,934	1,957,358	-
Governmental Activities Long-Term Liabilities	$ 8,319,752	$ 1,527,966	$ 1,579,174	$ 8,268,544	$ 279,044

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 1,230,000	$ -	$ 20,000	$ 1,210,000	$ 20,000
General obligation revenue notes	112,000	-	7,000	105,000	7,000
Compensated Absences	132,257	-	786	131,471	99,358
Business-Type Activities Long-Term Liabilities	$ 1,474,257	$ -	$ 27,786	$ 1,446,471	$ 126,358

IV. Pension Plans

A. Defined Benefits Plans

Plan Description

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

IV. Pension Plans

A. Defined Benefits Plans

Plan Description (Continued)

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

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

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

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

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

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

IV. Pension Plans

A. Defined Benefits Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.60 percent of their annual covered salary in 2008. That rate increased to 9.40 percent in 2009. 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 2008 and 2009:

	2008	2009
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

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

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2008	$ 710,596	$ 193,775	$ 94,208
2007	654,662	170,997	90,653
2006	586,617	139,150	82,774

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

B. Defined Contribution Plan

Five eligible elected officials of Becker County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minnesota Statute, Chapter 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

IV. Pension Plans

B. Defined Contribution Plan (Continued)

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

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

	Employee	Employer
Contribution amount	$ 6,910	$ 6,910
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Post-Employment Benefits – (OPEB)

Beginning in 2008, Becker County implemented Governmental Accounting Standards Board (GASB), Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.*

This statement required the County to calculate and record a net other post-employment benefit (OPEB) obligation at December 31, 2008. The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2008.

Plan Description

Becker County provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides for retirees by Minnesota Statute § 471.61, subdivision 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Becker County Board of Commissioners. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This post-employment benefit is funded on a pay-as-you-go basis usually paying retiree benefits out of the General Fund. For 2008, there were approximately 252 participants in the plan, including 13 retirees.

IV. Pension Plans

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	$	224,922
Interest on net OPEB obligation		-
Adjustments to Annual Required Contribution		-
Annual OPEB cost (expense)	$	224,922
Contributions made		(62,035)
Increase in net OPEB obligation	$	162,887
Net OPEB Obligation - January 1, 2008		-
Net OPEB Obligation - December 31, 2008	$	162,887

The County's annual OPEB cost for December 31, 2008, was $224,922. The percentage of annual OPEB cost contributed to the plan was 27.6 percent, and the net OPEB obligation for 2008 was $162,887. Trend information for the previous two years is not available at this time based on the implementation date of December 31, 2008.

Fund Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was $1,571,170, and the actuarial value of assets was zero, resulting in an unfunded actuarial liability (UAAL) of $1,571,170. The covered payroll (annual payroll of active employees covered by the plan) was $10,744,917, and the ratio of the UAAL to the covered payroll was 14.62 percent.

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

IV. Pension Plans

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Becker County's implicit rate of return on the General Fund. The annual healthcare cost trend is 9.0 percent initially reduced by decrements to an ultimate rate of 5.0 percent over eight years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2008, was 29 years.

V. Summary of Significant Contingencies and Other Items

A. Special Item

In 2008, Becker County turned over County Roads 24 and 53 to the City of Detroit Lakes. The transfer was a plan to redistribute county state aid highway road miles from urban to rural to lower the maintenance expenses. The roads had an undepreciated value of $4,987,104 which was reported as a special item on the financial statements.

B. Contingent Liabilities

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

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

C. Management Agreement

The Sunnyside Care Center is managed by Ecumen Services, Inc. The Care Center is under a three-year agreement, which expires August 15, 2009. The monthly management fee is 3.0 percent of annual operating revenues. Management fees for the year ending September 30, 2008 amounted to $85,032. Certain employees of Ecumen perform services for the Care Center. The Care Center had unpaid amounts pertaining to the above transactions at September 30, 2008 amounting to $15,076.

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

D. Risk Management

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

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

The Property and Casualty Division of MCIT is self-sustaining and the County pays an annual premium to cover current and future losses. 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.

E. Joint Ventures

Becker County Children's Initiative

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

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

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

The BCCI has no long-term debt. Financing is provided by state and federal grants, appropriations from joint powers members, and miscellaneous revenues. In 2008, Becker County was not required to make a contribution to the BCCI. Separate financial information can be obtained from the Becker County Children's Initiative, P.O. Box 24, Detroit Lakes, Minnesota 56502-0024.

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures (Continued)

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

The HSEM Region 3 Emergency Managers Joint Powers Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, § 471.59 and Minnesota Statutes, Chapter 12. Members include Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties. The purpose of the HSEM Region 3 Emergency Managers Joint Powers Board is to engage in planning, training, and/or the purchase of equipment in order to better respond to emergencies and natural and other disasters within HSEM Region 3; specifically within the jurisdictional boundaries of the member counties.

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

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

Northwest Minnesota Regional Radio Board

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

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

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by annual contributions from members, reflective of the extent of participation and use of services. Becker County did not contribute to the Northwest Regional Radio Board for the year ended December 31, 2008. Complete financial information can be obtained from Greater Northwest Emergency Medical Services, 2301 Johanneson Avenue NW, Suite 103, Bemidji, Minnesota 56601.

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures (Continued)

Northwestern Counties Data Processing Security Association

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

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

The Northwestern Counties Data Processing Security Association has no long-term debt. Financing is provided by state grants and appropriations from member counties when needed. Becker County contributed $1,000 to the Association for the year ended December 31, 2008. Lake of the Woods County, in an agent capacity, reports the cash transactions of the Association as an agency fund on its financial statements. Complete financial information can be obtained from the Lake of the Woods County Auditor's Office, 206 8th Avenue SE, Suite 260, Baudette, MN 56623.

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1982, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in the carrying out of this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county. In 2008, Becker County paid $4,511 to the West Central Area Agency on Aging as its share of the 2008 assessment.

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

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

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures (Continued)

West Central Drug Task Force

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

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

Beginning January 1, 2004, Douglas County became the fiscal agent for the Task Force. Financing and equipment will be provided by the full-time a8.

F. Related Organizations

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

G. Jointly-Governed Organizations

Becker County Airport Commission

Becker County and the City of Detroit Lakes created the Becker County Airport commission. The County and the City each appoint two members to the Commission. The County and the City alternately appoint the fifth Commission member for a three-year term. The Commission is reported as a special revenue fund in the financial statements of City of Detroit Lakes. The County appropriated $24,250 for airport operations in 2008.

