BECKER COUNTY
DETROIT LAKES, MINNESOTA

YEAR ENDED DECEMBER 31, 2010

BECKER COUNTY
DETROIT LAKES, MINNESOTA

TABLE OF CONTENTS

BECKER COUNTY
DETROIT LAKES, MINNESOTA

TABLE OF CONTENTS

INTRODUCTORY SECTION

BECKER COUNTY
DETROIT LAKES, MINNESOTA

ORGANIZATION SCHEDULE
DECEMBER 31, 2010

Office	Name	Term Expires
Commissioners		
1st District	Larry Knutson	January 2013
2nd District	Harold Salminen,[1] Chair	January 2011
3rd District	Gerald Schram	January 2013
4th District	John Bellefeuille[2]	January 2011
5th District	Barry Nelson	January 2013
Officers		
Elected:		
Attorney	Mike Fritz	January 2011
Auditor-Treasurer	Ryan Tangen	January 2011
Coroner	Knute Thorsgard	January 2011
Recorder	Darlene Maneval	January 2011
Registrar of Titles	Darlene Maneval	January 2011
Sheriff	Tim Gordon	January 2011
Surveyor	Roy Smith	January 2011
Appointed:		
Administrator	vacant	Indefinite
Assessor	Steven Skoog	January 2013
Highway Engineer	Brad Wentz	April 2013
Human Services Director	Nancy Nelson	Indefinite
Natural Resource Manager	vacant	Indefinite
Personnel Director	Nancy Grabanski	Indefinite
Solid Waste Officer	Steve Skoog	January 2013

[1] Replaced by John Okeson in January, 2011.
[2] Replaced by Donald Skarie in January, 2011.

FINANCIAL SECTION

HOFFMAN, DALE, & SWENSON, PLLC

GOVERNMENTAL AUDIT SERVICES

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

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Thief River Falls, MN 56701
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Becker County

We have audited the accompanying financial statements of the governmental activities, the 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, 2010, including the Sunnyside Care Center Enterprise Fund as of and for the year ended September 30, 2010, which comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sunnyside Care Center, the major enterprise fund which is the business-type activities of Becker County. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Sunnyside Care Center Enterprise Fund is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of December 31, 2010, including the Sunnyside Care Center Enterprise Fund as of September 30, 2010, 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 27, 2011, on our consideration of Becker County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the Sunnyside Care Center Enterprise Fund, which was audited by other auditors.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Becker County's basic financial statements as a whole. The introductory section 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 financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory 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 27, 2011

COUNTY OF BECKER

Ryan L. Tangen • Auditor-Treasurer

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The management of Becker County offers readers of the County's Financial Statements this narrative overview and analysis of the financial activities of Becker County for the fiscal year ended December 31, 2010. 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 $75,000,565, of which $50,276,131 is invested in capital assets, net of related debt, $2,303,708 is restricted for specific purposes, and $22,420,726 is unrestricted. The total net assets of governmental activities increased by $2,245,022 for the year ended December 31, 2010.

The total net assets of business-type activities are $1,385,267, of which $618,421 is invested in capital assets, net of related debt, $7,899 is restricted for capital projects, and $758,947 is unrestricted. The total net assets of business-type activities decreased by $98,379 for the year ended September 30, 2010.

At the close of 2010, the County's governmental funds reported combined ending fund balances of $25,487,563, an increase of $658,867, from the prior year. Of the total fund balance amount, $2,762,081 is legally or contractually reserved, $5,774,857 is designated for specific purposes, and an additional $16,950,625 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 has been assessing and planning for the handling of solid waste and expanding the recycling program. Currently Becker County has little capacity for recycling and no capacity at the landfill for municipal solid waste. In 2010 Becker County entered into an agreement for an incinerator expansion in Perham, Minnesota to meet future needs for waste management. Becker County is planning for construction of a new transfer station including the addition of an office building and a recycling facility. The recycling facility will handle triple, dual or single stream recyclables for sorting, preparation and marketing. These changes will require other updates in our existing recycling program. Our building needs will be addressed within five years including the relocation of the Highway Department and Maintenance buildings.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

Becker County adopts annual budgets for its 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 $76,385,832 at the close of 2010. The largest portion of the County's net assets (approximately 67 percent) reflects its investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, land improvements, and machinery and equipment), net of related debt used to acquire those assets. It should be noted that this amount is not available for future spending. Approximately three percent of the County's net assets are restricted and 30 percent of the County's net assets are unrestricted. The unrestricted net asset amount of $23,179,673, as of December 31, 2010, 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 $2,187,607 from the prior year as a result of various road projects that were added to the infrastructure. Total liabilities increased by $40,964 from the prior year, as a result of federal regulations for other post employment benefits for health care costs for County employees. This resulted in increased net assets of $2,146,643 from the prior year.

