

**BECKER COUNTY**  
**DETROIT LAKES, MINNESOTA**  
YEAR ENDED DECEMBER 31, 2009

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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DETROIT LAKES, MINNESOTA**

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## **INTRODUCTORY SECTION**

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2009**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
<b>Commissioners</b>		
1 <sup>st</sup> District	Larry Knutson	January 2013
2 <sup>nd</sup> District	Harold Salminen, Chair	January 2011
3 <sup>rd</sup> District	Gerald Schram	January 2013
4 <sup>th</sup> District	John Bellefeuille	January 2011
5 <sup>th</sup> District	Barry Nelson	January 2013
<b>Officers</b>		
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	April 2013
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

**FINANCIAL SECTION**



**GOVERNMENTAL AUDIT SERVICES**

Colleen Hoffman, Manager  
Gordon Dale, CPA  
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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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County, Minnesota, as of and for the year ended December 31, 2009, including the Sunnyside Care Center Enterprise Fund as of and for the year ended September 30, 2009, which comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sunnyside Care Center, the major enterprise fund which is the business-type activities of Becker County. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Sunnyside Care Center Enterprise Fund is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of December 31, 2009, including the Sunnyside Care Center Enterprise Fund as of September 30, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010, on our consideration of Becker County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the Sunnyside Care Center Enterprise Fund, which was audited by other auditors.

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 29, 2010



# COUNTY OF BECKER

*Ryan L. Tangen • Auditor-Treasurer*

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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, 2009. 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 \$72,755,543, of which \$45,252,048 is invested in capital assets, net of related debt, \$2,119,483 is restricted for specific purposes, and \$25,384,012 is unrestricted. The total net assets of governmental activities increased by \$3,746,802 for the year ended December 31, 2009.

The total net assets of business-type activities are \$1,483,646, of which \$640,349 is invested in capital assets, net of related debt, \$46,004 is restricted for capital projects, and \$797,293 is unrestricted. The total net assets of business-type activities increased by \$211,631 for the year ended September 30, 2009.

At the close of 2009, the County's governmental funds reported combined ending fund balances of \$24,828,696, an increase of \$2,343,305, from the prior year. Of the total fund balance amount, \$2,604,160 is legally or contractually reserved, \$21,045,223 is designated for specific purposes, and an additional \$1,179,313 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 completed the 35,000 square foot expansion, remodeling of the third floor of the existing courthouse and addition of 125 car capacity parking lot. The project was started in the spring of 2007 and was completed in the spring of 2009. The budgeted \$10,400,000 was funded by \$6,500,000 of bond proceeds and \$4,500,000 of unreserved undesignated fund balance. The primary difference between the project budget and the actual was the remodeling of the third floor of the existing courthouse.

Becker County has been assessing and planning for the handling of solid waste. Currently Becker County has little capacity for recycling and no capacity for the landfill of waste. In 2010 Becker County entered into an agreement for an incinerator expansion in Perham, Minnesota to meet future needs for waste management. Also, in 2010 a remote transfer station in the eastern part of the County will be opened. Becker County is planning for a remodel of the current transfer station including the addition of office space and a recycling facility. The recycling facility will handle triple, dual or single stream recyclables for sorting, preparation and marketing. These changes will require other updates in our existing recycling program.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-Wide Financial Statements**

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

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

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

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

- **Governmental activities**—Most of the County's basic services are reported here, including general government, public safety, highways and streets, public transportation, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- **Business-type activities**—The County charges fees to cover the costs of certain services it provides. Included here are the operations of the Sunnyside Care Center.
- **Component unit**—The County includes one separate legal entity in its report. The Becker County Economic Development Authority is presented in a separate column. Although legally separate, this "component unit" is important because the County is financially accountable for it. Complete financial statements of the Becker County Economic Development Authority can be obtained from the Becker County Auditor-Treasurer's Office located at 915 Lake Avenue, Detroit Lakes, Minnesota 56501.

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

### **Fund Financial Statements**

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

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

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

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

Becker County adopts annual budgets for its 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 34 of this report.

**Other Information**—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The County also provides supplementary information 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 \$74,239,189 at the close of 2009. The largest portion of the County's net assets (approximately 62 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 35 percent of the County's net assets are unrestricted. The unrestricted net asset amount of \$26,181,305, as of December 31, 2009, may be used to meet the County's ongoing obligations to citizens.

The County's overall financial position increased from last year. Total assets increased by \$3,616,200 from the prior year and total liabilities decreased by \$342,233 from the prior year, primarily as a result of revenues in excess of expenditures. During the preparation of the 2009 budget and ongoing throughout 2009 the County was preparing for continued unallotments of state funding by budgeting conservatively for revenues and working diligently to reduce expenditures. After the budget had been set, the county unexpectedly received Federal funding through the stimulus package.

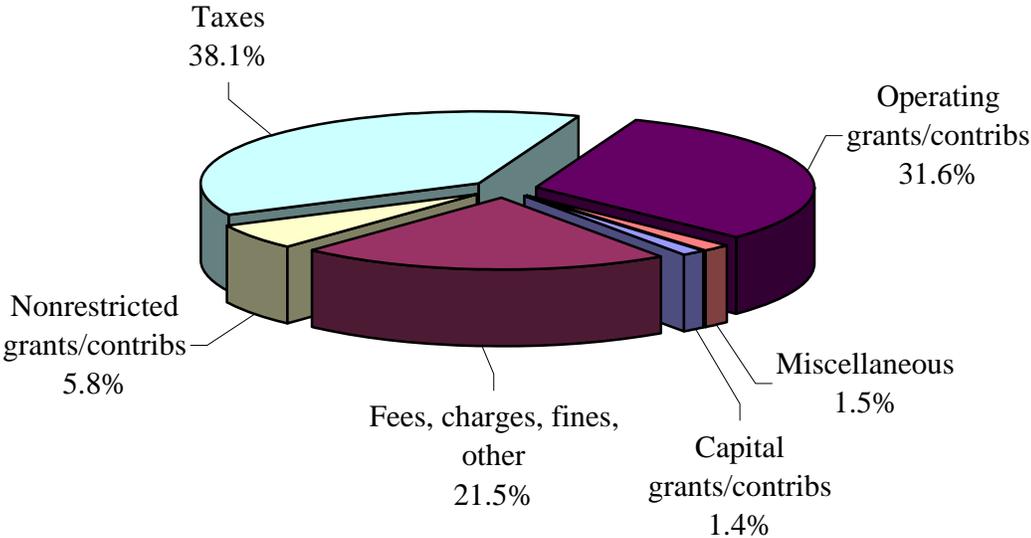
### NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 28,742,279	\$ 26,844,415	\$ 1,132,217	\$ 1,077,014	\$ 29,874,496	\$ 27,921,429
Capital assets	54,556,549	52,983,442	1,928,349	1,838,323	56,484,898	54,821,765
Total assets	\$ 83,298,828	\$ 79,827,857	\$ 3,060,566	\$ 2,915,337	\$ 86,359,394	\$ 82,743,194
Other liabilities	\$ 2,178,480	\$ 2,550,572	\$ 169,679	\$ 196,851	\$ 2,348,159	\$ 2,747,423
Long-term liabilities outstanding	8,364,805	8,268,544	1,407,241	1,446,471	9,772,046	9,715,015
Total liabilities	\$ 10,543,285	\$ 10,819,116	\$ 1,576,920	\$ 1,643,322	\$ 12,120,205	\$ 12,462,438
Net assets						
Invested in capital assets, net of related debt	\$ 45,252,048	\$ 46,835,143	\$ 640,349	\$ 523,323	\$ 45,892,397	\$ 47,358,466
Restricted	2,119,483	1,792,821	46,004	47,967	2,165,487	1,840,788
Unrestricted	25,384,012	20,380,777	797,293	700,725	26,181,305	21,081,502
Total net assets	\$ 72,755,543	\$ 69,008,741	\$ 1,483,646	\$ 1,272,015	\$ 74,239,189	\$ 70,280,756

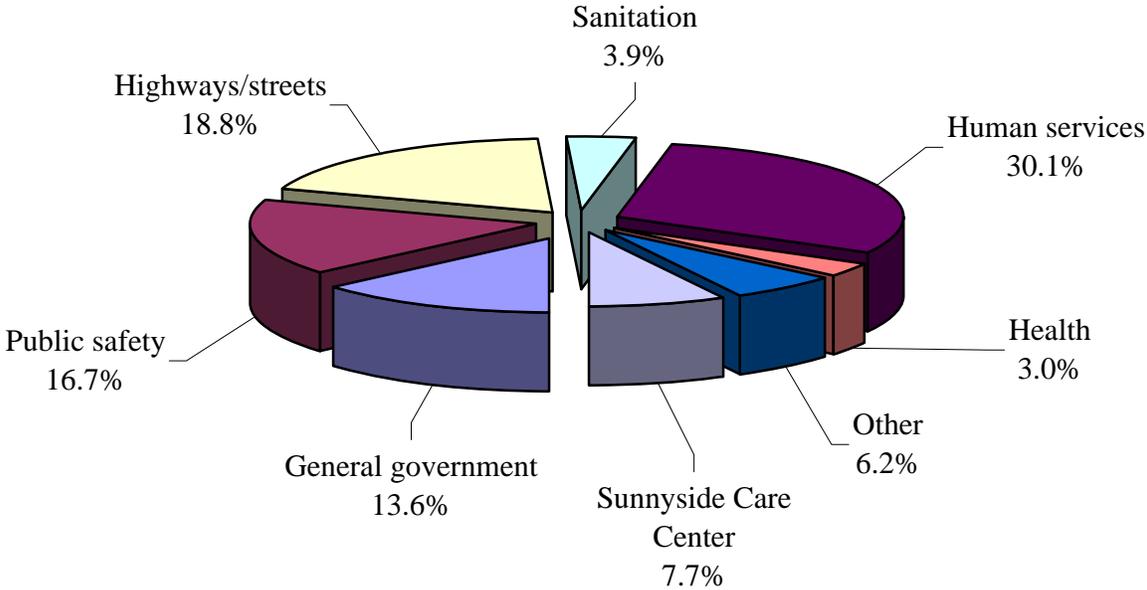
**CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 6,248,207	\$ 5,770,807	\$ 3,145,842	\$ 2,851,402	\$ 9,394,049	\$ 8,622,209
Operating grants and contributions	13,812,498	13,031,290	2,768	9,005	13,815,266	13,040,295
Capital grants and contributions	516,538	1,074,946	117,047	23,425	633,585	1,098,371
<b>General Revenues and Other</b>						
Property taxes	16,111,225	15,312,011	-	-	16,111,225	15,312,011
Other taxes	179,704	385,707	-	-	179,704	385,707
Grants and contributions not restricted to specific programs	2,538,098	2,629,997	-	-	2,538,098	2,629,997
Other general revenues	1,029,114	1,225,018	3,691	8,336	1,032,805	1,233,354
Special item	-	(4,987,104)	-	-	-	(4,987,104)
<b>Total revenues</b>	<b>\$ 40,435,384</b>	<b>\$ 34,442,672</b>	<b>\$ 3,269,348</b>	<b>\$ 2,892,168</b>	<b>\$ 43,704,732</b>	<b>\$ 37,334,840</b>
<b>Expenses</b>						
General government	\$ 5,409,256	\$ 4,753,861	\$ -	\$ -	\$ 5,409,256	\$ 4,753,861
Public safety	6,623,551	6,707,074	-	-	6,623,551	6,707,074
Highways and streets	7,460,506	7,727,168	-	-	7,460,506	7,727,168
Public transportation	493,125	473,120	-	-	493,125	473,120
Sanitation	1,564,705	1,658,806	-	-	1,564,705	1,658,806
Human services	11,979,661	12,575,185	-	-	11,979,661	12,575,185
Health	1,204,848	1,242,848	-	-	1,204,848	1,242,848
Culture and recreation	589,737	610,185	-	-	589,737	610,185
Conservation of natural resources	892,942	744,516	-	-	892,942	744,516
Economic development	221,601	140,055	-	-	221,601	140,055
Interest	248,650	427,204	-	-	248,650	427,204
Sunnyside Care Center	-	-	3,057,717	2,986,612	3,057,717	2,986,612
<b>Total expenses</b>	<b>\$ 36,688,582</b>	<b>\$ 37,060,022</b>	<b>\$ 3,057,717</b>	<b>\$ 2,986,612</b>	<b>\$ 39,746,299</b>	<b>\$ 40,046,634</b>
Increase (decrease) in net assets	\$ 3,746,802	\$ (2,617,350)	\$ 211,631	\$ (94,444)	\$ 3,958,433	\$ (2,711,794)
Net assets, January 1	69,008,741	71,626,091	1,272,015	1,366,459	70,280,756	72,992,550
<b>Net assets, December 31</b>	<b>\$ 72,755,543</b>	<b>\$ 69,008,741</b>	<b>\$ 1,483,646</b>	<b>\$ 1,272,015</b>	<b>\$ 74,239,189</b>	<b>\$ 70,280,756</b>