District IV Transportation Planning

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

V. Summary of Significant Contingencies and Other Items

G. Jointly-Governed Organizations (Continued)

Lake Agassiz Regional Library

The Lake Agassiz Regional Library, a consolidated public library system serving over 134,228 residents, was formed in 1961 pursuant to Minnesota Statutes, §§ 134.20 and 471.59, and includes the counties of Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin, as well as the cities of Breckenridge, Crookston, Detroit Lakes, Mahnomen, and Moorhead. Control of the Library is vested in the Lake Agassiz Regional Library Board of trustees which is composed of 23 individuals who represent 12 signatory entities. Becker County appropriated $282,999 to the Lake Agassiz Regional Library for the year ended December 31, 2008.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake, Lake of the Woods, Mahnomen, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee which is composed of ten directors, each with an alternate, who are appointed annually by each respective county board. The County did not contribute to the Caucus for the year ended December 31, 2008.

Western Area City/County Co-Op

Becker County and 24 other cities and counties created the Western Area City/County Co-Op (WACCO). Each member of WACCO is authorized to appoint one member to the Board of Directors. The County paid $5,000 in dues during 2008.

Wild Rice Watershed District

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

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

The Becker County Economic Development Authority's (EDA) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2008, and include the financial statements of the Housing Department for the year ended June 30, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the EDA has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the EDA has chosen not to do so. The more significant accounting policies established in GAAP and used by the EDA are discussed below.

1. Financial Reporting Entity

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

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

2. Basic Financial Statements

Government-Wide Statements

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

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

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

2. Basic Financial Statements

Government-Wide Statements (Continued)

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

Fund Financial Statements

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

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

The EDA reports the following major governmental fund:

The General Fund is the EDA's primary operating fund. It accounts for all financial resources of the EDA, except those required to be accounted for in another fund.

The EDA reports the following major enterprise funds:

The EDA Activities Fund is used to account for the operations of buildings the EDA built and is leasing out. This fund has a December 31 year-end.

The Housing Department Fund is used to account for the operations of the EDA's housing department. This fund has a June 30 year-end and accounts for all the EDA's federal expenditures.

3. Measurement Focus and Basis of Accounting

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

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

3. Measurement Focus and Basis of Accounting (Continued)

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

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

4. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

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

Receivables and Payables

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

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

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

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

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

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

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

Property Held for Resale

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the EDA as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

Deferred Revenue

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

Long-Term Obligations

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

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Assets or Equity

Long-Term Obligations (Continued)

In the governmental fund financial statements, the face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

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

Use of Estimates

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

Prior Year Information

5. The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2007, from which the partial information was derived.

B. Detailed Notes on All Funds

1. Assets

Cash and Pooled Deposits

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

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets

Cash and Pooled Deposits (Continued)

Governmental activities	$	487,490
Business-type activities		1,113,621
Total Cash and Pooled Deposits	$	1,601,111

Deposits

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

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

Custodial Credit Risk

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

Investments

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

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

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

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets

Investments (Continued)

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

(4) bankers' acceptances of United States banks;

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

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

During the year ended December 31, 2008, the EDA had no investments.

Receivables

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

Loans Receivable—Governmental Activities

Loans receivable consist of cash loans to private enterprises or nonprofit organizations. The following is a summary of changes in loans receivable for the year ended December 31, 2008:

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

Contract for Deed—Business-Type Activities

The following is a summary of contracts for deed receivable resulting from the sale of Minnesota Urban and Rural Homesteading (MURL) homes to individuals for the year ended June 30, 2008:

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets

Contract for Deed—Business-Type Activities (Continued)

Balance - July 1, 2007	$	1,170,242
New loans		-
Payments		(36,336)
Canceled contracts		-
Balance - June 30, 2008		1,133,906
Less: current portion		(38,004)
Long-Term Portion	$	1,095,902

Contract for Deed	Date	Interest Rates (%)	Due Date	Monthly Payment	Balance June 30
Patty Sweeney	October 1, 1999	-	October 1, 2014	$ 279	$ 59,030
Lee Ward	February 1, 2000	-	January 1, 2015	165	60,881
Cynthia Burton	March 1, 2001	-	March 1, 2021	189	76,226
Michael Steffl	September 1, 2002	-	September 1, 2017	356	51,583
Katrina Albrecht	May 1, 2003	-	May 1, 2028	207	79,550
Sean Grove and Amy Olson	June 1, 2004	-	June 1, 2024	349	76,990
Anthony and Angela Sieling	July 1, 2004	-	July 1. 2029	199	86,359
Kim Steward and Randy Heinen	September 1, 2004	-	September 1, 2020	177	80,757
Robert Goodrich	August 1, 2004	-	August 1, 2022	270	67,591
Jamie Johnson and Ryan Evans	June 1, 2005	-	May 31, 2020	25	78,004
Felicia Johnson	December 1, 2005	-	December 1, 2035	187	80,749
Melissa Pearson	February 1, 2007	-	February 1, 2033	375	83,725
Dennis and Lori Krasovich	December 1, 2006	-	December 1, 2031	190	133,331
Michelle Skramstad	February 1, 2007	-	February 1, 2032	199	119,130
Total					$ 1,133,906

Capital Assets

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

EDA Business-Type Activities as of and for the year ending December 31, 2008:

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 158,354	$ -	$ -	$ 158,354
Construction in progress	298,857	-	298,857	-
Total capital assets not depreciated	$ 457,211	$ -	$ 298,857	$ 158,354
Capital assets being depreciated				
Buildings	$ 344,273	$ 1,573,040	$ -	$ 1,917,313
Equipment	-	106,665	-	106,665
Total capital assets being depreciated	$ 344,273	$ 1,679,705	$ -	$ 2,023,978
Less: accumulated depreciation for				
Buildings	22,895	8,607	-	31,502
Total capital assets, depreciated, net	$ 321,378	$ 1,671,098	$ -	$ 1,992,476
Capital Assets, Net	$ 778,589	$ 1,671,098	$ 298,857	$ 2,150,830

Housing Business-Type Activities as of and for the year ending June 30, 2008:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 178,000	$ -	$ 10,000	$ 168,000
Capital assets being depreciated				
Buildings	$ 2,549,877	$ 142,455	$ 147,488	$ 2,544,844
Machinery, furniture, and equipment	101,216	2,872	1,101	102,987
Total capital assets being depreciated	$ 2,651,093	$ 145,327	$ 148,589	$ 2,647,831
Less: accumulated depreciation for				
Buildings	$ 694,990	$ 52,542	$ 61,143	$ 686,389
Machinery, furniture, and equipment	96,741	2,027	1,101	97,667
Total accumulated depreciation	$ 791,731	$ 54,569	$ 62,244	$ 784,056
Total capital assets, depreciated, net	$ 1,859,362	$ 90,758	$ 86,345	$ 1,863,775
Capital Assets, Net	$ 2,037,362	$ 90,758	$ 96,345	$ 2,031,775