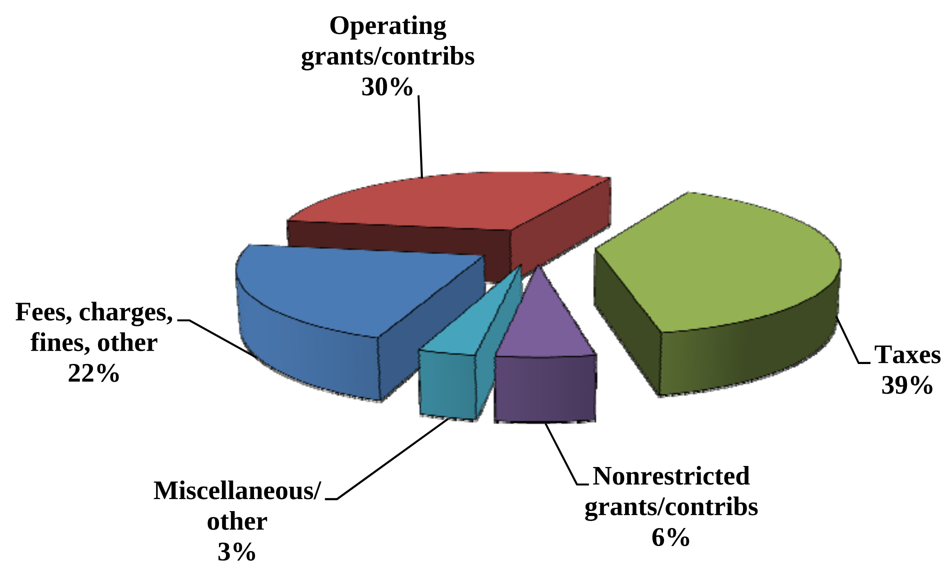
NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 29,798,276	$ 28,742,279	$ 955,544	$ 1,132,217	$ 30,753,820	$ 29,874,496
Capital assets	55,930,710	54,556,549	1,862,471	1,928,349	57,793,181	56,484,898
Total assets	$ 85,728,986	$ 83,298,828	$ 2,818,015	$ 3,060,566	$ 88,547,001	$ 86,359,394
Other liabilities	$ 2,512,830	$ 2,178,480	$ 97,197	$ 169,679	$ 2,610,027	$ 2,348,159
Long-term liabilities outstanding	8,215,591	8,364,805	1,335,551	1,407,241	9,551,142	9,772,046
Total liabilities	$ 10,728,421	$ 10,543,285	$ 1,432,748	$ 1,576,920	$ 12,161,169	$ 12,120,205
Net assets						
Invested in capital assets, net of related debt	$ 50,276,131	$ 45,252,048	$ 618,421	$ 640,349	$ 50,894,552	$ 45,892,397
Restricted	2,303,708	2,119,483	7,899	46,004	2,311,607	2,165,487
Unrestricted	22,420,726	25,384,012	758,947	797,293	23,179,673	26,181,305
Total net assets	$ 75,000,565	$ 72,755,543	$ 1,385,267	$ 1,483,646	$ 76,385,832	$ 74,239,189