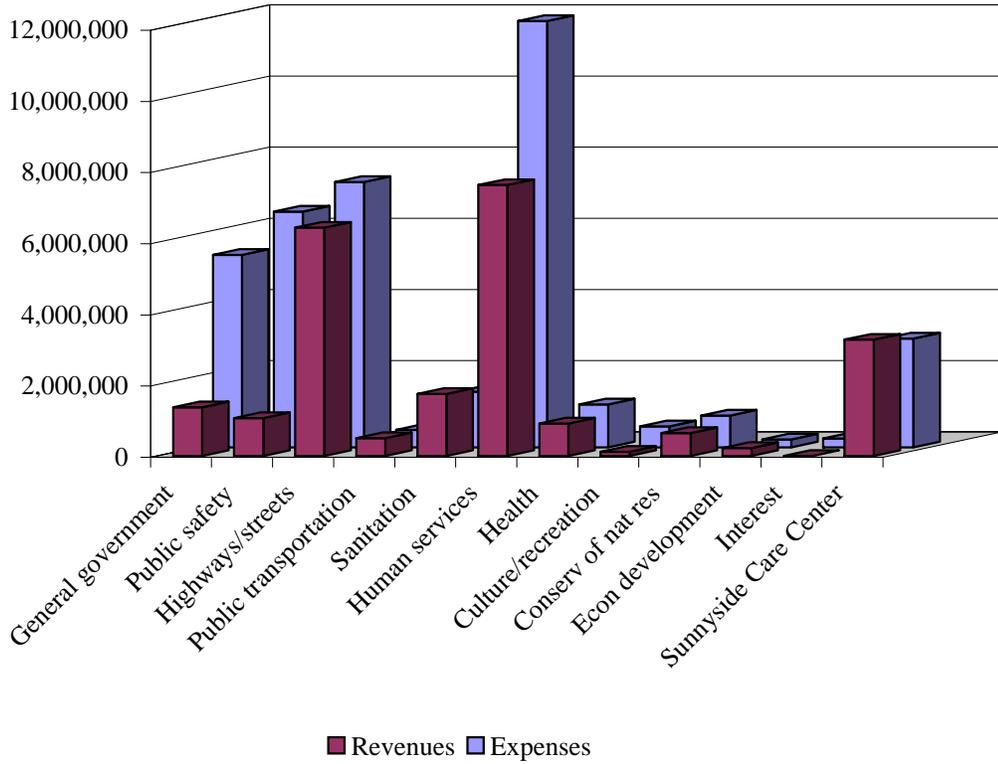
### Revenues by Source



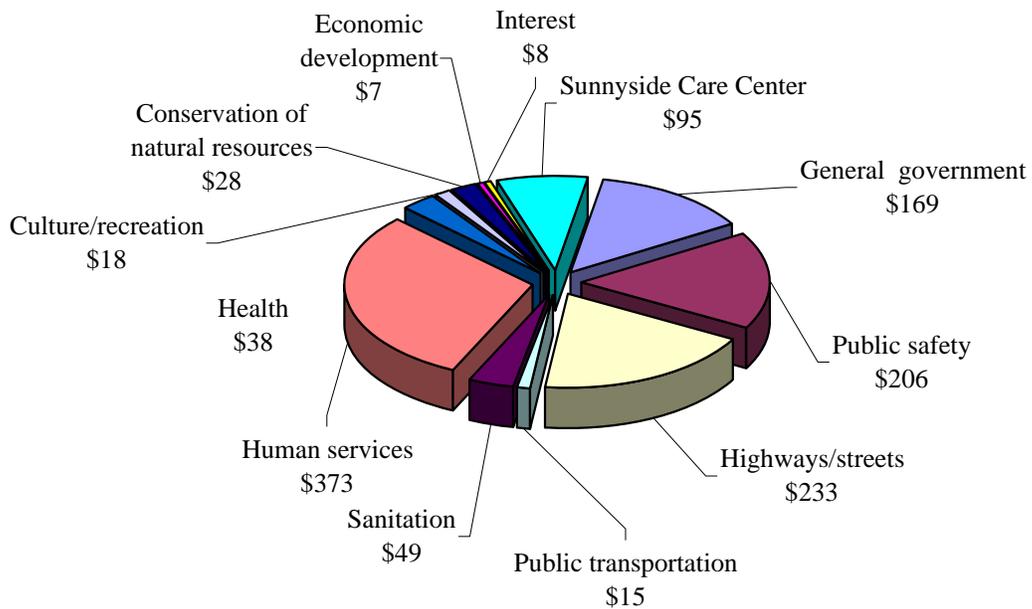
### Expenses by Function



## Program Revenues & Expenses



## Expenditures Per Capita 32,076 Population as of 07-01-09



## **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 2009, the County's governmental funds reported combined ending fund balances of \$24,828,696. Of this amount, approximately 10 percent constitutes legally or contractually reserved fund balance, 85 percent constitutes specifically designated fund balance, and five 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 \$6,382,635. The General Fund's reserved fund balance was \$670,629, unreserved, designated fund balance was \$5,255,386, and the unreserved, undesignated fund balance was \$456,620. 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 2009. Unreserved fund balance represents approximately 86 percent of total General Fund expenditures, while total fund balance represents 96 percent of that same amount.

In 2009, the fund balance amount in the General Fund increased by \$29,503. The primary reason for this increase of the fund balance is due to revenue generated from a county tax forfeited land sale.

The fund balance of the Public Safety Special Revenue Fund increased \$513,120 from the prior year, due primarily to increased intergovernmental revenue and decreased operating costs. Public Safety received nearly \$150,000 of State and Federal Grants and Aids that were not anticipated. The operating costs were also significantly less due to decreased overtime and unexpended funding for wages due to vacancies. The County Jail experienced decreased operating costs due to less than expected Juvenile placements and saving on meals.

The fund balance of the Road and Bridge Special Revenue Fund decreased \$130,618 in 2009, due to increased expenditures for salt and sand due to unexpected price increases.

The fund balance of the Human Services Special Revenue Fund increased \$1,546,408 from the prior year, due mainly to nearly \$1,400,000 of unexpected intergovernmental revenue. The state and federal government had projected significant cuts to funding and changed the projections after the levy had been established. The department also experienced significantly less than expected foster care costs.

The fund balance of the Environmental Affairs Special Revenue Fund increased \$66,102 from the prior year, due to decreased cost for disposal and transportation.

### **Proprietary Fund**

The Sunnyside Care Center Enterprise Fund's total operating revenues increased \$294,440 or approximately 10 percent, as a result of payment rate increases in October 2009 and 2008, and nursing facility occupancy for fiscal year 2009 was 86 percent compared to 83 percent in fiscal year 2008. Operating expenses increased \$72,223 or approximately 2.5 percent, as a result of increased operating costs, including wages. This combination of an increase in operating revenues and an increase in operating expenses yielded an operating income of \$156,442. However, when the nonoperating revenues and expenses are added to our analysis, the total change in net assets was \$211,631.

## GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budgets as approved for 2009.

Actual revenues were less than overall final budgeted revenues by \$121,983, with the largest variance in investment earnings. The budget for investment earnings was set based on an optimistic outlook for the state of the economy resulting in increased earning potential.

Actual expenditures were less than overall final budgeted expenditures by \$258,181, mainly as a result of a countywide effort to reduce expenditures to offset County Program Aid cuts passed on by the State. Also, in anticipation of further cuts from state and federal programs, some vacant positions were left unfilled and a voluntary unpaid furlough program was implemented.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2009 and business-type activities as of September 30, 2009, amounted to \$56,484,898 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately three percent. This was primarily due to the completion of the courthouse and various highway projects.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,462,220	\$ 1,462,220	\$ 118,625	\$ 2,325	\$ 1,580,845	\$ 1,464,545
Right-of-Way	663,135	633,736	-	-	663,135	633,736
Construction in progress	-	1,232,166	-	14,876	-	1,247,042
Infrastructure	38,378,050	36,729,723	-	-	38,378,050	36,729,723
Buildings and improvements	11,293,654	10,119,919	1,638,039	1,714,192	12,931,693	11,834,111
Land improvements	1,053,624	1,116,875	31,579	17,853	1,085,203	1,134,728
Machinery and equipment	1,705,866	1,688,803	140,106	89,077	1,845,972	1,777,880
Total capital assets	<u>\$ 54,556,549</u>	<u>\$ 52,983,442</u>	<u>\$ 1,928,349</u>	<u>\$ 1,838,323</u>	<u>\$ 56,484,898</u>	<u>\$ 54,821,765</u>

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 \$7,234,980 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 5,835,000	\$ 6,090,000	\$ 1,190,000	\$ 1,210,000	\$ 7,025,000	\$ 7,300,000
General obligation revenue notes	-	-	98,000	105,000	98,000	105,000
Capital leases	111,980	58,299	-	-	111,980	58,299
	<u>\$ 5,946,980</u>	<u>\$ 6,148,299</u>	<u>\$ 1,288,000</u>	<u>\$ 1,315,000</u>	<u>\$ 7,234,980</u>	<u>\$ 7,463,299</u>

The County's net decrease in debt of \$228,319 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 2009, 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 8.4 percent as of December 31, 2009. This is higher than the statewide rate of 7.3 percent and lower than the national average rate of 9.7 percent.
- Becker County's population at July 1, 2009 was 32,076, an increase of 2,076 since 2000. This ranks Becker County 33<sup>rd</sup> of 87 in the State of Minnesota.
- On December 22, 2009, Becker County set its 2010 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, 2009**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-type Activities	Total	
<b><u>Assets</u></b>				
Cash and pooled deposits and investments	\$ 24,224,358	\$ 727,269	\$ 24,951,627	\$ 1,596,846
Petty cash and change funds	9,600	-	9,600	-
Cash held by MHFA	-	-	-	31,585
Cash with fiscal agent	242,466	-	242,466	-
Fund deposits	9,571	-	9,571	-
Taxes receivable				
Current	471,695	-	471,695	4,807
Prior	256,233	-	256,233	3,529
Special assessments receivable				
Current	7,445	-	7,445	-
Prior	9,249	-	9,249	-
Accounts receivable	1,100,626	318,154	1,418,780	31,724
Accrued interest receivable	96,266	-	96,266	-
Loans receivable	-	-	-	35,000
Contract for deed receivable - current	-	-	-	30,817
Property held for resale	-	-	-	258,360
Due from other governments	1,830,237	-	1,830,237	116,016
Prepaid items	-	21,087	21,087	-
Inventories	484,533	-	484,533	-
Loans receivable - noncurrent	-	-	-	1,161,835
Investment in joint ventures	-	-	-	2,700
Restricted assets				
Donor-restricted assets	-	46,004	46,004	-
Resident trust funds	-	19,703	19,703	-
Capital assets				
Non-depreciable	2,125,355	118,625	2,243,980	326,354
Depreciable - net of accumulated depreciation	52,431,194	1,809,724	54,240,918	3,909,009
<b>Total Assets</b>	<b>\$ 83,298,828</b>	<b>\$ 3,060,566</b>	<b>\$ 86,359,394</b>	<b>\$ 7,508,582</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 630,211	\$ 106,686	\$ 736,897	\$ 35,900
Salaries payable	616,669	32,387	649,056	7,234
Contracts payable	212,139	-	212,139	-
Due to other governments	614,247	-	614,247	5,618
Accrued interest payable	105,214	10,945	116,159	-
Deferred revenue - unearned	-	-	-	8,390
Security deposits	-	-	-	12,015
Other current liabilities	-	-	-	2,953
Payable from restricted assets				
Residents trust funds	-	19,661	19,661	-
Long-term liabilities				
Due within one year	300,306	135,184	435,490	18,000
Due in more than one year	8,064,499	1,272,057	9,336,556	2,463,800
<b>Total Liabilities</b>	<b>\$ 10,543,285</b>	<b>\$ 1,576,920</b>	<b>\$ 12,120,205</b>	<b>\$ 2,553,910</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	<u>Primary Government</u>			<b>Discretely Presented Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<u>Net Assets</u>				
Invested in capital assets, net of related debt	\$ 45,252,048	\$ 640,349	\$ 45,892,397	\$ 1,689,987
Restricted for				
General government	654,209	-	654,209	-
Public safety	493,996	-	493,996	-
Conservation of natural resources	282,912	-	282,912	-
Capital projects	-	46,004	46,004	-
Debt service	672,090	-	672,090	-
Minnesota housing revolving loan fund	-	-	-	1,701,461
Other purposes	16,276	-	16,276	-
Unrestricted	25,384,012	797,293	26,181,305	1,563,224
<b>Total Net Assets</b>	<b><u>\$ 72,755,543</u></b>	<b><u>\$ 1,483,646</u></b>	<b><u>\$ 74,239,189</u></b>	<b><u>\$ 4,954,672</u></b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Functions/Programs</u>	<b>Program Revenues</b>		
<b>Expenses</b>	<b>Fees, Charges, Fines and Other</b>	<b>Operating Grants and Contributions</b>	
<b>Primary Government</b>			
<b>Governmental activities</b>			
General government	\$ 5,409,256	\$ 1,178,313	\$ 184,921
Public safety	6,623,551	412,334	624,679
Highways and streets	7,460,506	1,090,756	4,889,697
Public transportation	493,125	174,695	264,545
Sanitation	1,564,705	1,625,350	116,134
Human services	11,979,661	874,705	6,737,363
Health	1,204,848	97,238	815,194
Culture and recreation	589,737	4,981	109,256
Conservation of natural resources	892,942	570,713	70,709
Economic development	221,601	219,122	-
Principal and interest	248,650	-	-
<b>Total governmental activities</b>	<b>\$ 36,688,582</b>	<b>\$ 6,248,207</b>	<b>\$ 13,812,498</b>
<b>Business-type activities</b>			
Sunnyside Care Center	\$ 3,057,717	\$ 3,145,842	\$ 2,768
<b>Total primary government</b>	<b>\$ 39,746,299</b>	<b>\$ 9,394,049</b>	<b>\$ 13,815,266</b>
<b>Discretely Presented Component Unit</b>			
Housing and Economic Development Authority	\$ 966,258	\$ 104,485	\$ 754,856
<b>General revenues</b>			
Property taxes			
Gravel taxes			
Mortgage registry and deed tax			
Payments in lieu of taxes			
Grants and contributions not restricted to specific programs			
Investment earnings			
Miscellaneous			
Gain (loss) on sale of capital assets			
<b>Special items</b>			
<b>Total general revenues and special items</b>			
<b>Change in net assets</b>			
<b>Net assets - January 1</b>			
<b>Net assets - December 31</b>			