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

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

EDA Business-Type Activities		
Becker Workshop	$	4,850
Group Home		3,757
Total Depreciation Expense - EDA	$	8,607
Housing Business-Type Activities		
Public housing	$	46,946
Other housing		7,623
Total Depreciation Expense - Housing	$	54,569

2. Interfund Payables

Due To/From Other Funds

Business-Type Activities

Receivable Entity	Payable Entity		Amount
EDA – General Fund	EDA – Activities Enterprise Fund	$	3,777
EDA – General Fund	Housing – Activity Enterprise Fund		90,000

The interfund borrowing between the EDA General and Enterprise Funds has to do with cash balances between checking and investment. The interfund borrowing between EDA General and EDA Housing was to repay GMHF loan, which will be repaid when the house for sale sells.

3. Related Party Payables

Becker County EDA is a component unit of Becker County and purchases employee services from Becker County. For the year ended December 31, 2008, the EDA paid the County $138,056 from the EDA programs and $220,184 from housing programs.

4. Liabilities

Payables

There were no payables at December 31, 2008, for governmental activities. Payables at June 30, 2008, for business-type activities were as follows:

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Payables (Continued)

	EDA Business-Type Activities	Housing Dept Business-Type Activities
Accounts payable	$ 142,374	$ 7,650
Due to other governments	210	17,105
Due to other funds	3,777	90,000
Accrued interest payable	-	12,834
Tenant security deposits	582	10,915
Other payables	-	10,709
Total Payables	$ 146,943	$ 149,213

Long-Term Debt

Governmental Activities

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

The following is a schedule of long-term debt for governmental activities at December 31, 2008:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2008
Wild Rice Promissory Note	2013	$ 1,500	-	$ 144,000	$ 82,500

EDA Business-Type Activities – December 31, 2008

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

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Long-Term Debt

EDA Business-Type Activities – December 31, 2008 (Continued)

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

The EDA entered into a G.O. Bond on May 7, 2008 in the principal amount of $200,075 from the Minnesota Housing Finance Agency (Publicly Owned Housing Program), which will be forgiven in twenty years if the EDA is in compliance with all the bond covenants. The proceeds were split between the Highway 34 Group Home and Willow Building, with the Highway 34 Group Home receiving $63,160 for modernization projects. This loan will remain a liability until December of 2028, at which time it will be recorded as revenue or repaid.

The following is a schedule of long-term debt for EDA business-type activities at December 31, 2008:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2008
Greater MN Housing Fund	2037	$ -	-	$ 217,300	$ 217,300
MN Housing Finance	2028	-	-	1,400,000	1,400,000
MN Housing Finance	2028	-	-	63,160	63,160
Total Long-Term Debt					$ 1,680,460

Housing Business-Type Activities – June 30, 2008

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

The EDA entered into two loan agreements for the year ended June 30, 2007, in the amounts of $250,000 and $110,000 with the Minnesota Housing Finance Agency. These loans are being used for the Community Revitalization Fund Program. The loans are to be paid from the proceeds of the sale of homes that are projects in the program. Accrued interest on these loans totaled $12,834 at June 30, 2008.

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Long-Term Debt

Housing Business-Type Activities – June 30, 2008 (Continued)

The EDA entered into a G.O. Bond on May 7, 2008 in the principal amount of $200,075 from the Minnesota Housing Finance Agency (Publicly Owned Housing Program), which will be forgiven in twenty years if the EDA is in compliance will all the bond covenants. The proceeds were split between the Highway 34 Group Home and Willow Building, with the Willow Building receiving $136,915 for modernization projects. This loan will remain a liability until December of 2028, at which time it will be recorded as revenue or repaid.

The following is a schedule of long-term debt for housing business-type activities at June 30, 2008:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance June 30, 2008
MHFA loans payable	N/A	N/A	2.00	$ 529,000	$ 360,000
MHFA mortgage loan	N/A	N/A	-	800,000	800,000
MHFA loan payable	N/A	N/A	-	136,915	136,915
Total Long-Term Debt					$ 1,296,915

Debt Service Requirements

Governmental Activities

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	Promissory Note Principal	Promissory Note Interest
2009	$ 18,000	$ -
2010	18,000	-
2011	18,000	-
2012	18,000	-
2013	10,500	-
Total	$ 82,500	$ -

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Long-Term Debt

Debt Service Requirements (Continued)

Business-Type Activities

The debt instruments in business-type activities consist of three loans from MHFA with maturities of twenty months after issuance. The current portion is $360,000.

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

The remaining business-type activity loans do not have repayment schedules and the EDA believes they will be earned and no repayment will be due.

Changes in Long-Term Liabilities

Governmental Activities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Wild Rice Promissory Note	$ 100,500	$ -	$ 18,000	$ 82,500	$ 18,000

EDA Business-Type Activities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GMHF Mortgage	$ 217,300	$ -	$ -	$ 217,300	$ -
MHFA G.O. Bond	-	1,400,000	-	1,400,000	
MHFA G.O. Bond	-	63,160	-	63,160	-
EDA Business-Type Activities Long-Term Liabilities	$ 217,300	$ 1,463,160	$ -	$ 1,680,460	$ -

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Changes in Long-Term Liabilities

EDA Business-Type Activities (Continued)

Housing Business-Type Activities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MHFA loans	$ 580,000	$ -	$ 220,000	$ 360,000	$ 360,000
MHFA mortgage	800,000	-	-	800,000	-
Loan payable	96,063	-	96,063	-	-
MHFA G.O. Bond	-	136,915	-	136,915	-
Housing Business-Type Activities Long-Term Liabilities	$ 1,476,063	$ 136,915	$ 316,063	$ 1,296,915	$ 360,000

C. Summary of Significant Contingencies and Other Items

1. Risk Management

The EDA is exposed to various risks of loss related to torts; theft of, damage, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The EDA is covered under Becker County's membership in the Minnesota Counties Insurance Trust and through the purchase of commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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

2. Liens Receivable

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

VI. Becker County Economic Development Authority

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

3. Minnesota Housing Trust Fund Loans

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

Loan dated July 1, 1992, with a final maturity of July 1, 2022	$ 9,364
Loan dated December 30, 1994, with a final maturity of December 30, 2024	43,775
Loan dated May 29, 2003, with a final maturity of May 29, 2033	28,995
Total	$ 82,134