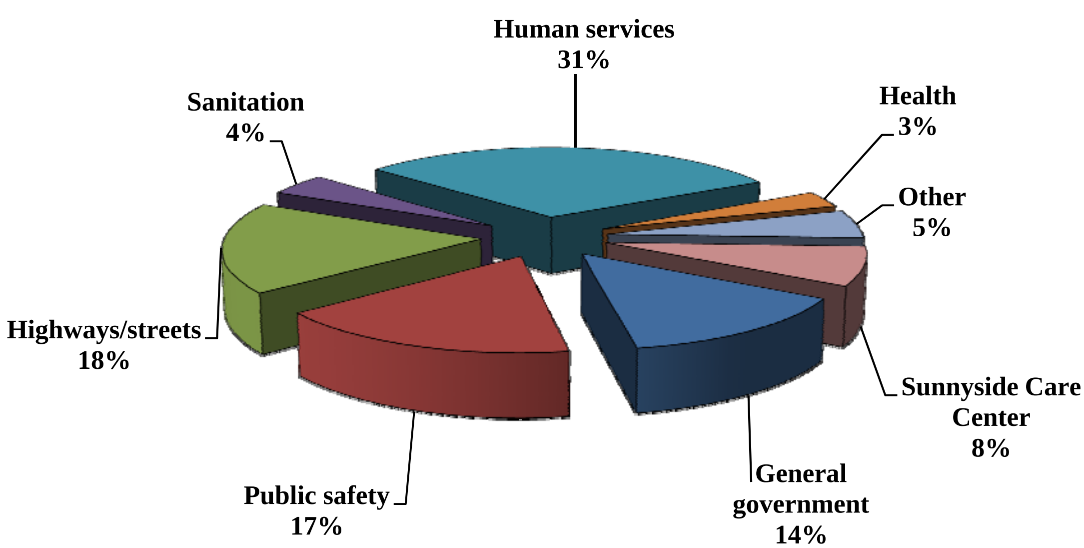
CHANGES IN NET ASSETS

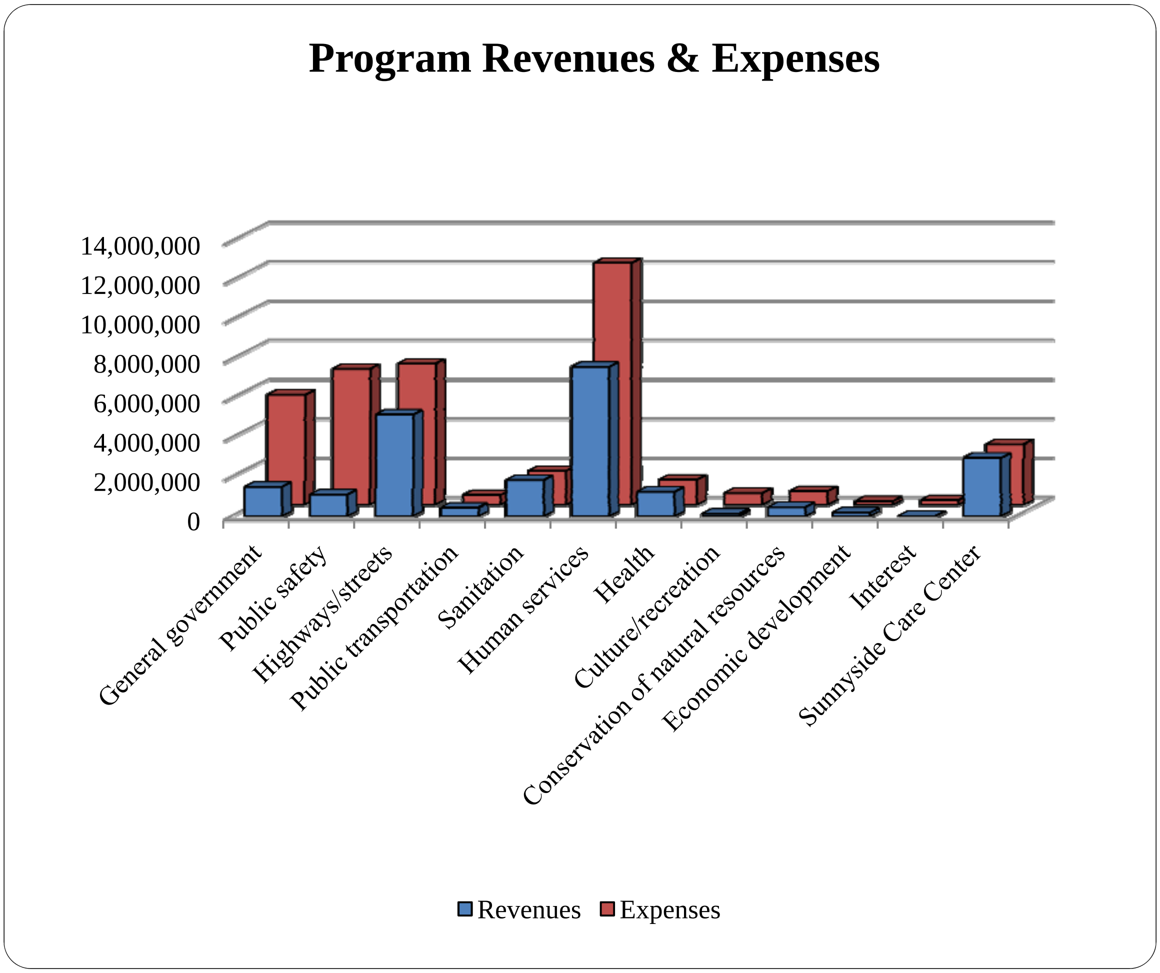
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for services	$ 6,282,232	$ 6,248,207	$ 2,962,959	$ 3,145,842	$ 9,245,191	$ 9,394,049
Operating grants and contributions	12,928,280	13,812,498	3,858	2,768	12,932,138	13,815,266
Capital grants and contributions	417,433	516,538	4,428	117,047	421,861	633,585
General Revenues						
Property taxes	16,393,181	16,111,225	-	-	16,393,181	16,111,225
Other taxes	175,582	179,704	-	-	175,582	179,704
Grants and contributions not restricted to specific programs	2,324,905	2,538,098	-	-	2,324,905	2,538,098
Other general revenues	936,897	1,029,114	2,673	3,691	939,570	1,032,805
Total revenues	$ 39,458,510	$ 40,435,384	$ 2,973,918	$ 3,269,348	$ 42,432,428	$ 43,704,732
Expenses						
General government	$ 5,601,712	$ 5,409,256	$ -	$ -	$ 5,601,712	$ 5,409,256
Public safety	6,911,554	6,623,551	-	-	6,911,554	6,623,551
Highways and streets	7,178,463	7,460,506	-	-	7,178,463	7,460,506
Public transportation	498,371	493,125	-	-	498,371	493,125
Sanitation	1,720,509	1,564,705	-	-	1,720,509	1,564,705
Human services	12,314,788	11,979,661	-	-	12,314,788	11,979,661
Health	1,274,938	1,204,848	-	-	1,274,938	1,204,848
Culture and recreation	595,288	589,737	-	-	595,288	589,737
Conservation of natural resources	692,223	892,942	-	-	692,223	892,942
Economic development	187,916	221,601	-	-	187,916	221,601
Interest	237,726	248,650	-	-	237,726	248,650
Sunnyside Care Center	-	-	3,072,297	3,057,717	3,072,297	3,057,717
Total expenses	$ 37,213,488	$ 36,688,582	$ 3,072,297	$ 3,057,717	$ 40,285,785	$ 39,746,299
Increase (decrease) in net assets	$ 2,245,022	$ 3,746,802	$ (98,379)	$ 211,631	$ 2,146,643	$ 3,958,433
Net assets, January 1	72,755,543	69,008,741	1,483,646	1,272,015	74,239,189	70,280,756
Net assets, December 31	$ 75,000,565	$ 72,755,543	$ 1,385,267	$ 1,483,646	$ 76,385,832	$ 74,239,189