**EXHIBIT 2**

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (4,046,022)	\$ -	\$ (4,046,022)	
23,800	(5,562,738)	-	(5,562,738)	
433,142	(1,046,911)	-	(1,046,911)	
59,596	5,711	-	5,711	
-	176,779	-	176,779	
-	(4,367,593)	-	(4,367,593)	
-	(292,416)	-	(292,416)	
-	(475,500)	-	(475,500)	
-	(251,520)	-	(251,520)	
-	(2,479)	-	(2,479)	
-	(248,650)	-	(248,650)	
<b>\$ 516,538</b>	<b>\$ (16,111,339)</b>	<b>\$ -</b>	<b>\$ (16,111,339)</b>	
\$ 117,047	\$ -	\$ 207,940	\$ 207,940	
<b>\$ 633,585</b>	<b>\$ (16,111,339)</b>	<b>\$ 207,940</b>	<b>\$ (15,903,399)</b>	
<u>\$ -</u>				<u>\$ (106,917)</u>
	\$ 16,111,225	\$ -	\$ 16,111,225	\$ 164,164
	142,625	-	142,625	-
	37,079	-	37,079	-
	364,327	-	364,327	-
	2,538,098	-	2,538,098	13,323
	403,302	3,691	406,993	19,776
	272,781	-	272,781	1,495
	(11,296)	-	(11,296)	18,781
	-	-	-	(164,459)
	<b>\$ 19,858,141</b>	<b>\$ 3,691</b>	<b>\$ 19,861,832</b>	<b>\$ 53,080</b>
	<b>\$ 3,746,802</b>	<b>\$ 211,631</b>	<b>\$ 3,958,433</b>	<b>\$ (53,837)</b>
	<b>69,008,741</b>	<b>1,272,015</b>	<b>70,280,756</b>	<b>5,008,509</b>
	<b>\$ 72,755,543</b>	<b>\$ 1,483,646</b>	<b>\$ 74,239,189</b>	<b>\$ 4,954,672</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<b>General Fund</b>	<b>Public Safety</b>
<b><u>Assets</u></b>		
Cash and pooled deposits and investments	\$ 6,341,071	\$ 4,036,788
Petty cash and change funds	8,400	450
Undistributed cash in agency funds	3,235	-
Cash with fiscal agent	-	-
Fund deposits	9,571	-
Taxes receivable		
Current	64,257	160,589
Prior	33,333	88,634
Special assessments receivable		
Current	-	-
Prior	-	-
Accounts receivable	29,474	6,817
Accrued interest receivable	96,266	-
Due from other funds	32,489	944
Due from other governments	61,163	77,102
Inventories	-	-
	<b>\$ 6,679,259</b>	<b>\$ 4,371,324</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 46,219	\$ 68,545
Salaries payable	138,213	171,454
Contracts payable	-	-
Due to other funds	10,736	11,412
Due to other governments	29,517	93,134
Deferred revenue - unavailable	71,939	184,778
	<b>\$ 296,624</b>	<b>\$ 529,323</b>

**EXHIBIT 3**

Special Revenue Funds			Other	Total
Road and Bridge	Human Services	Environmental Affairs	Governmental Funds (Statement A-1)	Governmental Funds
\$ 2,208,221	\$ 4,423,609	\$ 5,326,501	\$ 1,884,933	\$ 24,221,123
300	200	250	-	9,600
-	-	-	-	3,235
-	-	-	242,466	242,466
-	-	-	-	9,571
66,038	166,403	-	14,408	471,695
37,249	91,399	-	5,618	256,233
-	-	7,445	-	7,445
1,041	-	8,208	-	9,249
9,281	877,947	112,883	64,224	1,100,626
-	-	-	-	96,266
141,711	-	35	-	175,179
592,931	1,098,711	330	-	1,830,237
484,533	-	-	-	484,533
<b>\$ 3,541,305</b>	<b>\$ 6,658,269</b>	<b>\$ 5,455,652</b>	<b>\$ 2,211,649</b>	<b>\$ 28,917,458</b>
\$ 92,563	\$ 341,120	\$ 38,909	\$ 42,855	\$ 630,211
86,944	198,431	12,415	9,212	616,669
212,139	-	-	-	212,139
35	22,279	1,200	129,517	175,179
7,722	204,464	16,366	263,044	614,247
579,439	977,283	12,605	14,273	1,840,317
<b>\$ 978,842</b>	<b>\$ 1,743,577</b>	<b>\$ 81,495</b>	<b>\$ 458,901</b>	<b>\$ 4,088,762</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	General Fund	Public Safety
<b>Fund Balances</b>		
Reserved for		
Missing heirs	\$ 16,276	\$ -
Inventories	-	-
Law library	20,447	-
Recorder's equipment	347,896	-
Enhancement	237,479	-
Debt service	-	-
Enhanced 911	-	493,996
Elections	48,531	-
Conservation of natural resources	-	-
Gravel pit closure	-	-
Unreserved		
Designated for		
DARE	-	9,315
Future expenditures	3,136,281	2,709,572
Compensated absences	405,996	526,266
Sheriff's equipment and education	-	93,456
Sheriff's contingency - drugs and alcohol	-	5,000
Sheriff's auxiliary	-	4,396
Employee health insurance	1,605,962	-
Transit	107,147	-
Transfer station update	-	-
Rural Recycling Program update	-	-
Transfer outpost	-	-
Perham incinerator	-	-
Trail groomer	-	-
Undesignated	456,620	-
<b>Total Fund Balances</b>	<b>\$ 6,382,635</b>	<b>\$ 3,842,001</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,679,259</b>	<b>\$ 4,371,324</b>

**EXHIBIT 3**  
**(Continued)**

<b>Special Revenue Funds</b>			<b>Other</b>	<b>Total</b>
<b>Road and</b>	<b>Human</b>	<b>Environmental</b>	<b>Governmental</b>	<b>Governmental</b>
<b>Bridge</b>	<b>Services</b>	<b>Affairs</b>	<b>Funds</b>	<b>Funds</b>
<b>(Statement A-1)</b>				
\$ -	\$ -	\$ -	\$ -	\$ 16,276
484,533	-	-	-	484,533
-	-	-	-	20,447
-	-	-	-	347,896
-	-	-	-	237,479
-	-	-	672,090	672,090
-	-	-	-	493,996
-	-	-	-	48,531
-	-	-	35,755	35,755
-	-	-	247,157	247,157
-	-	-	-	9,315
1,776,120	4,346,145	819,020	6,956	12,794,094
301,810	568,547	113,234	-	1,915,853
-	-	-	-	93,456
-	-	-	-	5,000
-	-	-	-	4,396
-	-	-	-	1,605,962
-	-	-	-	107,147
-	-	2,000,000	-	2,000,000
-	-	450,000	-	450,000
-	-	400,000	-	400,000
-	-	1,500,000	-	1,500,000
-	-	-	160,000	160,000
-	-	91,903	630,790	1,179,313
<b>\$ 2,562,463</b>	<b>\$ 4,914,692</b>	<b>\$ 5,374,157</b>	<b>\$ 1,752,748</b>	<b>\$ 24,828,696</b>
<b>\$ 3,541,305</b>	<b>\$ 6,658,269</b>	<b>\$ 5,455,652</b>	<b>\$ 2,211,649</b>	<b>\$ 28,917,458</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>24,828,696</b>
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		54,556,549
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		1,840,317
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
General obligation bonds	\$ (5,835,000)	
Capital leases	(111,980)	
Other post employment benefits	(313,791)	
Compensated absences payable	(2,104,034)	
Accrued interest payable	(105,214)	(8,470,019)
<b>Net assets of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>72,755,543</u></b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>General Fund</b>	<b>Public Safety</b>
<b>Revenues</b>		
Taxes	\$ 2,351,120	\$ 5,404,758
Special assessments	1,539	-
Licenses and permits	226,170	14,493
Intergovernmental	1,913,874	1,135,850
Charges for services	1,031,303	206,855
Fines and forfeitures	82,906	70,300
Gifts and contributions	619	2,538
Investment earnings	402,623	450
Miscellaneous	611,530	120,686
	<b>\$ 6,621,684</b>	<b>\$ 6,955,930</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 5,218,441	\$ -
Public safety	-	6,442,810
Public transportation	508,726	-
Highways and streets	-	-
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	373,281	-
Conservation of natural resources	354,305	-
Economic development	216,587	-
<b>Debt service</b>		
Principal retirement	5,529	-
Interest	312	-
Administrative and fiscal services	-	-
	<b>\$ 6,677,181</b>	<b>\$ 6,442,810</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (55,497)</b>	<b>\$ 513,120</b>

**EXHIBIT 5**

<b>Special Revenue Funds</b>			<b>Other</b>	<b>Total</b>
<b>Road and</b>	<b>Human</b>	<b>Environmental</b>	<b>Governmental</b>	<b>Governmental</b>
<b>Bridge</b>	<b>Services</b>	<b>Affairs</b>	<b>Funds</b>	<b>Funds</b>
			<b>(Statement A-2)</b>	
\$ 2,321,255	\$ 5,602,132	\$ -	\$ 518,203	\$ 16,197,468
-	-	194,161	-	195,700
12,983	-	-	-	253,646
5,641,184	8,060,217	116,134	226,808	17,094,067
166,308	-	1,343,785	4,981	2,753,232
-	-	-	-	153,206
-	-	-	200	3,357
461	-	-	218	403,752
913,859	967,323	74,798	778,408	3,466,604
<b>\$ 9,056,050</b>	<b>\$ 14,629,672</b>	<b>\$ 1,728,878</b>	<b>\$ 1,528,818</b>	<b>\$ 40,521,032</b>
\$ -	\$ -	\$ -	\$ -	\$ 5,218,441
-	-	-	-	6,442,810
-	-	-	-	508,726
9,241,500	-	-	-	9,241,500
-	-	1,575,363	-	1,575,363
-	11,878,416	-	-	11,878,416
-	1,204,848	-	-	1,204,848
-	-	-	175,081	548,362
-	-	-	533,116	887,421
-	-	-	-	216,587
16,118	-	2,397	255,000	279,044
2,494	-	16	244,831	247,653
-	-	-	2,000	2,000
<b>\$ 9,260,112</b>	<b>\$ 13,083,264</b>	<b>\$ 1,577,776</b>	<b>\$ 1,210,028</b>	<b>\$ 38,251,171</b>
<b>\$ (204,062)</b>	<b>\$ 1,546,408</b>	<b>\$ 151,102</b>	<b>\$ 318,790</b>	<b>\$ 2,269,861</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>General Fund</b>	<b>Public Safety</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 85,000	\$ -
Transfers out	-	-
Capital lease issued	-	-
	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 85,000</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 29,503</b>	<b>\$ 513,120</b>
<b>Fund Balance - January 1</b>	<b>6,353,132</b>	<b>3,328,881</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>
	-	-
<b>Fund Balance - December 31</b>	<b>\$ 6,382,635</b>	<b>\$ 3,842,001</b>

**EXHIBIT 5**  
**(Continued)**

<b>Special Revenue Funds</b>			<b>Other</b>	<b>Total</b>
<b>Road and</b>	<b>Human</b>	<b>Environmental</b>	<b>Governmental</b>	<b>Governmental</b>
<b>Bridge</b>	<b>Services</b>	<b>Affairs</b>	<b>Funds</b>	<b>Funds</b>
			<b>(Statement A-2)</b>	
\$ -	\$ -	\$ -	\$ -	\$ 85,000
-	-	(85,000)	-	(85,000)
<u>77,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,725</u>
\$ <u>77,725</u>	\$ -	\$ (85,000)	\$ -	\$ <u>77,725</u>
\$ (126,337)	\$ 1,546,408	\$ 66,102	\$ 318,790	\$ 2,347,586
2,693,081	3,368,284	5,308,055	1,433,958	22,485,391
(4,281)	-	-	-	(4,281)
<u>\$ 2,562,463</u>	<u>\$ 4,914,692</u>	<u>\$ 5,374,157</u>	<u>\$ 1,752,748</u>	<u>\$ 24,828,696</u>

**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, 2009**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 2,347,586**

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

Governmental funds report capital outlay as expenditures. However, in  
the Statement of Activities, the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 5,257,449	
Current year depreciation	<u>(3,673,046)</u>	1,584,403

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. (11,296)

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		(74,352)
----------------------------	--	----------

The capital outlay associated with a capital lease purchase is offset by another  
financing source in the fund statements and a payable on the Statement of Net Assets.