4. Minnesota Housing Revolving Fund Programs

The EDA received grants from the Minnesota Housing Finance Agency to be used to construct homes for low-income residents of Becker County. When the houses are sold, the grant amounts become revolving funds to build additional housing. Should the EDA discontinue these programs, the revolving fund will be returned to the Minnesota Housing Finance Agency. The amounts received and balances on hand at June 30, 2008, are as follows:

	Original Grant	Revolving Fund Cash	Contract for Deed Receivables	Property Held For Resale
Community Revitalization Fund	$ 323,401	$ 82,600	$ -	$ 429,160
Minnesota Urban and Rural Homesteading Loan	2,060,100	138,864	1,133,906	206,807

5. Operating Leases

Lakes Homes and Program Development, Inc., entered into a five-year operating lease with the EDA for property the EDA owns (carrying value of $107,609 and accumulated depreciation of $26,465) to be used for the operation of Hidden Hills Group Home. According to the lease terms, the EDA began receiving monthly installments of $500 beginning in January 2005 (aggregate payments of $30,000 during the lease term).

Becker County entered into a five-year lease with the EDA for property the EDA owns (carrying value of $207,820 and accumulated depreciation of $19,402) to be used for the Becker County Workshop. According to the lease terms, the EDA began receiving monthly installments of $1,750 beginning in August 2005 (aggregate payments of $105,000 during the lease term).

VI. Becker County Economic Development Authority

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

6. Five year commitment

The EDA has a five year commitment (no lease) from Four County Mental Health Initiative, for the use of the property the EDA owns (carrying value of $165,353 and accumulated depreciation of $12,100), to be used for the operation of the Highway 34 Group Home. According to the commitment, the residents will pay 30% of their income towards rent with the Four County Mental Health Initiative providing subsidies.

7. Housing Program

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

8. Conduit Debt Issuance

Public Facilities Lease – The Becker County Economic Development Authority issued $6,395,000 Public Facilities Lease Revenue Bonds, Series 2007A, to finance construction of the Courthouse Expansion Project to be owned and operated by Becker County, Minnesota. The Becker County Economic Development Authority and Becker County, Minnesota, entered into an irrevocable leveraged lease agreement for the facility whereby the bond principal and interest are payable solely from the revenues derived from the lease agreement. The rental payments of the County are absolute and unconditional obligations of the County payable from a direct ad valorem tax levied on all taxable property within the County for this purpose without limit as to rate or amount. The Series 2007A Bonds are not a general obligation of the Becker County Economic Development Authority or a charge against its general credit or taxing powers. The lease agreement is for the life of the bond issue 2007A at which time the facility becomes the property of Becker County. The assets and related debt are reflected in the financial statements of Becker County. The Becker County Economic Development Authority is the administrator for the project during the construction phase. The related revenues and expenditures are accounted for within the capital projects fund within Becker County's financial activities. At December 31, 2008, the outstanding balance on the Public Facilities Lease Revenue Bonds, Series 2007A was $6,090,000.

REQUIRED SUPPLEMENTARY INFORMATION

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 1

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Revenues				
Taxes	$ 2,057,875	$ 2,057,875	$ 2,080,303	$ 22,428
Licenses and permits	298,225	298,225	235,133	(63,092)
Intergovernmental	2,039,718	2,039,718	1,760,316	(279,402)
Charges for services	934,300	934,300	958,264	23,964
Fines and forfeitures	74,000	74,000	66,040	(7,960)
Investment earnings	650,000	650,000	980,736	330,736
Miscellaneous	479,243	479,243	432,707	(46,536)
Total Revenues	**$ 6,533,361**	**$ 6,533,361**	**$ 6,513,499**	**$ (19,862)**
Expenditures				
Current				
General government				
Commissioners	$ 271,836	$ 271,836	$ 256,032	$ 15,804
Courts	58,000	58,000	68,081	(10,081)
Administrator	190,252	190,252	164,456	25,796
Human resources	144,486	144,486	163,203	(18,717)
County auditor-treasurer	661,930	661,930	642,665	19,265
Motor vehicle	220,986	220,986	210,245	10,741
County assessor	382,137	382,137	435,136	(52,999)
Elections	85,461	85,461	96,033	(10,572)
Central services	19,150	19,150	15,896	3,254
Information technology	469,398	469,398	424,974	44,424
Attorney	658,717	658,717	642,572	16,145
Law library	52,000	52,000	43,466	8,534
Contracted legal services	26,000	26,000	22,793	3,207
Recorder	522,208	522,208	558,786	(36,578)
Surveyor	12,045	12,045	7,354	4,691
Planning and zoning	397,137	397,137	395,196	1,941
Buildings and grounds	6,582,659	6,582,659	5,570,969	1,011,690
Becker County annex	138,683	138,683	146,669	(7,986)
Veterans service officer	134,337	134,337	138,909	(4,572)
Other general government	42,100	42,100	42,585	(485)
Total general government	**$ 11,069,522**	**$ 11,069,522**	**$ 10,046,020**	**$ 1,023,502**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 1
(Continued)

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Expenditures				
Current (Continued)				
Public Transportation				
Transit	$ 394,700	$ 394,700	$ 446,760	$ (52,060)
Airport	70,318	70,318	48,500	21,818
Total public transportation	**$ 465,018**	**$ 465,018**	**$ 495,260**	**$ (30,242)**
Culture and recreation				
Historical society	$ 80,000	$ 80,000	$ 80,000	$ -
Senior citizens	4,000	4,000	4,511	(511)
Regional library	282,999	282,999	282,999	-
Total culture and recreation	**$ 366,999**	**$ 366,999**	**$ 367,510**	**$ (511)**
Conservation of natural resources				
Cooperative extension	$ 148,848	$ 148,848	$ 147,352	$ 1,496
Soil and water conservation	157,176	157,176	157,176	-
Agricultural society/county fair	15,000	15,000	15,000	-
Wetland challenge	27,614	27,614	27,613	1
Water planning	27,097	27,097	27,097	-
Other conservation of natural resources	3,825	3,825	2,379	1,446
Total conservation of natural resources	**$ 379,560**	**$ 379,560**	**$ 376,617**	**$ 2,943**
Economic development				
Administration	$ 214,308	$ 214,308	$ 136,325	$ 77,983
Debt service				
Principal retirement	$ -	$ -	$ 177,061	$ (177,061)
Interest	-	-	202,476	(202,476)
Total debt service	**$ -**	**$ -**	**$ 379,537**	**$ (379,537)**
Total Expenditures	**$ 12,495,407**	**$ 12,495,407**	**$ 11,801,269**	**$ 694,138**
Excess of Revenues Over (Under) Expenditures	**$ (5,962,046)**	**$ (5,962,046)**	**$ (5,287,770)**	**$ 674,276**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 1
(Continued)