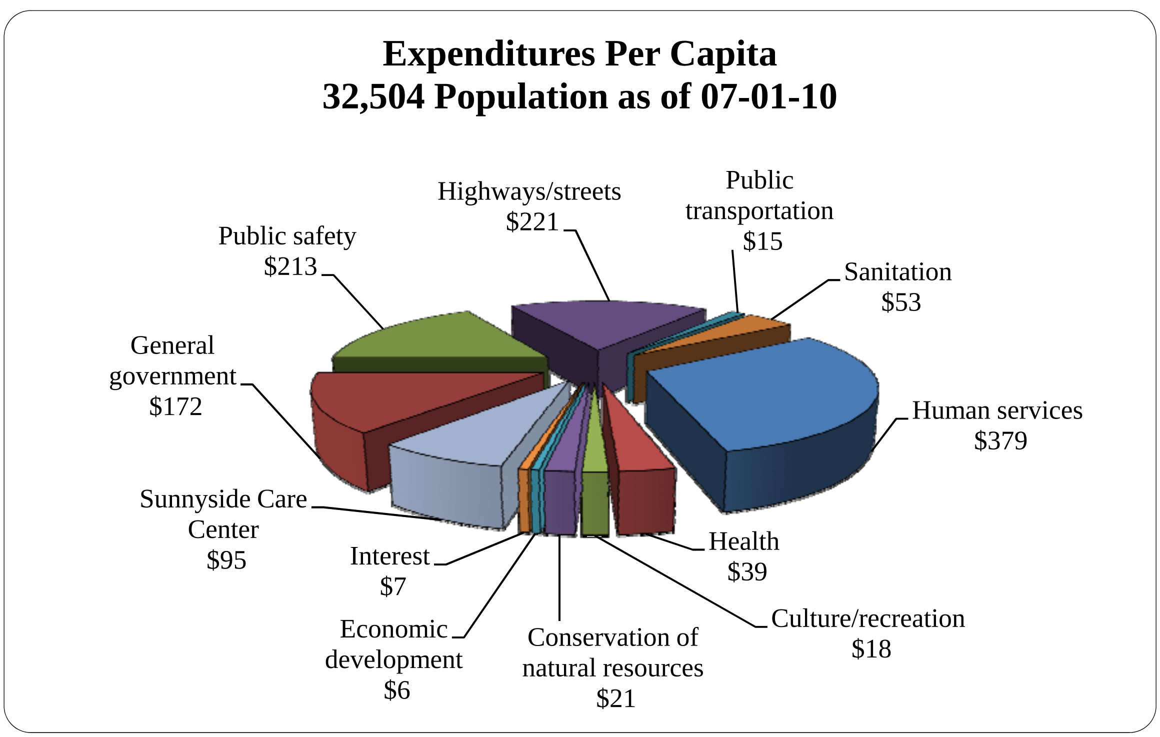
Revenues by Source



Expenses by Function




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


Expenditures Per Capita
32,504 Population as of 07-01-10
Highways/streets $221
Public transportation $15
Public safety $213
Sanitation $53
General government $172
Human services $379
Sunnyside Care Center $95
Interest $7
Health $39
Culture/recreation $18
Economic development $6
Conservation of natural resources $21

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 2010, the County's governmental funds reported combined ending fund balances of $25,487,563. Of this amount, approximately 11 percent constitutes legally or contractually reserved fund balance, 23 percent constitutes specifically designated fund balance, and 66 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 $6,955,184. The General Fund's reserved fund balance was $716,709, unreserved, designated fund balance was $1,331,883, and the unreserved, undesignated fund balance was $4,906,592. 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 2010. Unreserved fund balance represents approximately 98 percent of total General Fund expenditures, while total fund balance represents 110 percent of that same amount.

In 2010, the fund balance amount in the General Fund increased by $572,549. The increase is due to a number of reasons. During 2010 the county had multiple positions vacant and filled later in the year. Looming revenue cuts expected from the State delayed purchases moving budgeted expenditures to a future budget cycle. Lastly, during the year we were the recipient of a large unexpected grant.

The fund balance of the Public Safety Special Revenue Fund decreased $56,099 from the prior year, due primarily to unexpected reduction in market value credit revenue received from the State of Minnesota.

The fund balance of the Road and Bridge Special Revenue Fund decreased $917,572 in 2010, due to an increased number of county road projects and the increased cost of construction materials.

The fund balance of the Human Services Special Revenue Fund increased $1,230,004 from the prior year, due mainly to conservative budget preparation in light of the uncertainty of state and federal funding for Human Service programs.

The fund balance of the Environmental Affairs Special Revenue Fund decreased $206,739 from the prior year, due to the costs associated with infrastructure upgrades in preparation of the redesign of the solid waste campus incorporating an expanded recycling program.