Capital leases entered into this year		(77,725)
---------------------------------------	--	----------

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	\$ 255,000	
Capital leases	<u>24,044</u>	279,044

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	\$ 1,003	
Changes in other post employment benefits	(150,904)	
Change in compensated absences payable	(146,676)	
Change in inventories	<u>(4,281)</u>	<u>(300,858)</u>

**Change in net assets of governmental activities (Exhibit 2) \$ 3,746,802**

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET ASSETS  
SUNNYSIDE CARE CENTER ENTERPRISE FUND  
SEPTEMBER 30, 2009**

Assets

**Current Assets**

Cash and pooled deposits and investments	\$ 727,269
Accounts receivable - net of allowance for uncollectible accounts of \$5,000	318,154
Prepaid items	<u>21,087</u>

**Total Current Assets** **\$ 1,066,510**

**Restricted Assets**

Donor-restricted assets	\$ 46,004
Resident trust funds	<u>19,703</u>

**Total Restricted Assets** **\$ 65,707**

**Noncurrent Assets**

Capital assets	
Non-depreciable	\$ 118,625
Depreciable - net of accumulated depreciation	<u>1,809,724</u>

**Total Noncurrent Assets** **\$ 1,928,349**

**Total Assets** **\$ 3,060,566**

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**STATEMENT OF NET ASSETS  
SUNNYSIDE CARE CENTER ENTERPRISE FUND  
SEPTEMBER 30, 2009**

**Liabilities**

**Current Liabilities**

Accounts payable	\$ 106,686
Salaries payable	32,387
Compensated absences payable	103,184
General obligation bonds payable	25,000
General obligation revenue notes payable	7,000
Interest payable	10,945
	<hr/>

**Total Current Liabilities** **\$ 285,202**

**Current Liabilities Payable from Restricted Assets**

Resident trust funds	\$ 19,661
	<hr/>

**Noncurrent Liabilities**

Compensated absences payable	\$ 16,057
General obligation bonds payable	1,165,000
General obligation revenue notes payable	91,000
	<hr/>

**Total Noncurrent Liabilities** **\$ 1,272,057**

**Total Liabilities** **\$ 1,576,920**

**Net Assets**

Invested in capital assets, net of related debt	\$ 640,349
Restricted for capital acquisitions	46,004
Unrestricted	797,293
	<hr/>

**Total Net Assets** **\$ 1,483,646**

**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, 2009**

<b>Operating Revenues</b>	
Net resident service revenue	\$ 3,086,438
Other operating revenue	59,404
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 3,145,842</b>
<b>Operating Expenses</b>	
Employee benefits	\$ 455,414
Nursing services	1,103,263
Administration and fiscal services	346,002
Social service and activities	96,693
Ancillary services	154,284
Plant operations	170,240
Laundry and linen	59,771
Dietary	272,506
Housekeeping	79,344
Medical care surcharge	143,565
Depreciation	108,318
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 2,989,400</b>
<b>Operating Income (Loss)</b>	<b>\$ 156,442</b>
<b>Nonoperating Revenues (Expenses)</b>	
Noncapital grants and contributions	\$ 2,768
Investment earnings	3,691
Interest expense	(68,317)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (61,858)</b>
<b>Income (Loss) Before Contributions</b>	<b>\$ 94,584</b>
Capital contributions	117,047
	<hr/>
<b>Change in Net Assets</b>	<b>\$ 211,631</b>
<b>Net Assets - October 1</b>	<b>1,272,015</b>
	<hr/>
<b>Net Assets - September 30</b>	<b>\$ 1,483,646</b>
	<hr/> <hr/>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
SUNNYSIDE CARE CENTER ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 3,112,023
Payments to suppliers	(881,493)
Payments to employees	(2,051,248)
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 179,282</b>
	<hr/>
<b>Cash Flows from Noncapital Financing Activities</b>	
Grants and contributions	\$ 2,768
	<hr/>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of capital assets	\$ (198,344)
Principal paid on long-term debt	(27,000)
Interest paid on long-term debt	(68,484)
Capital grants and contributions	117,047
	<hr/>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (176,781)</b>
	<hr/>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	\$ 3,691
Increase in restricted assets	1,963
	<hr/>
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 5,654</b>
	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 10,923</b>
	<hr/>
<b>Cash and Cash Equivalents at October 1</b>	<b>716,346</b>
	<hr/>
<b>Cash and Cash Equivalents at September 30</b>	<b>\$ 727,269</b>
	<hr/> <hr/>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

***EXHIBIT 9  
(Continued)***

**STATEMENT OF CASH FLOWS  
SUNNYSIDE CARE CENTER ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
Operating income (loss)	\$ 156,442
<b>Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 108,318
Provision for bad debts	(5,612)
Changes in operating assets and liabilities	
Accounts receivable	(28,207)
Prepaid items	(8,772)
Accounts payable	13,755
Accrued expenses	(56,642)
<b>Total adjustments</b>	<b>\$ 22,840</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 179,282</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

***EXHIBIT 10***

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2009**

	<u>Agency (Statement C-1)</u>
<b><u>Assets</u></b>	
Cash and pooled deposits	<u>\$ 974,958</u>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 12,125
Due to other governments	854,362
Deferred credits	<u>108,471</u>
<b>Total Liabilities</b>	<u><b>\$ 974,958</b></u>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

I. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

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

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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, 2009.

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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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, 2009, 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 2009 were \$402,623. Total investment earnings for 2009 were \$407,443.

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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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:

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

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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.

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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

10. Net Assets and Fund Balance (Continued)

In the fund financial statements, 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, 2009, the Parks and Recreation Special Revenue Fund had expenditures in excess of budget in the amount of \$6,010 and the Natural Resource Management Special Revenue Fund had expenditures in excess of budget in the amount of \$206,278.

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, 2009, are reported as follows:

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Pooled Deposits and Investments (Continued)

Primary government	
Cash and pooled deposits and investments	\$ 24,951,627
Petty cash and change funds	9,600
Cash with fiscal agent	242,466
Fund deposits	9,571
Restricted assets	
Donor-restricted assets	46,004
Resident trust funds	19,703
Fiduciary funds	
Cash and pooled deposits and investments	974,958
Component unit	
Cash and pooled deposits and investments	1,596,846
Cash held by MHFA	31,585
	<u>\$ 27,882,360</u>
Total cash and investments	<u>\$ 27,882,360</u>
Deposits	\$ 20,239,061
Cash on hand	11,815
Investments	7,651,818
Change in Enterprise Funds' cash from September 30 to December 31, 2009	(20,334)
	<u>\$ 27,882,360</u>
Total deposits, cash on hand, and investments	<u>\$ 27,882,360</u>

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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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. It is the County's policy to limit investments to the types of securities listed in Sections 6 and 9 of its Investment Policy. As of December 31, 2009, 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, 2009, the County had the following investments and maturities:

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Pooled Deposits and Investments

Interest Rate Risk (Continued)

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
Federal Home Loan Bank	\$ 2,402,187	\$ -	\$ 1,002,187	\$ 1,400,000
Federal Home Loan Mortgage Corporation	752,873	-	752,873	-
Federal National Mortgage Association	522,898	503,555	1,184	18,159
Northern California Power Agency Revenue Bonds	303,558	303,558	-	-
Ohio Housing Finance Agency Mortgage Revenue	25,503	-	25,503	-
Negotiable Certificates of Deposit	1,690,488	1,690,488	-	-
Minnesota Association of Governments Investing for Counties (MAGIC)	<u>1,954,311</u>	<u>1,954,311</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 7,651,818</u>	<u>\$ 4,451,912</u>	<u>\$ 1,781,747</u>	<u>\$ 1,418,159</u>
	100%	58%	23%	19%

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, 2009, is as follows:

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Pooled Deposits and Investments

Credit Risk (Continued)

	Moody's or S&P Rating	Fair Value
Federal Home Loan Bank	Aaa	\$ 2,402,187
Federal Home Loan Mortgage Corporation	Aaa	752,873
Federal National Mortgage Association	Aaa	503,555
Federal National Mortgage Association	N/R	19,343
Northern California Power Agency Revenue Bonds	Aa3	303,558
Ohio Housing Finance Agency Mortgage Revenue	Aaa	25,503
Negotiable Certificates of Deposit	N/R	1,690,488
Minnesota Association of Governments Investing Counties (MAGIC)	N/A	1,954,311
		\$ 7,651,818

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, 2009, 39 percent of the County's investments may be subject to custodial credit risk in the following amounts by issuer.

Issuer	Amount
Federal Home Loan Bank	\$ 2,021,641
Federal Home Loan Mortgage Corporation	633,606
Federal National Mortgage Association	216,099
Northern California Power Agency Revenue Bonds	125,157
Ohio Housing Finance Agency Mortgage Revenue	10,515
	\$ 3,007,018

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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, external investment pools, and mutual funds. The County's negotiable certificates of deposit are with 18 different 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:

Issuer	Reported Amount	
Federal Home Loan Bank	\$ 2,402,187	31%
Federal Home Loan Mortgage Corporation	752,873	10%
Federal National Mortgage Association	522,898	7%

2. Receivables

Receivables as of December 31, 2009, for the County's governmental activities and as of September 30, 2009, for the County's business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables
Governmental Activities	
Taxes	\$ 727,928
Special Assessments	16,694
Accounts	1,100,626
Accrued Interest	96,266
Due from other governments	1,830,237
Total Governmental Activities	\$ 3,771,751
Business-Type Activities	
Accounts	\$ 318,154

All of the County's receivables are scheduled for collection during the subsequent year.

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2009, and for the business-type activities for the year ended September 30, 2009, was as follows:

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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	\$ 1,462,220	\$ -	\$ -	\$ 1,462,220
Right-of-way	633,736	29,399	-	663,135
Construction in progress	1,232,166	-	1,232,166	-
Total capital assets not depreciated	<u>\$ 3,328,122</u>	<u>\$ 29,399</u>	<u>\$ 1,232,166</u>	<u>\$ 2,125,355</u>
Capital assets being depreciated				
Infrastructure	\$ 67,108,410	\$ 4,223,406	\$ -	\$ 71,331,816
Buildings and improvements	15,940,216	1,708,047	-	17,648,263
Land improvements	1,265,018	-	-	1,265,018
Machinery and equipment	5,105,288	528,763	275,646	5,358,405
Total capital assets being depreciated	<u>\$ 89,418,932</u>	<u>\$ 6,460,216</u>	<u>\$ 275,646</u>	<u>\$ 95,603,502</u>
Less: accumulated depreciation for				
Infrastructure	\$ 30,378,687	\$ 2,575,079	\$ -	\$ 32,953,766
Buildings and improvements	5,820,297	534,312	-	6,354,609
Land improvements	148,143	63,251	-	211,394
Machinery and equipment	3,416,485	500,404	264,350	3,652,539
Total accumulated depreciation	<u>\$ 39,763,612</u>	<u>\$ 3,673,046</u>	<u>\$ 264,350</u>	<u>\$ 43,172,308</u>
Total capital assets, depreciated, net	<u>\$ 49,655,320</u>	<u>\$ 2,787,170</u>	<u>\$ 11,296</u>	<u>\$ 52,431,194</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 52,983,442</u>	<u>\$ 2,816,569</u>	<u>\$ 1,243,462</u>	<u>\$ 54,556,549</u>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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	\$ 116,300	\$ -	\$ 118,625
Construction in progress	14,876	2,610	17,486	-
Total capital assets not depreciated	<u>\$ 17,201</u>	<u>\$ 118,910</u>	<u>\$ 17,486</u>	<u>\$ 118,625</u>
Capital assets being depreciated				
Buildings and improvements	\$ 2,568,726	\$ 7,748	\$ -	\$ 2,576,474
Land improvements	149,767	15,323	-	165,090
Machinery and equipment	442,997	73,849	1	516,845
Total capital assets being depreciated	<u>\$ 3,161,490</u>	<u>\$ 96,920</u>	<u>\$ 1</u>	<u>\$ 3,258,409</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 854,534	\$ 83,901	\$ -	\$ 938,435
Land improvements	131,914	1,597	-	133,511
Machinery and equipment	353,920	22,820	1	376,739
Total accumulated depreciation	<u>\$ 1,340,368</u>	<u>\$ 108,318</u>	<u>\$ 1</u>	<u>\$ 1,448,685</u>
Total capital assets, depreciated, net	<u>\$ 1,821,122</u>	<u>\$ (11,398)</u>	<u>\$ -</u>	<u>\$ 1,809,724</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 1,838,323</u>	<u>\$ 107,512</u>	<u>\$ 17,486</u>	<u>\$ 1,928,349</u>