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Transfers in	$ 70,000	$ 70,000	$ 70,000	$ -
Transfers out	-	-	(244,664)	(244,664)
Total Other Financing Sources (Uses)	**$ 70,000**	**$ 70,000**	**$ (174,664)**	**$ (244,664)**
Net Change in Fund Balance	**$ (5,892,046)**	**$ (5,892,046)**	**$ (5,462,434)**	**$ 429,612**
Fund Balance - January 1	**11,815,566**	**11,815,566**	**11,815,566**	**-**
Fund Balance - December 31	**$ 5,923,520**	**$ 5,923,520**	**$ 6,353,132**	**$ 429,612**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 2

BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 5,223,143	$ 5,223,143	$ 5,178,533	$ (44,610)
Licenses and permits	850	850	8,853	8,003
Intergovernmental	845,700	845,700	1,273,723	428,023
Charges for services	332,200	332,200	155,317	(176,883)
Fines and forfeitures	21,000	21,000	17,818	(3,182)
Gifts and contributions	1,500	1,500	2,613	1,113
Investment earnings	6,000	6,000	5,511	(489)
Miscellaneous	106,900	106,900	76,643	(30,257)
Total Revenues	**$ 6,537,293**	**$ 6,537,293**	**$ 6,719,011**	**$ 181,718**
Expenditures				
Current				
Public safety				
Sheriff	$ 3,300,842	$ 3,300,842	$ 3,430,574	$ (129,732)
Boat and water safety	56,554	56,554	55,020	1,534
Emergency services	22,071	22,071	38,668	(16,597)
Coroner	33,378	33,378	44,906	(11,528)
County jail	2,685,394	2,685,394	2,548,838	136,556
Probation and parole	320,881	320,881	310,213	10,668
Sentence to serve	73,973	73,973	39,840	34,133
Total public safety	**$ 6,493,093**	**$ 6,493,093**	**$ 6,468,059**	**$ 25,034**
Excess of Revenues Over (Under) Expenditures	**$ 44,200**	**$ 44,200**	**$ 250,952**	**$ 206,752**
Fund Balance - January 1	**3,077,929**	**3,077,929**	**3,077,929**	**-**
Fund Balance - December 31	**$ 3,122,129**	**$ 3,122,129**	**$ 3,328,881**	**$ 206,752**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 3

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 2,273,814	$ 2,273,814	$ 2,221,605	$ (52,209)
Special assessments	3,800	3,800	3,362	(438)
Licenses and permits	22,000	22,000	12,631	(9,369)
Intergovernmental	6,323,785	6,323,785	6,365,883	42,098
Charges for services	125,000	125,000	145,573	20,573
Investment earnings	670	670	670	-
Miscellaneous	877,000	877,000	801,198	(75,802)
Total Revenues	**$ 9,626,069**	**$ 9,626,069**	**$ 9,550,922**	**$ (75,147)**
Expenditures				
Current				
Highways and Streets				
Administration	$ 329,688	$ 329,688	$ 322,277	$ 7,411
Maintenance	2,725,299	2,725,299	2,855,587	(130,288)
Construction	5,305,079	5,305,079	4,918,647	386,432
Equipment maintenance and shop	1,142,741	1,142,741	1,243,608	(100,867)
Other highways and streets	123,262	123,262	88,850	34,412
Total highways and streets	**$ 9,626,069**	**$ 9,626,069**	**$ 9,428,969**	**$ 197,100**
Debt service				
Principal retirement	$ -	$ -	$ 15,350	$ (15,350)
Interest	-	-	3,262	(3,262)
Total debt service	**$ -**	**$ -**	**$ 18,612**	**$ (18,612)**
Total Expenditures	**$ 9,626,069**	**$ 9,626,069**	**$ 9,447,581**	**$ 178,488**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 103,341**	**$ 103,341**
Fund Balance - January 1	**2,702,855**	**2,702,855**	**2,702,855**	**-**
Increase (decrease) in reserved for inventories	**-**	**-**	**(113,115)**	**(113,115)**
Fund Balance - December 31	**$ 2,702,855**	**$ 2,702,855**	**$ 2,693,081**	**$ (9,774)**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 4

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 5,361,765	$ 5,361,765	$ 5,318,400	$ (43,365)
Intergovernmental	6,806,104	6,806,104	7,779,547	973,443
Miscellaneous	1,298,100	1,298,100	953,981	(344,119)
Total Revenues	**$ 13,465,969**	**$ 13,465,969**	**$ 14,051,928**	**$ 585,959**
Expenditures				
Current				
Human Services				
Income maintenance	$ 2,783,343	$ 2,783,343	$ 2,951,160	$ (167,817)
Social services	9,346,508	9,346,508	9,372,287	(25,779)
Collaborative	-	-	142,118	(142,118)
Total human services	**$ 12,129,851**	**$ 12,129,851**	**$ 12,465,565**	**$ (335,714)**
Health				
Community Health	1,336,118	1,336,118	1,242,848	93,270
Total Expenditures	**$ 13,465,969**	**$ 13,465,969**	**$ 13,708,413**	**$ (242,444)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 343,515**	**$ 343,515**
Fund Balance - January 1	**3,024,769**	**3,024,769**	**3,024,769**	**-**
Fund Balance - December 31	**$ 3,024,769**	**$ 3,024,769**	**$ 3,368,284**	**$ 343,515**