Proprietary Fund

The Sunnyside Care Center Enterprise Fund's total operating revenues decreased $182,883 or approximately six percent. Net resident services revenues decreased seven percent from $3,086,438 in fiscal year 2009 to $2,862,663 in fiscal year 2010. There were payment rate increases in October 2010 and 2009; however, nursing facility occupancy for fiscal year 2010 was 81 percent compared to 86 percent in fiscal year 2009, contributing to the overall decrease in net resident services revenue. Operating expenses increased $20,177 or approximately one percent, as a result of increased operating costs, including wages. This combination of a decrease in operating revenues and an increase in operating expenses yielded an operating loss of $46,618. However, when the nonoperating revenues and expenses and capital contributions are added to our analysis, the total change in net assets was $(98,379).

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget as approved for 2010.

Actual revenues were more than overall final budgeted revenues by $119,814, with the largest positive variance in intergovernmental revenue due to an unexpected $140,000 grant received for Planning and Zoning.

Actual expenditures were less than overall final budgeted expenditures by $251,981, mainly as a result of a countywide effort to reduce expenditures to offset an unexpected decrease in Market Value revenues passed on by the State of Minnesota. Also, in anticipation of further cuts from state and federal programs, some vacant positions were left unfilled and a voluntary unpaid furlough program was continued.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2010 and business-type activities as of September 30, 2010, amounted to $57,793,181 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately two percent. This was primarily due to the completion of various highway projects.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	$ 1,520,926	$ 1,462,220	$ 118,625	$ 118,625	$ 1,639,551	$ 1,580,845
Right-of-Way	663,135	663,135	-	-	663,135	663,135
Construction in progress	26,986	-	-	-	26,986	-
Infrastructure	40,226,256	38,378,050	-	-	40,226,256	38,378,050
Buildings and improvements	11,131,821	11,293,654	1,582,045	1,638,039	12,713,866	12,931,693
Land improvements	996,106	1,053,624	29,216	31,579	1,025,322	1,085,203
Machinery and equipment	1,365,480	1,705,866	132,585	140,106	1,498,065	1,845,972
Total capital assets	$ 55,930,710	$ 54,556,549	$ 1,862,471	$ 1,928,349	$ 57,793,181	$ 56,484,898

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

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of $6,898,629 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General obligation bonds	$ 5,570,000	$ 5,835,000	$ -	$ 1,190,000	$ 5,570,000	$ 7,025,000
General obligation revenue notes	-	-	91,000	98,000	91,000	98,000
Note payable	-	-	1,153,050	-	1,153,050	-
Capital leases	84,579	111,980	-	-	84,579	111,980
	$ 5,654,579	$ 5,946,980	$ 1,244,050	$ 1,288,000	$ 6,898,629	$ 7,234,980

The County's net decrease in debt of $336,351 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 2010, 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 8.3 percent as of December 31, 2010. This is higher than the statewide rate of 6.8 percent and lower than the national average rate of 9.1 percent.

- Becker County's population at July 1, 2010 was 32,504, an increase of 2,504 since 2000.

- On December 28, 2010, Becker County set its 2011 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, 2010

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and pooled investments	$ 24,371,908	$ 651,607	$ 25,023,515	$ 1,605,669
Petty cash and change funds	9,250	-	9,250	-
Cash held by MHFA	-	-	-	35,821
Cash with fiscal agent	248,155	-	248,155	-
Investments	9,643	-	9,643	-
Taxes receivable				
Current	476,272	-	476,272	3,434
Prior	340,328	-	340,328	9,076
Special assessments receivable				
Current	7,639	-	7,639	-
Prior	8,696	-	8,696	-
Accounts receivable	1,149,623	262,581	1,412,204	4,634
Accrued interest receivable	74,122	-	74,122	-
Loans receivable	-	-	-	35,000
Contract for deed receivable - current	-	-	-	42,858
Property held for resale	-	-	-	123,806
Due from other governments	1,491,217	-	1,491,217	51,550
Notes receivable	1,153,050	-	1,153,050	-
Prepaid items	-	19,942	19,942	-
Inventories	458,373	-	458,373	-
Loans receivable - noncurrent	-	-	-	1,255,382
Investment in joint ventures	-	-	-	2,700
Restricted assets				
Donor-restricted assets	-	7,899	7,899	-
Resident trust funds	-	13,515	13,515	-
Capital assets -				
Non-depreciable	2,211,047	118,625	2,329,672	326,354
Depreciable - net of accumulated depreciation	53,719,663	1,743,846	55,463,509	3,906,480
Total Assets	**$ 85,728,986**	**$ 2,818,015**	**$ 88,547,001**	**$ 7,402,764**
Liabilities				
Accounts payable	$ 807,430	$ 48,424	$ 855,854	$ 7,193
Salaries payable	657,358	30,454	687,812	10,555
Contracts payable	184,459	-	184,459	-
Due to other governments	763,584	-	763,584	8,353
Accrued interest payable	99,999	4,804	104,803	-
Deferred revenue - unearned	-	-	-	8,464
Security deposits	-	-	-	13,381
Other current liabilities	-	-	-	2,637
Payable from restricted assets				
Residents trust funds	-	13,515	13,515	-
Long-term liabilities				
Due within one year	312,345	108,003	420,348	18,000
Due in more than one year	7,903,246	1,227,548	9,130,794	2,445,800
Total Liabilities	**$ 10,728,421**	**$ 1,432,748**	**$ 12,161,169**	**$ 2,514,383**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-type Activities	Total	
Net Assets				
Invested in capital assets, net of related debt	$ 50,276,131	$ 618,421	$ 50,894,552	$ 1,687,458
Resricted for				
General government	701,361	-	701,361	-
Public safety	582,292	-	582,292	-
Conservation of natural resources	308,938	-	308,938	-
Capital projects	-	7,899	7,899	-
Debt service	695,769	-	695,769	-
Minnesota housing revolving loan fund	-	-	-	1,715,107
Other purposes	15,348	-	15,348	-
Unrestricted	22,420,726	758,947	23,179,673	1,485,816
Total Net Assets	**$ 75,000,565**	**$ 1,385,267**	**$ 76,385,832**	**$ 4,888,381**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