Depreciation Expense

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

Governmental Activities	
General government	\$ 592,882
Public safety	116,820
Highways and streets, including depreciation of infrastructure assets	2,813,430
Public transportation	39,610
Sanitation	50,748
Human services	14,370
Culture and recreation	41,375
Conservation of natural resources	659
Economic development	3,152
Total Depreciation Expense - Governmental Activities	<u>\$ 3,673,046</u>
Business-Type Activities	
Sunnyside Care Center	<u>\$ 108,318</u>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Construction Commitments

The County had no active construction commitments as of December 31, 2009.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	Human Services SRF	\$ 20,876	Charges for services
	Other Governmental	<u>11,613</u>	Gravel tax
Total Due to General Fund		<u>\$ 32,489</u>	
Public Safety Special Revenue Fund	Human Services SRF	<u>\$ 944</u>	Charges for services
Road and Bridge Special Revenue Fund	General Fund	\$ 10,736	Charges for services
	Public Safety SRF	11,412	Charges for services
	Human Services SRF	459	Charges for services
	Environmental Affairs	1,200	Charges for services
	Other Governmental	<u>117,904</u>	Gravel tax and charges for services
Total Due to Road and Bridge Special Revenue Fund		<u>\$ 141,711</u>	
Environmental Affairs Special Revenue Fund	Road and Bridge SRF	<u>\$ 35</u>	Charges for services
Total Due To/From Other Funds		<u><u>\$ 175,179</u></u>	

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following operating transfers:

Transfer to General Fund from Environment Affairs	\$ 85,000	Administrative charges for services
Special Revenue Fund	\$ 85,000	

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, 2009, governmental funds reported the following various components of deferred unavailable revenue:

	Deferred Unavailable
Taxes	\$ 538,812
Special Assessments	13,647
Contracts	497,987
Grants	786,221
Notes	3,650
Total Deferred Revenue	\$ 1,840,317

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. For the governmental activities, compensated absences are generally liquidated by the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund.

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately \$876,339 at December 31, 2009, is available to employees in the event of illness-related absences and is not paid to them at termination.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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 \$143,160 for the year ended December 31, 2009. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2010	\$ 143,160
2011	143,160
2012	143,160
2013	143,160
2014	69,271
Total	\$ 641,911

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, 2009:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental Activities					
2005 Postage machine	2010	Annual	\$ 5,842	\$ 23,517	\$ 484
2005 Landfill loader	2009	Annual	14,479	52,135	-
2007 Loader	2011	Annual	18,612	83,851	33,771
2009 Bituminous Distributor	2013	Annual	22,175	99,900	77,725
Less: Accumulated depreciation				(64,751)	-
Total Governmental Activities Capital Leases				\$ 194,652	\$ 111,980

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2009, were as follows:

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Leases

Capital Leases (Continued)

Year Ending December 31	Governmental Activities
2010	\$ 41,274
2011	40,788
2012	22,175
2013	22,175
Total minimum lease payments	\$ 126,412
Less amount representing interest	(14,432)
Present Value of Minimum Lease Payments	\$ 111,980

Long-Term Debt

Governmental Activities

	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2009
G.O. Courthouse Expansion Bonds of 2007	2027	\$265,000-\$435,000	4.00-4.25	\$ 6,395,000	\$ 5,835,000

Business-Type Activities

	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance September 30, 2009
2004 G.O. Nursing Home Bonds	2034	\$25,000-\$90,000	5.00-5.65	\$ 1,250,000	\$ 1,190,000
2004 G.O. Revenue Note	2022	\$7,000-\$8,000	1.68	135,430	98,000
					\$ 1,288,000

Debt Service Requirements

Debt service requirements at December 31, 2009, for governmental activities and September 30, 2009, for business-type activities were as follows:

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Debt Service Requirements (Continued)

Governmental Activities

Year Ending December 31	Principal	Interest
2010	\$ 265,000	\$ 234,431
2011	275,000	223,631
2012	285,000	212,431
2013	250,000	201,731
2014	260,000	191,532
2015-2019	1,455,000	790,557
2020-2024	1,785,000	461,828
2025-2027	1,260,000	81,600
Total	<u>\$ 5,835,000</u>	<u>\$ 2,397,741</u>

Business-Type Activities

Year Ending December 31	Principal	Interest
2010	\$ 32,000	\$ 66,691
2011	32,000	65,324
2012	32,000	63,956
2013	32,000	62,589
2014	37,000	61,096
2015-2019	199,000	278,690
2020-2024	239,000	224,468
2025-2029	285,000	155,073
2030-2034	400,000	59,325
Total	<u>\$ 1,288,000</u>	<u>\$ 1,037,212</u>

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2009, and for the business-type activities for the year ended September 30, 2009, was as follows:

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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
Capital leases	\$ 58,299	\$ 99,900	\$ 46,219	\$ 111,980	\$ 35,306
General obligation bonds	6,090,000	-	255,000	5,835,000	265,000
Net OPEB payable	162,887	226,435	75,531	313,791	-
Compensated absences	<u>1,957,358</u>	<u>1,402,362</u>	<u>1,255,686</u>	<u>2,104,034</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 8,268,544</u>	<u>\$ 1,728,697</u>	<u>\$ 1,632,436</u>	<u>\$ 8,364,805</u>	<u>\$ 300,306</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,210,000	\$ -	\$ 20,000	\$ 1,190,000	\$ 25,000
General obligation revenue notes	105,000	-	7,000	98,000	7,000
Compensated absences	<u>131,471</u>	<u>-</u>	<u>12,230</u>	<u>119,241</u>	<u>103,184</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 1,446,471</u>	<u>\$ -</u>	<u>\$ 39,230</u>	<u>\$ 1,407,241</u>	<u>\$ 135,184</u>

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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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 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](http://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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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 are required to contribute 9.40 percent of their annual covered salary. 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 2009 and 2010:

	2009	2010
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	6.75	7.00
Public Employees Police and Fire Fund	14.10	14.10
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2009, 2008, and 2007, 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
2009	\$ 771,085	\$ 215,822	\$ 100,507
2008	710,596	193,775	94,208
2007	654,662	170,997	90,653

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

B. Defined Contribution Plan

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

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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, 2009, were:

	Employee	Employer
Contribution amount	\$ 6,628	\$ 6,628
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Post-Employment Benefits – (OPEB)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Becker County Board of Commissioners. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This post-employment benefit is funded on a pay-as-you-go basis usually paying retiree benefits out of the General Fund. For 2009, there were approximately 252 participants in the plan, including 13 retirees.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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	7,330
Adjustments to Annual Required Contribution	<u>(5,817)</u>
Annual OPEB cost (expense)	\$ 226,435
Contributions made	<u>(75,531)</u>
Increase in net OPEB obligation	\$ 150,904
Net OPEB Obligation - January 1, 2008	<u>162,887</u>
Net OPEB Obligation - December 31, 2008	<u><u>\$ 313,791</u></u>

The County’s annual OPEB cost for December 31, 2009, was \$226,435. The percentage of annual OPEB cost contributed to the plan was 33.4 percent, and the net OPEB obligation for 2009 was \$313,791. The required three-year actuarial valuation trend information is not available at this time based on implementation in 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 14.6 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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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, 2009, was 28 years.

V. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Management Agreement

The Sunnyside Care Center is managed by Ecumen Services, Inc. The Care Center is under a three-year agreement, which expires July 31, 2012. Effective August 1, 2009, the monthly management fee is 3.0 percent of annual operating revenues. Management fees for the year ending September 30, 2009 amounted to \$94,417. Certain employees of Ecumen perform services for the Care Center. The Care Center had unpaid amounts pertaining to the above transactions at September 30, 2009 amounting to \$12,612.

C. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT) to cover workers' compensation and property and casualty liabilities. To cover other risk, the County carries commercial insurance.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

C. Risk Management (Continued)

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 \$430,000 per claim in 2009 and \$450,000 per claim in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

D. Subsequent Event

The Sunnyside Nursing Home Bonds were called in February 2010 and were paid by the General Fund of Becker County. These bonds will be repaid to the County in installments from Sunnyside Care Center revenues.

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 2009, 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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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, 2009. Complete financial information can be obtained from Greater Northwest Emergency Medical Services, 2301 Johanneson Avenue NW, Suite 103, Bemidji, Minnesota 56601.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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, 2009. 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 8<sup>th</sup> 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 2009, Becker County paid \$4,367 to the West Central Area Agency on Aging as its share of the 2009 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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures (Continued)

West Central Minnesota Drug Task Force

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

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

Beginning January 1, 2004, Douglas County became the fiscal agent for the Task Force. Financing and equipment will be provided by the full-time and associate member agencies. Becker County provided \$1,000 to this organization in 2009.

F. Related Organizations

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

G. Jointly-Governed Organizations

Becker County Airport Commission

Becker County and the City of Detroit Lakes created the Becker County Airport commission. The County and the City each appoint two members to the Commission. The County and the City alternately appoint the fifth Commission member for a three-year term. The Commission is reported as a special revenue fund in the financial statements of City of Detroit Lakes. The County appropriated \$40,500 for airport operations in 2009.

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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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 \$303,650 to the Lake Agassiz Regional Library for the year ended December 31, 2009.

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, 2009.

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 2009.

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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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, 2009, and include the financial statements of the Housing Department for the year ended June 30, 2009. 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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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 special items.

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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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:

<u>Assets</u>	<u>Years</u>
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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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

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, 2008, 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:

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets

Cash and Pooled Deposits (Continued)

Governmental activities		
Cash and pooled deposits	\$	641,872
Business-type activities		
Cash and pooled deposits		954,974
Cash held by MHFA		<u>31,585</u>
 Total Cash and Pooled Deposits	\$	<u><u>1,628,431</u></u>

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, 2009, the EDA's deposits were not exposed to custodial credit risk.

Receivables

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

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets (Continued)

Loans Receivable—Governmental Activities

Loans receivable consist of an operating cash loan to Maple Avenue Apartments without interest. This loan is repayable in full on September 1, 2013. The EDA has a one percent ownership and manages Maple Avenue Apartments, with Wells Fargo Company owning 99 percent of the project. The following is a summary of changes in loans receivable for the year ended December 31, 2009:

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

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, 2009:

Balance - July 1, 2008	\$ 1,133,906
New loans	225,000
Payments	(32,296)
Canceled contracts	<u>(133,958)</u>
Balance - June 30, 2009	\$ 1,192,652
Less: current portion	<u>(30,817)</u>
Long-Term Portion	<u><u>\$ 1,161,835</u></u>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets

Contract for Deed—Business-Type Activities (Continued)

<u>Contract for Deed</u>	<u>Date</u>	<u>Interest Rates (%)</u>	<u>Due Date</u>	<u>Monthly Payment</u>	<u>Balance June 30</u>
Federal Home Funds					
Patty Sweeney	October 1, 1999	-	October 1, 2014	\$ 279	\$ 55,682
Lee Ward	February 1, 2000	-	January 1, 2015	173	58,806
Cynthia Burton	March 1, 2001	-	March 1, 2021	197	73,858
Michael Steffl	September 1, 2002	-	September 1, 2017	280	48,226
Katrina Albrecht	May 1, 2003	-	May 1, 2028	74	78,667
Sean Grove and Amy Olson	June 1, 2004	-	June 1, 2024	554	70,340
Anthony and Angela Sieling	July 1, 2004	-	July 1, 2029	199	83,971
Kim Steward and Randy Heinen	September 1, 2004	-	September 1, 2020	144	79,034
Robert Goodrich	August 1, 2004	-	August 1, 2022	262	64,451
Jamie Johnson and Ryan Evans	June 1, 2005	-	May 31, 2020	45	77,460
Felicia Johnson	December 1, 2005	-	December 1, 2035	112	79,409
Melissa Pearson	February 1, 2007	-	February 1, 2033	211	81,195
Michelle Skramstad	February 1, 2007	-	February 1, 2032	215	116,553
Total Federal Home Funds					<u>\$ 967,652</u>
State Non-Home Funds					
Savior	May 1, 2009	-	May 1, 2039	-	\$ 75,000
Rojas	April 1, 2009	-	April 1, 2039	-	150,000
Total State Non-Home Funds					<u>\$ 225,000</u>
Total Contracts for Deed					<u><u>\$ 1,192,652</u></u>

Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

EDA Business-Type Activities as of and for the year ending December 31, 2009:

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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
Capital assets being depreciated				
Buildings	\$ 1,917,313	\$ 25,649	\$ -	\$ 1,942,962
Equipment	106,665	-	-	106,665
Total capital assets being depreciated	\$ 2,023,978	\$ 25,649	\$ -	\$ 2,049,627
Less: accumulated depreciation for				
Buildings	\$ 31,502	\$ 48,574	\$ -	\$ 80,076
Buildings	-	21,333	-	21,333
Total accumulated depreciation	\$ 31,502	\$ 69,907	\$ -	\$ 101,409
Total capital assets, depreciated, net	\$ 1,992,476	\$ (44,258)	\$ -	\$ 1,948,218
Capital Assets, Net	\$ 2,150,830	\$ (44,258)	\$ -	\$ 2,106,572

Housing Business-Type Activities as of and for the year ending June 30, 2009:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 168,000	\$ -	\$ -	\$ 168,000
Capital assets being depreciated				
Buildings	\$ 2,544,844	\$ 151,344	\$ -	\$ 2,696,188
Machinery, furniture, and equipment	102,987	1	-	102,988
Total capital assets being depreciated	\$ 2,647,831	\$ 151,345	\$ -	\$ 2,799,176
Less: accumulated depreciation for				
Buildings	\$ 686,389	\$ 52,542	\$ -	\$ 738,931
Machinery, furniture, and equipment	97,667	1,787	-	99,454
Total accumulated depreciation	\$ 784,056	\$ 54,329	\$ -	\$ 838,385
Total capital assets, depreciated, net	\$ 1,863,775	\$ 97,016	\$ -	\$ 1,960,791
Capital Assets, Net	\$ 2,031,775	\$ 97,016	\$ -	\$ 2,128,791

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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		
West River Townhomes	\$	61,300
Becker Workshop		4,850
Group Home		<u>3,757</u>
Total Depreciation Expense - EDA	\$	<u><u>69,907</u></u>
Housing Business-Type Activities		
Public housing	\$	46,864
Other housing		<u>7,465</u>
Total Depreciation Expense - Housing	\$	<u><u>54,329</u></u>

2. Interfund Payables

Due To/From Other Funds

Business-Type Activities

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

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

3. Related Party Payables

Becker County EDA is a component unit of Becker County and purchases employee services from Becker County. For the year ended December 31, 2009, the EDA paid the County \$219,122 from the EDA programs and \$116,261 from housing programs.