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

Schedule 5

BUDGETARY COMPARISON SCHEDULES
ENVIRONMENTAL AFFAIRS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Special assessments	$ 190,000	$ 190,000	$ 192,272	$ 2,272
Intergovernmental	86,000	86,000	91,170	5,170
Charges for services	1,621,800	1,621,800	1,405,106	(216,694)
Miscellaneous	43,395	43,395	76,891	33,496
Total Revenues	**$ 1,941,195**	**$ 1,941,195**	**$ 1,765,439**	**$ (175,756)**
Expenditures				
Current				
Sanitation				
Solid waste	$ 1,770,795	$ 1,770,795	$ 1,365,339	$ 405,456
Recycling	286,892	286,892	253,084	33,808
Hazardous waste	68,836	68,836	75,270	(6,434)
Total sanitation	**$ 2,126,523**	**$ 2,126,523**	**$ 1,693,693**	**$ 432,830**
Debt service				
Principal retirement	$ -	$ -	$ 13,953	$ (13,953)
Interest	-	-	526	(526)
Total debt service	**$ -**	**$ -**	**$ 14,479**	**$ (14,479)**
Total Expenditures	**$ 2,126,523**	**$ 2,126,523**	**$ 1,708,172**	**$ 418,351**
Excess of Revenues Over (Under) Expenditures	**$ (185,328)**	**$ (185,328)**	**$ 57,267**	**$ 242,595**
Other Financing Sources (Uses)				
Transfers out	(70,000)	(70,000)	(70,000)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	**$ (255,328)**	**$ (255,328)**	**$ (12,733)**	**$ 242,595**
Fund Balance - January 1	**5,320,788**	**5,320,788**	**5,320,788**	**-**
Fund Balance - December 31	**$ 5,065,460**	**$ 5,065,460**	**$ 5,308,055**	**$ 242,595**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 6

SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 7

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2008

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Net OPEB Obligation	Percentage Contributed
December 31, 2008	$ 224,922	$ 62,035	$ 162,887	27.6%

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

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

I. Budgetary Information

A. Budget policy

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

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

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

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

B. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2008:

	Expenditures	Budget	Excess
General Fund			
General government			
Courts	$ 68,081	$ 58,000	$ (10,081)
Human resources	163,203	144,486	(18,717)
County assessor	435,136	382,137	(52,999)
Elections	96,033	85,461	(10,572)
Recorder	558,786	522,208	(36,578)
Becker County annex	146,669	138,683	(7,986)
Veterans service officer	138,909	134,337	(4,572)
Other general government	42,585	42,100	(485)
Public transportation			
Transit	446,760	394,700	(52,060)
Culture and recreation			
Senior citizens	4,511	4,000	(511)
Debt service			
Principal retirement	177,061	-	(177,061)
Interest	202,476	-	(202,476)

B. Excess of Expenditures Over Budget (Continued)

		Expenditures		Budget		Excess
Public Safety Special Revenue Fund						
Public safety						
Sheriff	$	3,430,574	$	3,300,842	$	(129,732)
Emergency services		38,668		22,071		(16,597)
Coroner		44,906		33,378		(11,528)
Road and Bridge Special Revenue Fund						
Highways and streets						
Maintenance		2,855,587		2,725,299		(130,288)
Equipment maintenance and shop		1,243,608		1,142,741		(100,867)
Debt service						
Principal retirement		15,350		-		(15,350)
Interest		3,262		-		(3,262)
Human Services Special Revenue Fund						
Human services						
Income maintenance		2,951,160		2,783,343		(167,817)
Social services		9,372,287		9,346,508		(25,779)
Collaborative		142,118		-		(142,118)
Environmental Affairs Special Revenue Fund						
Sanitation						
Hazardous waste		75,270		68,836		(6,434)
Debt service						
Principal retirement		13,953		-		(13,953)
Interest		526		-		(526)

II. Other Post-Employment Benefits (OPEB)

December 31, 2008 is the first year implementation of a three year comparison. For more information, refer to the Notes to the Financial Statements Section IV. C., Other Post-Employment Benefits.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

Debt Service Funds

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Statement A-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	Special Revenue Funds (Statement B-1)	Debt Service Fund	Total Nonmajor Governmental Funds (Exhibit 3)
Assets			
Cash and pooled deposits and investments	$ 963,545	$ 397,449	$ 1,360,994
Cash with fiscal agent	-	243,292	243,292
Taxes receivable			
Current	-	12,924	12,924
Prior	283	1,700	1,983
Accounts receivable	401,682	-	401,682
Due from other funds	71,725	-	71,725
Total Assets	**$ 1,437,235**	**$ 655,365**	**$ 2,092,600**
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 12,390	$ -	$ 12,390
Salaries payable	9,733	-	9,733
Due to other funds	213,376	-	213,376
Due to other governments	96,464	-	96,464
Deferred revenue - unavailable	316,495	10,184	326,679
Total Liabilities	**$ 648,458**	**$ 10,184**	**$ 658,642**
Fund Balances			
Reserved for			
Debt service	$ -	$ 645,181	$ 645,181
Conservation of natural resources	34,260	-	34,260
Gravel pit closure	213,468	-	213,468
Unreserved			
Designated for future expenditures	52,502	-	52,502
Undesignated	488,547	-	488,547
Total Fund Balances	**$ 788,777**	**$ 645,181**	**$ 1,433,958**
Total Liabilities and Fund Balances	**$ 1,437,235**	**$ 655,365**	**$ 2,092,600**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Statement A-2

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

	Special Revenue Funds (Statement B-2)	Debt Service Fund	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues			
Taxes	$ 9,521	$ 479,657	$ 489,178
Intergovernmental	173,245	44,160	217,405
Charges for services	2,105	-	2,105
Gifts and contributions	-	894	894
Miscellaneous	344,409	-	344,409
Total Revenues	**$ 529,280**	**$ 524,711**	**$ 1,053,991**
Expenditures			
Current			
Culture and recreation	$ 199,173	$ -	$ 199,173
Conservation of natural resources	362,858	-	362,858
Debt service			
Principal retirement	-	133,000	133,000
Interest	-	124,965	124,965
Administrative and fiscal services	-	-	-
Total Expenditures	**$ 562,031**	**$ 257,965**	**$ 819,996**
Excess of Revenues Over (Under) Expenditures	**$ (32,751)**	**$ 266,746**	**$ 233,995**
Other Financing Sources (Uses)			
Transfers in	-	244,664	244,664
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	**$ (32,751)**	**$ 511,410**	**$ 478,659**
Fund Balance - January 1	**821,528**	**133,771**	**955,299**
Fund Balance - December 31	**$ 788,777**	**$ 645,181**	**$ 1,433,958**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008

	Parks and Recreation	Resource Development
Assets		
Cash and pooled deposits and investments	$ 250,418	$ 177,197
Taxes receivable		
Prior	283	-
Accounts receivable	-	-
Due from other funds	28,690	43,035
Total Assets	**$ 279,391**	**$ 220,232**
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 11,557	$ -
Salaries payable	3,899	-
Due to other funds	4,537	-
Due to other governments	7	-
Deferred revenue - unavailable	263	-
Total Liabilities	**$ 20,263**	**$ -**
Fund Balances		
Reserved for		
Gravel pit closure	$ -	$ -
Conservation of natural resources	-	-
Unreserved		
Designated for future expenditures	-	-
Undesignated	259,128	220,232
Total Fund Balances	**$ 259,128**	**$ 220,232**
Total Liabilities and Fund Balances	**$ 279,391**	**$ 220,232**