		Program Revenues	
	Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions
Functions/Programs			
Primary Government			
Governmental activities			
General government	$ 5,601,712	$ 1,155,884	$ 334,191
Public safety	6,911,554	328,317	768,018
Highways and streets	7,178,463	1,108,849	3,650,336
Public transportation	498,371	154,305	279,463
Sanitation	1,720,509	1,713,966	117,205
Human services	12,314,788	1,019,215	6,580,594
Health	1,274,938	213,910	1,022,510
Culture and recreation	595,288	4,529	117,484
Conservation of natural resources	692,223	395,901	58,479
Economic development	187,916	187,356	-
Principal and interest	237,726	-	-
Total governmental activities	**$ 37,213,488**	**$ 6,282,232**	**$ 12,928,280**
Business-type activities			
Sunnyside Care Center	$ 3,072,297	$ 2,962,959	$ 3,858
Total primary government	**$ 40,285,785**	**$ 9,245,191**	**$ 12,932,138**
Component Unit			
Housing and Economic Development Authority	$ 976,681	$ 208,073	$ 424,719

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

Total general revenues

Change in net assets

Net assets - January 1

Net assets - December 31

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

EXHIBIT 2

Capital Grants and Contributions	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Discretely Presented Component Unit
$ -	$ (4,111,637)	$ -	$ (4,111,637)	
-	(5,815,219)	-	(5,815,219)	
417,433	(2,001,845)	-	(2,001,845)	
-	(64,603)	-	(64,603)	
-	110,662	-	110,662	
-	(4,714,979)	-	(4,714,979)	
-	(38,518)	-	(38,518)	
-	(473,275)	-	(473,275)	
-	(237,843)	-	(237,843)	
-	(560)	-	(560)	
-	(237,726)	-	(237,726)	
$ 417,433	**$ (17,585,543)**	**$ -**	**$ (17,585,543)**	
$ 4,428	$ -	$ (101,052)	$ (101,052)	
$ 421,861	**$ (17,585,543)**	**$ (101,052)**	**$ (17,686,595)**	
$ 89,477				$ (254,412)
	$ 16,393,181	$ -	$ 16,393,181	$ 164,076
	144,104	-	144,104	-
	31,478	-	31,478	-
	338,341	-	338,341	-
	2,324,905	-	2,324,905	12,906
	272,420	2,673	275,093	9,122
	326,136	-	326,136	2,017
	$ 19,830,565	**$ 2,673**	**$ 19,833,238**	**$ 188,121**
	$ 2,245,022	**$ (98,379)**	**$ 2,146,643**	**$ (66,291)**
	72,755,543	**1,483,646**	**74,239,189**	**4,954,672**
	$ 75,000,565	**$ 1,385,267**	**$ 76,385,832**	**$ 4,888,381**

Net (Expense) Revenue and Changes in Net Assets

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General Fund	Public Safety
Assets		
Cash and pooled investments	$ 5,776,300	$ 3,976,158
Petty cash and change funds	8,050	450
Undistributed cash in agency funds	3,458	-
Cash with fiscal agent	-	-
Investments	9,643	-
Taxes receivable		
Current	72,229	156,584
Prior	45,125	116,871
Special assessments receivable		
Current	-	-
Prior	-	-
Accounts receivable	35,155	9,811
Accrued interest receivable	74,122	-
Due from other funds	12,891	1,952
Due from other governments	65,269	89,915
Inventories	-	-
Notes receivable	1,153,050	-
Total Assets	**$ 7,255,292**	**$ 4,351,741**
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 37,983	$ 83,289
Salaries payable	135,633	169,443
Contracts payable	-	-
Due to other funds	6,569	6,464
Due to other governments	29,116	91,831
Deferred revenue - unavailable	90,807	214,812
Total Liabilities	**$ 300,108**	**$ 565,839**