4. Liabilities

Payables

There were no payables at December 31, 2009, for governmental activities. Payables at June 30, 2009, for business-type activities were as follows:

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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	\$ 1,519	\$ 34,381
Due to other governments	5,618	-
Tenant security deposits	1,903	10,112
Other payables	-	18,577
Total Payables	\$ 9,040	\$ 63,070

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, 2009:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2009
Wild Rice Promissory Note	2013	\$ 1,500	-	\$ 144,000	\$ 64,500

EDA Business-Type Activities – December 31, 2009

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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Long-Term Debt

EDA Business-Type Activities – December 31, 2009 (Continued)

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

The EDA entered into a deferred loan 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 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. On June 29, 2009, the EDA repaid this loan and withdrew from the program requirements.

The following is a schedule of long-term debt for EDA business-type activities at December 31, 2009:

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amounts</u>	<u>Outstanding Balance December 31, 2009</u>
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	-
Total Long-Term Debt					<u>\$ 1,617,300</u>

Housing Business-Type Activities – June 30, 2009

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. These loans were paid off on June 30, 2009.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Long-Term Debt

Housing Business-Type Activities – June 30, 2009 (Continued)

The EDA entered into a deferred loan 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 covenants. The proceeds were split between the Highway 34 Group Home and Willow Building, with the Willow Building receiving \$136,915 for modernization projects. On June 29, 2009, the EDA repaid this loan and withdrew from the program requirements.

The following is a schedule of long-term debt for housing business-type activities at June 30, 2009:

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amounts</u>	<u>Outstanding Balance June 30, 2009</u>
MHFA loans payable	N/A	N/A	2.00	\$ 529,000	\$ -
MHFA mortgage loan	N/A	N/A	-	800,000	800,000
MHFA loan payable	N/A	N/A	-	136,915	-
Total Long-Term Debt					<u>\$ 800,000</u>

Debt Service Requirements

Governmental Activities

Debt service requirements at December 31, 2009, were as follows:

<u>Year Ending December 31</u>	<u>Promissory Note</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 18,000	\$ -
2011	18,000	-
2012	18,000	-
2013	10,500	-
Total	<u>\$ 64,500</u>	<u>\$ -</u>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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

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

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Wild Rice Promissory Note	\$ 82,500	\$ -	\$ 18,000	\$ 64,500	\$ 18,000

EDA Business-Type Activities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GMHF mortgage	\$ 217,300	\$ -	\$ -	\$ 217,300	\$ -
MHFA deferred loan	1,400,000	-	-	1,400,000	-
MHFA deferred loan	63,160	-	63,160	-	-
EDA Business-Type Activities Long-Term Liabilities	<u>\$ 1,680,460</u>	<u>\$ -</u>	<u>\$ 63,160</u>	<u>\$ 1,617,300</u>	<u>\$ -</u>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
MHFA loans	\$ 360,000	\$ -	\$ 360,000	\$ -	\$ -
MHFA mortgage	800,000	-	-	800,000	-
MHFA deferred loan	<u>136,915</u>	<u>-</u>	<u>136,915</u>	<u>-</u>	<u>-</u>
Housing Business-Type Activities Long-Term Liabilities	<u>\$ 1,296,915</u>	<u>\$ -</u>	<u>\$ 496,915</u>	<u>\$ 800,000</u>	<u>\$ -</u>

C. Summary of Significant Contingencies and Other Items

1. Risk Management

The EDA is exposed to various risks of loss related to torts; theft of, damage, 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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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	\$ 8,740
Loan dated December 30, 1994, with a final maturity of December 30, 2024	41,200
Loan dated May 29, 2003, with a final maturity of May 29, 2033	<u>28,995</u>
Total	<u><u>\$ 78,935</u></u>

4. Minnesota Housing Revolving Fund Programs

The EDA received grants from the Minnesota Housing Finance Agency to be used to construct homes for low-income residents of Becker County. When the houses are sold, the grant amounts become revolving funds to build additional housing. The EDA chose to discontinue these community revitalization programs and the community revitalization revolving funds were returned to the Minnesota Housing Finance Agency. The amounts received and balances on hand at June 30, 2009, are as follows:

	<u>Original Grant</u>	<u>Revolving Fund Cash</u>	<u>Contract for Deed Receivables</u>	<u>Property Held For Resale</u>
Community Revitalization Fund	\$ 323,401	\$ -	\$ -	\$ -
Federal Home Minnesota Urban and Rural Homesteading Loan	1,810,100	131,698	967,652	134,554
State Home Minnesota Urban and Rural Homesteading Loan	<u>196,185</u>	<u>-</u>	<u>225,000</u>	<u>-</u>
Total	<u><u>\$ 2,329,686</u></u>	<u><u>\$ 131,698</u></u>	<u><u>\$ 1,192,652</u></u>	<u><u>\$ 134,554</u></u>

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  
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

C. Summary of Significant Contingencies and Other Items

5. Operating Leases (Continued)

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).

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, 2009, the outstanding balance on the Public Facilities Lease Revenue Bonds, Series 2007A was \$5,835,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*Schedule 1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,311,697	\$ 2,311,697	\$ 2,351,120	\$ 39,423
Special assessments	-	-	1,539	1,539
Licenses and permits	298,550	298,550	226,170	(72,380)
Intergovernmental	2,010,550	2,010,550	1,913,874	(96,676)
Charges for services	934,053	934,053	1,031,303	97,250
Fines and forfeitures	72,000	72,000	82,906	10,906
Gifts and contributions	-	-	619	619
Investment earnings	652,600	652,600	402,623	(249,977)
Miscellaneous	464,217	464,217	611,530	147,313
<b>Total Revenues</b>	<b>\$ 6,743,667</b>	<b>\$ 6,743,667</b>	<b>\$ 6,621,684</b>	<b>\$ (121,983)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 276,406	\$ 276,406	\$ 254,118	\$ 22,288
Courts	58,000	58,000	67,309	(9,309)
Administrator	193,883	193,883	168,742	25,141
Human resources	146,754	146,754	128,164	18,590
County auditor-treasurer	677,676	677,676	651,418	26,258
Motor vehicle	219,746	219,746	205,268	14,478
County assessor	454,687	454,687	444,963	9,724
Elections	60,361	60,361	30,327	30,034
Central services	19,150	19,150	16,122	3,028
Information technology	469,517	469,517	395,045	74,472
Attorney	673,588	673,588	654,507	19,081
Law library	52,000	52,000	42,569	9,431
Contracted legal services	55,000	55,000	23,244	31,756
Recorder	542,602	542,602	482,852	59,750
Surveyor	7,354	7,354	7,354	-
Planning and zoning	409,373	409,373	387,888	21,485
Buildings and grounds	862,821	862,821	905,926	(43,105)
Becker County annex	168,244	168,244	154,516	13,728
Veterans service officer	133,080	133,080	160,161	(27,081)
Other general government	45,315	45,315	37,948	7,367
<b>Total general government</b>	<b>\$ 5,525,557</b>	<b>\$ 5,525,557</b>	<b>\$ 5,218,441</b>	<b>\$ 307,116</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public Transportation</b>				
Transit	\$ 386,319	\$ 386,319	\$ 468,226	\$ (81,907)
Airport	48,500	48,500	40,500	8,000
<b>Total public transportation</b>	<b>\$ 434,819</b>	<b>\$ 434,819</b>	<b>\$ 508,726</b>	<b>\$ (73,907)</b>
<b>Culture and recreation</b>				
Historical society	\$ 75,000	\$ 75,000	\$ 65,000	\$ 10,000
Senior citizens	4,367	4,367	4,631	(264)
Regional library	303,650	303,650	303,650	-
<b>Total culture and recreation</b>	<b>\$ 383,017</b>	<b>\$ 383,017</b>	<b>\$ 373,281</b>	<b>\$ 9,736</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 123,169	\$ 123,169	\$ 114,587	\$ 8,582
Soil and water conservation	170,575	170,575	170,575	-
Agricultural society/county fair	15,000	15,000	10,000	5,000
Wetland challenge	27,614	27,614	27,614	-
Water planning	27,835	27,835	27,835	-
Other conservation of natural resources	3,825	3,825	3,694	131
<b>Total conservation of natural resources</b>	<b>\$ 368,018</b>	<b>\$ 368,018</b>	<b>\$ 354,305</b>	<b>\$ 13,713</b>
<b>Economic development</b>				
Administration	\$ 223,951	\$ 223,951	\$ 216,587	\$ 7,364
<b>Debt service</b>				
Principal retirement	\$ -	\$ -	\$ 5,529	\$ (5,529)
Interest	-	-	312	(312)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,841</b>	<b>\$ (5,841)</b>
<b>Total Expenditures</b>	<b>\$ 6,935,362</b>	<b>\$ 6,935,362</b>	<b>\$ 6,677,181</b>	<b>\$ 258,181</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (191,695)</b>	<b>\$ (191,695)</b>	<b>\$ (55,497)</b>	<b>\$ 136,198</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Transfers in	85,000	85,000	85,000	-
<b>Net Change in Fund Balance</b>	\$ (106,695)	\$ (106,695)	\$ 29,503	\$ 136,198
<b>Fund Balance - January 1</b>	6,353,132	6,353,132	6,353,132	-
<b>Fund Balance - December 31</b>	<u>\$ 6,246,437</u>	<u>\$ 6,246,437</u>	<u>\$ 6,382,635</u>	<u>\$ 136,198</u>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC SAFETY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,446,175	\$ 5,446,175	\$ 5,404,758	\$ (41,417)
Licenses and permits	900	900	14,493	13,593
Intergovernmental	809,114	809,114	1,135,850	326,736
Charges for services	350,400	350,400	206,855	(143,545)
Fines and forfeitures	15,000	15,000	70,300	55,300
Gifts and contributions	1,500	1,500	2,538	1,038
Investment earnings	6,000	6,000	450	(5,550)
Miscellaneous	84,400	84,400	120,686	36,286
<b>Total Revenues</b>	<b>\$ 6,713,489</b>	<b>\$ 6,713,489</b>	<b>\$ 6,955,930</b>	<b>\$ 242,441</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Sheriff	\$ 3,411,518	\$ 3,411,518	\$ 3,372,421	\$ 39,097
Boat and water safety	57,211	57,211	87,495	(30,284)
Emergency services	22,048	22,048	42,377	(20,329)
Coroner	41,651	41,651	69,597	(27,946)
County jail	2,740,149	2,740,149	2,487,111	253,038
Probation and parole	335,269	335,269	327,245	8,024
Sentence to serve	57,443	57,443	56,564	879
<b>Total public safety</b>	<b>\$ 6,665,289</b>	<b>\$ 6,665,289</b>	<b>\$ 6,442,810</b>	<b>\$ 222,479</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 48,200</b>	<b>\$ 48,200</b>	<b>\$ 513,120</b>	<b>\$ 464,920</b>
<b>Fund Balance - January 1</b>	<b>3,328,881</b>	<b>3,328,881</b>	<b>3,328,881</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,377,081</b>	<b>\$ 3,377,081</b>	<b>\$ 3,842,001</b>	<b>\$ 464,920</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,330,448	\$ 2,330,448	\$ 2,321,255	\$ (9,193)
Special assessments	3,800	3,800	-	(3,800)
Licenses and permits	22,000	22,000	12,983	(9,017)
Intergovernmental	5,425,462	5,425,462	5,641,184	215,722
Charges for services	125,000	125,000	166,308	41,308
Investment earnings	670	670	461	(209)
Miscellaneous	877,000	877,000	913,859	36,859
<b>Total Revenues</b>	<b>\$ 8,784,380</b>	<b>\$ 8,784,380</b>	<b>\$ 9,056,050</b>	<b>\$ 271,670</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and Streets</b>				
Administration	\$ 330,867	\$ 330,867	\$ 325,797	\$ 5,070
Maintenance	2,739,469	2,739,469	3,003,983	(264,514)
Construction	4,361,137	4,361,137	4,641,406	(280,269)
Equipment maintenance and shop	1,237,900	1,237,900	1,163,189	74,711
Other highways and streets	115,008	115,008	107,125	7,883
<b>Total highways and streets</b>	<b>\$ 8,784,381</b>	<b>\$ 8,784,381</b>	<b>\$ 9,241,500</b>	<b>\$ (457,119)</b>
<b>Debt service</b>				
Principal retirement	\$ -	\$ -	\$ 16,118	\$ (16,118)
Interest	-	-	2,494	(2,494)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,612</b>	<b>\$ (18,612)</b>
<b>Total Expenditures</b>	<b>\$ 8,784,381</b>	<b>\$ 8,784,381</b>	<b>\$ 9,260,112</b>	<b>\$ (475,731)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (1)</b>	<b>\$ (1)</b>	<b>\$ (204,062)</b>	<b>\$ (204,061)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital lease	-	-	77,725	77,725
<b>Net Change in Fund Balance</b>	<b>\$ (1)</b>	<b>\$ (1)</b>	<b>\$ (126,337)</b>	<b>\$ (126,336)</b>
<b>Fund Balance - January 1</b>	<b>2,693,081</b>	<b>2,693,081</b>	<b>2,693,081</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(4,281)</b>	<b>(4,281)</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,693,080</b>	<b>\$ 2,693,080</b>	<b>\$ 2,562,463</b>	<b>\$ (130,617)</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,643,998	\$ 5,643,998	\$ 5,602,132	\$ (41,866)
Intergovernmental	6,925,903	6,925,903	8,060,217	1,134,314
Miscellaneous	1,071,008	1,071,008	967,323	(103,685)
<b>Total Revenues</b>	<b>\$ 13,640,909</b>	<b>\$ 13,640,909</b>	<b>\$ 14,629,672</b>	<b>\$ 988,763</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human Services</b>				
Income maintenance	\$ 2,826,580	\$ 2,826,580	\$ 2,770,440	\$ 56,140
Social services	9,576,875	9,576,875	8,937,491	639,384
Collaborative	-	-	170,485	(170,485)
<b>Total human services</b>	<b>\$ 12,403,455</b>	<b>\$ 12,403,455</b>	<b>\$ 11,878,416</b>	<b>\$ 525,039</b>
<b>Health</b>				
Community Health	1,237,454	1,237,454	1,204,848	32,606
<b>Total Expenditures</b>	<b>\$ 13,640,909</b>	<b>\$ 13,640,909</b>	<b>\$ 13,083,264</b>	<b>\$ 557,645</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 1,546,408	\$ 1,546,408
<b>Fund Balance - January 1</b>	<b>3,368,284</b>	<b>3,368,284</b>	<b>3,368,284</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,368,284</b>	<b>\$ 3,368,284</b>	<b>\$ 4,914,692</b>	<b>\$ 1,546,408</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULES  
ENVIRONMENTAL AFFAIRS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 188,000	\$ 188,000	\$ 194,161	\$ 6,161
Intergovernmental	95,000	95,000	116,134	21,134
Charges for services	1,400,000	1,400,000	1,343,785	(56,215)
Miscellaneous	90,000	90,000	74,798	(15,202)
<b>Total Revenues</b>	<b>\$ 1,773,000</b>	<b>\$ 1,773,000</b>	<b>\$ 1,728,878</b>	<b>\$ (44,122)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 1,583,010	\$ 1,583,010	\$ 1,257,967	\$ 325,043
Recycling	266,896	266,896	279,930	(13,034)
Hazardous waste	63,067	63,067	37,466	25,601
<b>Total sanitation</b>	<b>\$ 1,912,973</b>	<b>\$ 1,912,973</b>	<b>\$ 1,575,363</b>	<b>\$ 337,610</b>
<b>Debt service</b>				
Principal retirement	\$ -	\$ -	\$ 2,397	\$ (2,397)
Interest	-	-	16	(16)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,413</b>	<b>\$ (2,413)</b>
<b>Total Expenditures</b>	<b>\$ 1,912,973</b>	<b>\$ 1,912,973</b>	<b>\$ 1,577,776</b>	<b>\$ 335,197</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (139,973)</b>	<b>\$ (139,973)</b>	<b>\$ 151,102</b>	<b>\$ 291,075</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(85,000)	(85,000)	(85,000)	-
<b>Net Change in Fund Balance</b>	<b>\$ (224,973)</b>	<b>\$ (224,973)</b>	<b>\$ 66,102</b>	<b>\$ 291,075</b>
<b>Fund Balance - January 1</b>	<b>5,308,055</b>	<b>5,308,055</b>	<b>5,308,055</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,083,082</b>	<b>\$ 5,083,082</b>	<b>\$ 5,374,157</b>	<b>\$ 291,075</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**Schedule 6**

**SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFIT PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**Schedule 7**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
OTHER POST-EMPLOYMENT BENEFIT PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 224,922	\$ 62,035	27.6%	\$ 162,887
December 31, 2009	226,435	75,531	33.4%	313,791

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

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 departments had expenditures in excess of budget for the year ended December 31, 2009:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Courts	\$ 67,309	\$ 58,000	\$ (9,309)
Buildings and grounds	905,926	862,821	(43,105)
Veterans service officer	160,161	133,080	(27,081)
Public transportation			
Transit	468,226	386,319	(81,907)
Culture and recreation			
Senior citizens	4,631	4,367	(264)
Debt service			
Principal retirement	5,529	-	(5,529)
Interest	312	-	(312)
Public Safety Special Revenue Fund			
Public safety			
Boat and water safety	87,495	57,211	(30,284)
Emergency services	42,377	22,048	(20,329)
Coroner	69,597	41,651	(27,946)

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**B. Excess of Expenditures Over Budget (Continued)**

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund			
Highways and streets			
Maintenance	\$ 3,003,983	\$ 2,739,469	\$ (264,514)
Construction	4,641,406	4,361,137	(280,269)
Debt service			
Principal retirement	16,118	-	(16,118)
Interest	2,494	-	(2,494)
Human Services Special Revenue Fund			
Human services			
Collaborative	170,485	-	(170,485)
Environmental Affairs Special Revenue Fund			
Sanitation			
Recycling	279,930	266,896	(13,034)
Debt service			
Principal retirement	2,397	-	(2,397)
Interest	16	-	(16)

**II. Other Post-Employment Benefits (OPEB)**

Beginning in 2008, Becker County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. Currently, only one year's actuarial data is available. Future notes will provide additional trend analysis to meet the three actuarial valuations requirement as it becomes available. For more information, refer to the Notes to the Financial Statements Section IV. C., Other Post-Employment Benefits.

**SUPPLEMENTARY INFORMATION**

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds

The Parks and Recreation Special Revenue Fund is used to provide for 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, 2009**

	Special Revenue Funds (Statement B-1)	Debt Service Fund	Total Nonmajor Governmental Funds (Exhibit 3)
<b><u>Assets</u></b>			
Cash and pooled deposits and investments	\$ 1,461,051	\$ 423,882	\$ 1,884,933
Cash with fiscal agent	-	242,466	242,466
Taxes receivable			
Current	-	14,408	14,408
Prior	164	5,454	5,618
Accounts receivable	64,224	-	64,224
<b>Total Assets</b>	<b>\$ 1,525,439</b>	<b>\$ 686,210</b>	<b>\$ 2,211,649</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 42,855	\$ -	\$ 42,855
Salaries payable	9,212	-	9,212
Due to other funds	129,517	-	129,517
Due to other governments	263,044	-	263,044
Deferred revenue - unavailable	153	14,120	14,273
<b>Total Liabilities</b>	<b>\$ 444,781</b>	<b>\$ 14,120</b>	<b>\$ 458,901</b>
<b>Fund Balances</b>			
Reserved for			
Debt service	\$ -	\$ 672,090	\$ 672,090
Conservation of natural resources	35,755	-	35,755
Gravel pit closure	247,157	-	247,157
Unreserved			
Designated for			
Future expenditures	6,956	-	6,956
Trail groomer	160,000	-	160,000
Undesignated	630,790	-	630,790
<b>Total Fund Balances</b>	<b>\$ 1,080,658</b>	<b>\$ 672,090</b>	<b>\$ 1,752,748</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,525,439</b>	<b>\$ 686,210</b>	<b>\$ 2,211,649</b>

**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, 2009**

	<u>Special Revenue Funds (Statement B-2)</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
<b>Revenues</b>			
Taxes	\$ 33,803	\$ 484,400	\$ 518,203
Intergovernmental	182,686	44,122	226,808
Charges for services	4,981	-	4,981
Investment earnings	-	218	218
Gifts and contributions	200	-	200
Miscellaneous	778,408	-	778,408
<b>Total Revenues</b>	<u>\$ 1,000,078</u>	<u>\$ 528,740</u>	<u>\$ 1,528,818</u>
<b>Expenditures</b>			
<b>Current</b>			
Culture and recreation	\$ 175,081	\$ -	\$ 175,081
Conservation of natural resources	533,116	-	533,116
<b>Debt service</b>			
Principal retirement	-	255,000	255,000
Interest	-	244,831	244,831
Administrative and fiscal services	-	2,000	2,000
<b>Total Expenditures</b>	<u>\$ 708,197</u>	<u>\$ 501,831</u>	<u>\$ 1,210,028</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>\$ 291,881</u>	<u>\$ 26,909</u>	<u>\$ 318,790</u>
<b>Fund Balance - January 1</b>	<u>788,777</u>	<u>645,181</u>	<u>1,433,958</u>
<b>Fund Balance - December 31</b>	<u>\$ 1,080,658</u>	<u>\$ 672,090</u>	<u>\$ 1,752,748</u>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2009**

	<b>Parks and Recreation</b>	<b>Resource Development</b>
<b><u>Assets</u></b>		
Cash and pooled deposits and investments	\$ 324,992	\$ 502,579
Taxes receivable		
Prior	164	-
Accounts receivable	-	-
	<b>\$ 325,156</b>	<b>\$ 502,579</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 12,154	\$ 26,391
Salaries payable	2,925	-
Due to other funds	4,468	-
Due to other governments	41	-
Deferred revenue - unavailable	153	-
	<b>\$ 19,741</b>	<b>\$ 26,391</b>
<b>Fund Balances</b>		
Reserved for		
Gravel pit closure	\$ -	\$ -
Conservation of natural resources	-	-
Unreserved		
Designated for		
Future expenditures	-	-
Trail groomer	160,000	-
Undesignated	145,415	476,188
	<b>\$ 305,415</b>	<b>\$ 476,188</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 325,156</b>	<b>\$ 502,579</b>

Statement B-1

<u>County Ditch</u>	<u>Natural Resource Management</u>	<u>Gravel Tax</u>	<u>Total (Statement A-1)</u>
\$ 9,187	\$ 195,789	\$ 428,504	\$ 1,461,051
-	-	-	164
-	18,847	45,377	64,224
<u>\$ 9,187</u>	<u>\$ 214,636</u>	<u>\$ 473,881</u>	<u>\$ 1,525,439</u>
\$ -	\$ 4,310	\$ -	\$ 42,855
-	6,287	-	9,212
-	1,294	123,755	129,517
-	160,034	102,969	263,044
-	-	-	153
<u>\$ -</u>	<u>\$ 171,925</u>	<u>\$ 226,724</u>	<u>\$ 444,781</u>
\$ -	\$ -	\$ 247,157	\$ 247,157
-	35,755	-	35,755
-	6,956	-	6,956
-	-	-	160,000
9,187	-	-	630,790
<u>\$ 9,187</u>	<u>\$ 42,711</u>	<u>\$ 247,157</u>	<u>\$ 1,080,658</u>
<u>\$ 9,187</u>	<u>\$ 214,636</u>	<u>\$ 473,881</u>	<u>\$ 1,525,439</u>

**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, 2009**

	<b>Parks and Recreation</b>	<b>Resource Development</b>
<b>Revenues</b>		
Taxes	\$ 114	\$ -
Intergovernmental	109,056	73,630
Charges for services	4,981	-
Gifts and contributions	200	-
Miscellaneous	107,017	261,094
	<b>\$ 221,368</b>	<b>\$ 334,724</b>
<b>Expenditures</b>		
<b>Current</b>		
Culture and recreation	\$ 175,081	\$ -
Conservation of natural resources	-	78,768
	<b>\$ 175,081</b>	<b>\$ 78,768</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 46,287</b>	<b>\$ 255,956</b>
<b>Fund Balance - January 1</b>	<b>259,128</b>	<b>220,232</b>
<b>Fund Balance - December 31</b>	<b>\$ 305,415</b>	<b>\$ 476,188</b>