Statement B-1

County Ditch	Natural Resource Management	Gravel Tax	Total (Statement A-1)
$ 9,187	$ 177,710	$ 349,033	$ 963,545
-	-	-	283
-	376,984	24,698	401,682
-	-	-	71,725
$ 9,187	**$ 554,694**	**$ 373,731**	**$ 1,437,235**
$ -	$ 833	$ -	$ 12,390
-	5,834	-	9,733
-	101,998	106,841	213,376
-	43,035	53,422	96,464
-	316,232	-	316,495
$ -	**$ 467,932**	**$ 160,263**	**$ 648,458**
$ -	$ -	$ 213,468	$ 213,468
-	34,260	-	34,260
-	52,502	-	52,502
9,187	-	-	488,547
$ 9,187	**$ 86,762**	**$ 213,468**	**$ 788,777**
$ 9,187	**$ 554,694**	**$ 373,731**	**$ 1,437,235**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Parks and Recreation	Resource Development
Revenues		
Taxes	$ 156	$ -
Intergovernmental	105,589	67,656
Charges for services	2,105	-
Miscellaneous	28,690	43,475
Total Revenues	**$ 136,540**	**$ 111,131**
Expenditures		
Current		
Culture and recreation	$ 199,173	$ -
Conservation of natural resources	-	126,133
Total Expenditures	**$ 199,173**	**$ 126,133**
Excess of Revenues Over (Under) Expenditures	**$ (62,633)**	**$ (15,002)**
Fund Balance - January 1	**321,761**	**235,234**
Fund Balance - December 31	**$ 259,128**	**$ 220,232**

Statement B-2

County Ditch		Natural Resource Management		Gravel Tax		Total (Statement A-2)	
$	-	$	-	$	9,365	$	9,521
	-		-		-		173,245
	-		-		-		2,105
	-		272,244		-		344,409
$	**-**	**$**	**272,244**	**$**	**9,365**	**$**	**529,280**
$	-	$	-	$	-	$	199,173
	-		236,725		-		362,858
$	**-**	**$**	**236,725**	**$**	**-**	**$**	**562,031**
$	**-**	**$**	**35,519**	**$**	**9,365**	**$**	**(32,751)**
	9,187		**51,243**		**204,103**		**821,528**
$	**9,187**	**$**	**86,762**	**$**	**213,468**	**$**	**788,777**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 8

BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Revenues				
Taxes	$ -	$ -	$ 156	$ 156
Intergovernmental	81,250	81,250	105,589	24,339
Charges for services	2,000	2,000	2,105	105
Miscellaneous	27,000	27,000	28,690	1,690
Total Revenues	**$ 110,250**	**$ 110,250**	**$ 136,540**	**$ 26,290**
Expenditures				
Current				
Culture and recreation	198,449	198,449	199,173	(724)
Excess of Revenues Over (Under) Expenditures	**$ (88,199)**	**$ (88,199)**	**$ (62,633)**	**$ 25,566**
Fund Balance - January 1	**321,761**	**321,761**	**321,761**	**-**
Fund Balance - December 31	**$ 233,562**	**$ 233,562**	**$ 259,128**	**$ 25,566**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 9

BUDGETARY COMPARISON SCHEDULE
RESOURCE DEVELOPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ -	$ -	$ -	$ -
Intergovernmental	49,000	49,000	67,656	18,656
Miscellaneous	40,900	40,900	43,475	2,575
Total Revenues	**$ 89,900**	**$ 89,900**	**$ 111,131**	**$ 21,231**
Expenditures				
Current				
Conservation of natural resources	92,300	92,300	126,133	(33,833)
Excess of Revenues Over (Under) Expenditures	**$ (2,400)**	**$ (2,400)**	**$ (15,002)**	**$ (12,602)**
Fund Balance - January 1	**235,234**	**235,234**	**235,234**	**-**
Fund Balance - December 31	**$ 232,834**	**$ 232,834**	**$ 220,232**	**$ (12,602)**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 10

BUDGETARY COMPARISON SCHEDULE
COUNTY DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Expenditures				
Current				
Conservation of natural resources	$ 300	$ 300	$ -	$ 300
Excess of Revenues Over (Under) Expenditures	**$ (300)**	**$ (300)**	**$ -**	**$ 300**
Fund Balance - January 1	**9,187**	**9,187**	**9,187**	**-**
Fund Balance - December 31	**$ 8,887**	**$ 8,887**	**$ 9,187**	**$ 300**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 11

BUDGETARY COMPARISON SCHEDULE
NATURAL RESOURCE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Miscellaneous	$ 345,400	$ 345,400	$ 272,244	$ (73,156)
Expenditures				
Current				
Conservation of natural resources	334,330	334,330	236,725	97,605
Excess of Revenues Over (Under) Expenditures	**$ 11,070**	**$ 11,070**	**$ 35,519**	**$ 24,449**
Fund Balance - January 1	**51,243**	**51,243**	**51,243**	**-**
Fund Balance - December 31	**$ 62,313**	**$ 62,313**	**$ 86,762**	**$ 24,449**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 12

BUDGETARY COMPARISON SCHEDULE
GRAVEL TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 140,000	$ 140,000	$ 9,365	$ (130,635)
Expenditures				
Current				
Conservation of natural resources	140,000	140,000	-	140,000
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 9,365**	**$ 9,365**
Fund Balance - January 1	**204,103**	**204,103**	**204,103**	**-**
Fund Balance - December 31	**$ 204,103**	**$ 204,103**	**$ 213,468**	**$ 9,365**