EXHIBIT 3

Special Revenue Funds							Other Governmental Funds (Statement A-1)		Total Governmental Funds
	Road and Bridge		Human Services		Environmental Affairs				
$	1,686,148	$	6,071,285	$	5,138,399	$	1,720,160	$	24,368,450
	300		200		250		-		9,250
	-		-		-		-		3,458
	-		-		-		248,155		248,155
	-		-		-		-		9,643
	70,253		162,804		-		14,402		476,272
	48,843		120,994		-		8,495		340,328
	-		-		7,639		-		7,639
	1,041		-		7,655		-		8,696
	589		902,396		133,956		67,716		1,149,623
	-		-		-		-		74,122
	43,088		71		-		-		58,002
	401,109		933,742		1,182		-		1,491,217
	458,373		-		-		-		458,373
	-		-		-		-		1,153,050
$	**2,709,744**	**$**	**8,191,492**	**$**	**5,289,081**	**$**	**2,058,928**	**$**	**29,856,278**
$	201,657	$	418,094	$	51,893	$	14,514	$	807,430
	93,929		205,615		14,310		38,428		657,358
	184,459		-		-		-		184,459
	-		12,165		307		32,497		58,002
	7,585		425,969		42,616		166,467		763,584
	577,223		984,953		12,537		17,550		1,897,882
$	**1,064,853**	**$**	**2,046,796**	**$**	**121,663**	**$**	**269,456**	**$**	**4,368,715**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General Fund	Public Safety
Fund Balances		
Reserved for		
Missing heirs	$ 15,348	$ -
Inventories	-	-
Law library	33,656	-
Recorder's equipment	380,997	-
Enhancement	270,465	-
Debt service	-	-
Enhanced 911	-	582,292
Elections	16,243	-
Conservation of natural resources	-	-
Gravel pit closure	-	-
Unreserved		
Designated for		
DARE	-	7,159
Future expenditures	-	-
Sheriff's equipment and education	-	79,263
Sheriff's contingency - drugs and alcohol	-	5,000
Sheriff's auxiliary	-	1,552
Employee health insurance	1,193,493	-
Transit	138,390	-
Undesignated	4,906,592	3,110,636
Total Fund Balances	**$ 6,955,184**	**$ 3,785,902**
Total Liabilities and Fund Balances	**$ 7,255,292**	**$ 4,351,741**

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

EXHIBIT 3
(Continued)

Special Revenue Funds			Other	
Road and Bridge	**Human Services**	**Environmental Affairs**	**Other Governmental Funds (Statement A-1)**	**Total Governmental Funds**
$ -	$ -	$ -	$ -	$ 15,348
458,373	-	-	-	458,373
-	-	-	-	33,656
-	-	-	-	380,997
-	-	-	-	270,465
-	-	-	695,769	695,769
-	-	-	-	582,292
-	-	-	-	16,243
-	-	-	27,601	27,601
-	-	-	281,337	281,337
-	-	-	-	7,159
-	250,000	4,100,000	-	4,350,000
-	-	-	-	79,263
-	-	-	-	5,000
-	-	-	-	1,552
-	-	-	-	1,193,493
-	-	-	-	138,390
1,186,518	5,894,696	1,067,418	784,765	16,950,625
$ 1,644,891	**$ 6,144,696**	**$ 5,167,418**	**$ 1,789,472**	**$ 25,487,563**
$ 2,709,744	**$ 8,191,492**	**$ 5,289,081**	**$ 2,058,928**	**$ 29,856,278**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2010

Fund balances - total governmental funds (Exhibit 3)		**$ 25,487,563**
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		55,930,710
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		1,897,882
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (5,570,000)	
Capital leases	(84,579)	
Other post employment benefits	(430,688)	
Compensated absences	(2,130,324)	
Accrued interest payable	(99,999)	(8,315,590)
Net assets of governmental activities (Exhibit 1)		**$ 75,000,565**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	Public Safety
Revenues		
Taxes	$ 2,639,948	$ 5,308,128
Special assessments	3,891	-
Licenses and permits	215,583	7,800
Intergovernmental	2,057,661	1,111,340
Charges for services	1,005,706	177,605
Fines and forfeitures	74,817	22,129
Gifts and contributions	2,510	519
Investment earnings	266,485	-
Miscellaneous	561,201	120,783
Total Revenues	**$ 6,827,802**	**$ 6,748,304**
Expenditures		
Current		
General government	$ 4,971,737	$ -
Public safety	-	6,804,403
Public transportation	455,821	-
Highways and streets	-	-
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	371,849	-
Conservation of natural resources	361,065	-
Economic development	186,657	-
Debt service		
Principal retirement	1,607	-
Interest	546	-
Administrative and fiscal services	-	-
Total Expenditures	**$ 6,349,282**	**$ 6,804,403**
Excess of Revenues Over (Under) Expenditures	**$ 478,520**	$ **(56,099)**

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

EXHIBIT 5

Special Revenue Funds				
Road and Bridge	**Human Services**	**Environmental Affairs**	**Other Governmental Funds (Statement A-2)**	**Total Governmental Funds**
$ 2,478,012	$ 5,520,492	$ -	$ 522,006	$ 16,468,586
436	-	187,728	-	192,055
14,894	-	-	-	238,277
4,566,469	7,959,317	117,205	208,384	16,020,376
138,101	-	1,356,660	4,529	2,682,601
-	-	-	-	96,946
-	-	-	325	3,354
245	-	-	5,690	272,420
959,068	1,257,247	169,647	358,384	3,426,330
$ 8,157,225	**$ 14,737,056**	**$ 1,831,240**	**$ 1,099,318**	**$ 39,400,945**
$ -	$ -	$ -	$ -	$ 4,971,737
-	-	-	-	6,804,403
-	-	-	-	455,821
9,007,850	-	-	-	9,007,850
-	-	1,952,979	-	1,952,979
-	12,232,114	-	-	12,232,114
-	1,274,938	-	-	1,274,938
-	-	-	205,471	577,320
-	-	-	355,692	716,757
-	-	-	-	186,657
34,823	-	-	265,000	301,430
5,964	-	-	234,431	240,941
-	-	-	2,000	2,000
$ 9,048,637	**$ 13,507,052**	**$ 1,952,979**	**$ 1,062,594**	**$ 38,724,947**
$ **(891,412)**	$ **1,230,004**	$ **(121,739)**	$ **36,724**	$ **675,998**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	Public Safety
Other Financing Sources (Uses)		
Transfers in	$ 85,000	$ -
Transfers out	-	-
Capital lease issued	9,029	-
Total Other Financing Sources (Uses)	**$ 94,029**	**$ -**
Net Change in Fund Balance	**$ 572,549**	**$ (56,099)**
Fund Balance - January 1	**6,382,635**	**3,842,001**
Increase (decrease) in reserved for inventories	**-**	-
Fund Balance - December 31	**$ 6,955,184**	**$ 3,785,902**