Statement B-2

<u>County Ditch</u>	<u>Natural Resource Management</u>	<u>Gravel Tax</u>	<u>Total (Statement A-2)</u>
\$ -	\$ -	\$ 33,689	\$ 33,803
-	-	-	182,686
-	-	-	4,981
-	-	-	200
-	410,297	-	778,408
<u>\$ -</u>	<u>\$ 410,297</u>	<u>\$ 33,689</u>	<u>\$ 1,000,078</u>
\$ -	\$ -	\$ -	\$ 175,081
-	454,348	-	533,116
<u>\$ -</u>	<u>\$ 454,348</u>	<u>\$ -</u>	<u>\$ 708,197</u>
\$ -	\$ (44,051)	\$ 33,689	\$ 291,881
<u>9,187</u>	<u>86,762</u>	<u>213,468</u>	<u>788,777</u>
<u>\$ 9,187</u>	<u>\$ 42,711</u>	<u>\$ 247,157</u>	<u>\$ 1,080,658</u>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*Schedule 8*

**BUDGETARY COMPARISON SCHEDULE  
PARKS AND RECREATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 114	\$ 114
Intergovernmental	105,600	105,600	109,056	3,456
Charges for services	2,000	2,000	4,981	2,981
Gifts and contributions	1,400	1,400	200	(1,200)
Miscellaneous	27,000	27,000	107,017	80,017
<b>Total Revenues</b>	<b>\$ 136,000</b>	<b>\$ 136,000</b>	<b>\$ 221,368</b>	<b>\$ 85,368</b>
<b>Expenditures</b>				
<b>Current</b>				
Culture and recreation	169,071	169,071	175,081	(6,010)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (33,071)</b>	<b>\$ (33,071)</b>	<b>\$ 46,287</b>	<b>\$ 79,358</b>
<b>Fund Balance - January 1</b>	<b>259,128</b>	<b>259,128</b>	<b>259,128</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 226,057</b>	<b>\$ 226,057</b>	<b>\$ 305,415</b>	<b>\$ 79,358</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*Schedule 9*

**BUDGETARY COMPARISON SCHEDULE  
RESOURCE DEVELOPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 62,500	\$ 62,500	\$ 73,630	\$ 11,130
Miscellaneous	115,400	115,400	261,094	145,694
<b>Total Revenues</b>	<b>\$ 177,900</b>	<b>\$ 177,900</b>	<b>\$ 334,724</b>	<b>\$ 156,824</b>
<b>Expenditures</b>				
<b>Current</b>				
Conservation of natural resources	97,700	97,700	78,768	18,932
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 80,200</b>	<b>\$ 80,200</b>	<b>\$ 255,956</b>	<b>\$ 175,756</b>
<b>Fund Balance - January 1</b>	<b>220,232</b>	<b>220,232</b>	<b>220,232</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 300,432</b>	<b>\$ 300,432</b>	<b>\$ 476,188</b>	<b>\$ 175,756</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*Schedule 10*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*Schedule 11*

**BUDGETARY COMPARISON SCHEDULE  
NATURAL RESOURCE MANAGEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous	\$ 282,000	\$ 282,000	\$ 410,297	\$ 128,297
<b>Expenditures</b>				
<b>Current</b>				
Conservation of natural resources	248,070	248,070	454,348	(206,278)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 33,930</b>	<b>\$ 33,930</b>	<b>\$ (44,051)</b>	<b>\$ (77,981)</b>
<b>Fund Balance - January 1</b>	<b>86,762</b>	<b>86,762</b>	<b>86,762</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 120,692</b>	<b>\$ 120,692</b>	<b>\$ 42,711</b>	<b>\$ (77,981)</b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*Schedule 12*

**BUDGETARY COMPARISON SCHEDULE  
GRAVEL TAX SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 115,000	\$ 115,000	\$ 33,689	\$ (81,311)
<b>Expenditures</b>				
<b>Current</b>				
Conservation of natural resources	115,000	115,000	-	115,000
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ -	\$ -	\$ 33,689	\$ 33,689
<b>Fund Balance - January 1</b>	<u>213,468</u>	<u>213,468</u>	<u>213,468</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 213,468</u>	<u>\$ 213,468</u>	<u>\$ 247,157</u>	<u>\$ 33,689</u>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**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, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>CLEARING FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled deposits	<u>\$ 120,301</u>	<u>\$ 3,975,207</u>	<u>\$ 3,965,157</u>	<u>\$ 130,351</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 12,301	\$ 12,125	\$ 12,301	\$ 12,125
Due to other governments	<u>108,000</u>	<u>3,963,082</u>	<u>3,952,856</u>	<u>118,226</u>
<b>Total Liabilities</b>	<u><b>\$ 120,301</b></u>	<u><b>\$ 3,975,207</b></u>	<u><b>\$ 3,965,157</b></u>	<u><b>\$ 130,351</b></u>
 <b><u>TAXES AND PENALTIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled deposits	<u>\$ 540,499</u>	<u>\$ 38,503,186</u>	<u>\$ 38,334,623</u>	<u>\$ 709,062</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 441,693	\$ 38,394,715	\$ 38,235,817	\$ 600,591
Deferred credits	<u>98,806</u>	<u>108,471</u>	<u>98,806</u>	<u>108,471</u>
<b>Total Liabilities</b>	<u><b>\$ 540,499</b></u>	<u><b>\$ 38,503,186</b></u>	<u><b>\$ 38,334,623</b></u>	<u><b>\$ 709,062</b></u>
 <b><u>CHILDREN'S INITIATIVE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled deposits	<u>\$ 62,257</u>	<u>\$ 214,531</u>	<u>\$ 141,243</u>	<u>\$ 135,545</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 62,257</u>	<u>\$ 214,531</u>	<u>\$ 141,243</u>	<u>\$ 135,545</u>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled deposits	<u>\$ 723,057</u>	<u>\$ 42,692,924</u>	<u>\$ 42,441,023</u>	<u>\$ 974,958</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 12,301	\$ 12,125	\$ 12,301	\$ 12,125
Due to other governments	611,950	42,572,328	42,329,916	854,362
Deferred credits	<u>98,806</u>	<u>108,471</u>	<u>98,806</u>	<u>108,471</u>
<b>Total Liabilities</b>	<u><b>\$ 723,057</b></u>	<u><b>\$ 42,692,924</b></u>	<u><b>\$ 42,441,023</b></u>	<u><b>\$ 974,958</b></u>

## **OTHER SCHEDULES**

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

Schedule 13

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Total Governmental Funds</b>	<b>Discretely Presented Component Unit</b>
<b>Shared Revenue</b>		
<b>State</b>		
Highway user tax	\$ 4,733,900	\$ -
County program aid	1,189,958	-
PERA rate reimbursement	38,181	-
Disparity reduction aid	738	-
Police state aid	145,150	-
Enhanced 911	109,983	-
Market value credit	1,296,659	13,195
Mobile home market value credit	12,562	128
	<b>\$ 7,527,131</b>	<b>\$ 13,323</b>
<b>Payments</b>		
<b>Local</b>		
Payments in lieu of taxes	\$ 364,327	\$ -
	<b>\$ 364,327</b>	<b>\$ -</b>
<b>Grants</b>		
<b>State</b>		
<b>Minnesota Department/Board of/Office of</b>		
Corrections	\$ 236,277	\$ -
Public Safety	10,240	-
Transportation	177,163	-
Health	255,133	-
Natural Resources	177,901	-
Human Services	2,035,726	-
Soil and Water Resources	67,057	-
Housing Finance Agency	-	392,774
Veterans Services	42,550	-
Pollution Control Agency	116,134	-
Peace Officer Standards and Training	19,028	-
	<b>\$ 3,137,209</b>	<b>\$ 392,774</b>
<b>Total State</b>	<b>\$ 3,137,209</b>	<b>\$ 392,774</b>
<b>Federal</b>		
<b>Department of</b>		
Agriculture	\$ 422,085	\$ -
Housing and Urban Development	-	362,113
Transportation	455,698	-
Health and Human Services	4,959,131	-
Homeland Security	228,486	-
	<b>\$ 6,065,400</b>	<b>\$ 362,113</b>
<b>Total Federal</b>	<b>\$ 6,065,400</b>	<b>\$ 362,113</b>
<b>Total State and Federal Grants</b>	<b>\$ 9,202,609</b>	<b>\$ 754,887</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 17,094,067</b>	<b>\$ 768,210</b>

**MANAGEMENT AND COMPLIANCE SECTION**

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**Schedule 14**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**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:
- |                                    |              |
|------------------------------------|--------------|
| Child Support Enforcement Cluster  |              |
| Child Support Enforcement          | CFDA #93.563 |
| Child Support Enforcement – ARRA   | CFDA #93.563 |
| Foster Care Title IV-E Cluster     |              |
| Foster Care Title IV-E             | CFDA #93.658 |
| Foster Care Title IV-E - ARRA      | CFDA #93.658 |
| Medical Assistance Program Cluster |              |
| Medical Assistance Program         | CFDA #93.778 |
| Medical Assistance Program - ARRA  | 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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**Schedule 14  
(Continued)**

**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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

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

**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.



**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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 29, 2010. 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, 2009, as described in our report on Becker County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 96-7. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for 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 finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response 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, PLLC

September 29, 2010



**GOVERNMENTAL AUDIT SERVICES**

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

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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 Compliance Supplement* that is applicable to its major federal programs for the year ended December 31, 2009. 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.

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, 2009.

### 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 29, 2010. We did not audit the financial statements of the Sunnyside Care Center Enterprise Fund, which is the business-type activities of Becker County for the year ended September 30, 2009. 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 29, 2010

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**Schedule 15**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>		<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Human Services Supplemental Nutrition Assistance Program	10.551	\$	3,745
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Woman, Infants, and Children	10.557		204,309
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Supplemental Nutrition Assistance Program Cluster			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	\$	203,308
State Administrative Matching Grants for Supplemental Nutrition Assistance Program - ARRA	10.561		10,723
			<u>214,031</u>
<b>Total U.S. Department of Agriculture</b>		<b>\$</b>	<b><u>422,085</u></b>
<b>U.S. Department of Housing and Urban Development</b>			
Direct Awards			
Public and Indian Housing	14.850		79,935
Section 8 Housing Choice Vouchers	14.871		209,069
Public Housing Capital Fund	14.872		45,264
Formula Capital Fund Stimulus Grant - ARRA	14.885		27,845
			<u>27,845</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<b>\$</b>	<b><u>362,113</u></b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Program Cluster			
Highway Planning and Construction	20.205	\$	24,734
Highway Planning and Construction - ARRA	20.205		248,101
			<u>272,835</u>
Federal Transit Formula Grants - ARRA	20.507		59,596
Formula Grants for Other Than Urbanized Areas	20.509		87,382
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600		5,107
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		24,430
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		6,348
			<u>6,348</u>
<b>Total U.S. Department of Transportation</b>		<b>\$</b>	<b><u>455,698</u></b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	\$	40,686
Immunization Grants	93.268		800
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		26,620

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

***Schedule 15  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>		<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (continued)</b>			
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556		\$ 119,025
Passed Through Minnesota Department of Health Temporary Assistance for Needy Families	93.558		45,913
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families	93.558		759,990
Child Support Enforcement Program Cluster			
Child Support Enforcement	93.563	\$ 838,641	
Child Support Enforcement - ARRA	93.563	<u>57,372</u>	\$ 896,013
Refugee and Entrant Assistance	93.566		557
Child Care and Development Block Grant	93.575		5,765
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		25,199
Child Welfare Services - State Grants	93.645		25,704
Foster Care - Title IV-E Program Cluster			
Foster Care - Title IV-E	93.658	\$ 446,562	
Foster Care - Title IV-E - ARRA	93.658	<u>5,339</u>	451,901
Social Services Block Grant	93.667		363,993
Chafee Foster Care Independence Program	93.674		19,000
Medical Assistance Program Program Cluster			
Medical Assistance Program	93.778	\$ 2,082,110	
Medical Assistance Program - ARRA	93.778	<u>50,800</u>	2,132,910
Block Grants for Community Mental Health Services	93.958		3,325
Maternal and Child Health Services Block Grant to the States	93.994		<u>41,730</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>\$ 4,959,131</u></b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012		\$ 33,800
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance	97.036		177,861
Hazard Mitigation Grant	97.039		2,075
Emergency Management Performance Grants	97.042		<u>14,750</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>\$ 228,486</u></b>
<b>Total Federal Awards</b>			<b><u>\$ 6,427,513</u></b>

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

I. Reporting Entity

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

II. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Becker County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Becker County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Becker County.

III. Summary of Significant Accounting Policies

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

IV. Subrecipients

During 2009, the County did not pass any federal money to subrecipients.

V. American Recovery and Reinvestment Act

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