AGENCY FUNDS

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

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

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Statement C-1

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

	Balance January 1	Additions	Deductions	Balance December 31
CLEARING FUND				
Assets				
Cash and pooled deposits	**$ 246,703**	**$ 3,351,017**	**$ 3,477,419**	**$ 120,301**
Liabilities				
Accounts payable	$ 169,423	$ 12,301	$ 169,423	$ 12,301
Due to other governments	77,280	3,338,716	3,307,996	108,000
Total Liabilities	**$ 246,703**	**$ 3,351,017**	**$ 3,477,419**	**$ 120,301**
TAXES AND PENALTIES FUND				
Assets				
Cash and pooled deposits	**$ 568,836**	**$ 35,947,872**	**$ 35,976,209**	**$ 540,499**
Liabilities				
Due to other governments	$ 414,645	$ 35,849,066	$ 35,822,018	$ 441,693
Deferred credits	154,191	98,806	154,191	98,806
Total Liabilities	**$ 568,836**	**$ 35,947,872**	**$ 35,976,209**	**$ 540,499**
CHILDREN'S INITIATIVE FUND				
Assets				
Cash and pooled deposits	**$ 50,178**	**$ 153,206**	**$ 141,127**	**$ 62,257**
Liabilities				
Due to other governments	**$ 50,178**	**$ 153,206**	**$ 141,127**	**$ 62,257**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled deposits	**$ 865,717**	**$ 39,452,095**	**$ 39,594,755**	**$ 723,057**
Liabilities				
Accounts payable	$ 169,423	$ 12,301	$ 169,423	$ 12,301
Due to other governments	542,103	39,340,988	39,271,141	611,950
Deferred credits	154,191	98,806	154,191	98,806
Total Liabilities	**$ 865,717**	**$ 39,452,095**	**$ 39,594,755**	**$ 723,057**

OTHER SCHEDULES

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 13

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

		Total Governmental Funds		Total Component Unit
Shared Revenue				
State				
Highway user tax	$	4,521,852	$	-
County program aid		1,115,435		-
PERA rate reimbursement		38,181		-
Disparity reduction aid		740		-
Police aid		149,032		-
Enhanced 911		109,983		-
Market value credit		1,360,327		-
Mobile home market value credit		13,814		-
Total Shared Revenue	**$**	**7,309,364**	**$**	**-**
Payments				
Local				
Local contributions	$	101,500	$	-
Payments in lieu of taxes		286,663		-
Total Payments	**$**	**388,163**	**$**	**-**
Grants				
State				
Minnesota Department/Board of/Office of				
Corrections	$	384,406	$	-
Public Safety		10,770		-
Transportation		531,512		-
Health		234,416		-
Natural Resources		159,658		-
Human Services		2,641,489		-
Soil and Water Resources		67,057		-
Housing Finance Agency		-		509,315
Commerce		12,110		-
Pollution Control Agency		79,060		-
Peace Officers		20,027		-
Total State	**$**	**4,140,505**	**$**	**509,315**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 13
(Continued)

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

	Total Governmental Funds	Total Component Unit
Federal		
Department of		
Agriculture	$ 390,815	$ -
Housing and Urban Development	-	450,410
Transportation	1,088,359	-
Health and Human Services	4,132,109	-
Homeland Security	38,729	-
Total Federal	**$ 5,650,012**	**$ 450,410**
Total State and Federal Grants	**$ 9,790,517**	**$ 959,725**
Total Intergovernmental Revenue	**$ 17,488,044**	**$ 959,725**

MANAGEMENT AND COMPLIANCE SECTION

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 14

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

I. SUMMARY OF AUDITOR'S RESULTS

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

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

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

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

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

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

G. The major programs were:

Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement	CFDA #93.563
Foster Care Title IV-E	CFDA #93.658
Social Services Block Grant	CFDA #93.667
Medical Assistance Program	CFDA #93.778

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-7 Segregation of Duties

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

Segregation of duties was previously a reportable condition which has now been redefined under *Statement of Auditing Standards 112* as a control deficiency. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

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

Client's Response:

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

HOFFMAN, DALE, & SWENSON, PLLC

GOVERNMENTAL AUDIT SERVICES

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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
Becker County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of and for the year ended December 31, 2008, and the business-type activities as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Sunnyside Care Center as of and for the year ended September 30, 2008 and the Becker County Economic Development Authority, as described in our report on Becker County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, item 96-7, to be a significant deficiency in internal control over financial reporting.

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The County's written response to the significant deficiency identified in our audit is found in the accompanying Schedule of Findings and Questioned Costs and has not been subjected to any procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 30, 2009

HOFFMAN, DALE, & SWENSON, PLLC

GOVERNMENTAL AUDIT SERVICES

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

Board of County Commissioners
Becker County

Compliance

We have audited the compliance of Becker County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 C8*. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Becker County's financial statements include the operations of the Becker County Economic Development Authority (EDA) component unit. Our audit, described below, did not include the operations of the EDA because those financial statements were 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 audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Becker County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

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

Internal Control Over Compliance

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of and for the year ended December 31, 2008, and the business-type activities as of and for the year ended September 30, 2008, and have issued our report thereon dated September 30, 2009. We did not audit the financial statements of the Sunnyside Care Center Enterprise Fund, the business-type activities, or the Becker County Economic Development Authority, the discretely presented component unit. Those statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Becker County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 30, 2009

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 15

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

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health		
Special Supplemental Nutrition Program for Woman, Infants, and Children	10.557	$ 169,969
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for Food Stamp Program	10.561	220,846
Total U.S. Department of Agriculture		**$ 390,815**
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Housing Finance Agency		
HOME Investment Partnerships Program	14.239	$ 8,316
Direct		
Public and Indian Housing	14.850	65,705
Section 8 Housing Choice Vouchers	14.871	330,156
Public Housing Capital Fund	14.872	46,233
Total U.S. Department of Housing and Urban Development		**$ 450,410**
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	$ 919,452
Formula Grants for Other Than Urbanized Areas	20.509	134,000
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	13,393
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	3,000
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	18,514
Total U.S. Department of Transportation		**$ 1,088,359**
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	$ 41,536

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 15
(Continued)

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

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number		Expenditures
U.S. Department of Health and Human Services (continued)			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556		147,238
Temporary Assistance for Needy Families	93.558		613,680
Child Support Enforcement	93.563		809,018
Refugee & Entrant Assistance	93.566		553
Child Care and Development Block Grant	93.575		192,736
Child Care Mandatory and Matching Funds	93.596		82,424
Foster Care Title IV-E	93.658		491,302
Social Services Block Grant	93.667		363,413
Chafee Foster Care Independence Program	93.674		16,788
State Children's Insurance Program	93.767		825
Medical Assistance Program	93.778		1,315,423
Block Grants for Community Mental Health Services	93.958		14,582
Maternal and Child Health Services Block Grant	93.994		42,591
Total U.S. Department of Health and Human Services		**$**	**4,132,109**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	$	23,979
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042		14,750
Total U.S. Department of Homeland Security		**$**	**38,729**
Total Federal Awards		**$**	**6,100,422**

Notes to Schedule of Expenditures of Federal Awards

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

2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the County. Governmental funds use the modified accrual basis of accounting.

3. The County's basic financial statements include the operations of the Becker County Economic Development Authority Component Unit.

4. There were no pass-through grants to subrecipients or other agencies in 2008.