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

EXHIBIT 5
(Continued)

Special Revenue Funds			Other Governmental Funds	Total Governmental Funds
Road and Bridge	**Human Services**	**Environmental Affairs**	**(Statement A-2)**	
$ -	$ -	$ -	$ -	$ 85,000
-	-	(85,000)	-	(85,000)
-	-	-	-	9,029
$ -	**$ -**	**$ (85,000)**	**$ -**	**$ 9,029**
$ (891,412)	**$ 1,230,004**	**$ (206,739)**	**$ 36,724**	**$ 685,027**
2,562,463	**4,914,692**	**5,374,157**	**1,752,748**	**24,828,696**
		-		
(26,160)	**-**	**-**	**-**	**(26,160)**
$ 1,644,891	**$ 6,144,696**	**$ 5,167,418**	**$ 1,789,472**	**$ 25,487,563**

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, 2010

Net change in fund balances - total governmental funds (Exhibit 5)		**$ 685,027**
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	$ 5,154,946	
Current year depreciation	(3,780,785)	1,374,161
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		57,565
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		(9,029)
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	$ 265,000	
Capital leases	36,430	301,430
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	$ 5,215	
Other post employment benefits	(116,897)	
Compensated absences	(26,290)	
Inventories	(26,160)	(164,132)
Change in net assets of governmental activities (Exhibit 2)		**$ 2,245,022**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 7

STATEMENT OF NET ASSETS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2010

Assets		
Current Assets		
Cash and pooled investments	$	651,607
Accounts receivable - net of allowance for uncollectible accounts of $5,000		262,581
Prepaid items		19,942
Total Current Assets	**$**	**934,130**
Restricted Assets		
Donor-restricted assets	$	7,899
Resident trust funds		13,515
Total Restricted Assets	**$**	**21,414**
Noncurrent Assets		
Capital assets		
Non-depreciable	$	118,625
Depreciable - net of accumulated depreciation		1,743,846
Total Noncurrent Assets	**$**	**1,862,471**
Total Assets	**$**	**2,818,015**

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

EXHIBIT 7
(Continued)

STATEMENT OF NET ASSETS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2010

Liabilities		
Current Liabilities		
Accounts payable	$	48,424
Salaries payable		30,454
Compensated absences payable		76,198
Notes payable		24,805
General obligation revenue notes payable		7,000
Interest payable		4,804
Total Current Liabilities	**$**	**191,685**
Current Liabilities Payable from Restricted Assets		
Resident trust funds	$	13,515
Noncurrent Liabilities		
Compensated absences payable	$	15,303
Notes payable		1,128,245
General obligation revenue notes payable		84,000
Total Noncurrent Liabilities	**$**	**1,227,548**
Total Liabilities	**$**	**1,432,748**
Net Assets		
Invested in capital assets, net of related debt	$	618,421
Restricted for capital acquisitions		7,899
Unrestricted		758,947
Total Net Assets	**$**	**1,385,267**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Operating Revenues		
Net resident service revenue	$	2,862,663
Other operating revenue		100,296
Total Operating Revenues	**$**	**2,962,959**
Operating Expenses		
Employee benefits	$	537,790
Nursing services		1,065,159
Administration and fiscal services		358,157
Social service and activities		86,103
Ancillary services		125,003
Plant operations		148,465
Laundry and linen		62,751
Dietary		255,849
Housekeeping		82,723
Medical care surcharge		143,565
Depreciation		108,876
Other		35,136
Total Operating Expenses	**$**	**3,009,577**
Operating Income (Loss)	**$**	**(46,618)**
Nonoperating Revenues (Expenses)		
Noncapital grants and contributions	$	3,858
Investment earnings		2,673
Interest expense		(62,720)
Total Nonoperating Revenues (Expenses)	**$**	**(56,189)**
Income (Loss) Before Contributions	**$**	**(102,807)**
Capital contributions		4,428
Change in Net Assets	**$**	**(98,379)**
Net Assets - October 1		**1,483,646**
Net Assets - September 30	**$**	**1,385,267**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities		
Receipts from customers and users	$	3,018,532
Payments to suppliers		(933,428)
Payments to employees		(2,054,021)
Net cash provided by (used in) operating activities	**$**	**31,083**
Cash Flows from Noncapital Financing Activities		
Grants and contributions	$	3,858
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	$	(42,998)
Principal paid on long-term debt		(43,950)
Interest paid on long-term debt		(68,861)
Capital grants and contributions		4,428
Net cash provided by (used in) capital and related financing activities	**$**	**(151,381)**
Cash Flows from Investing Activities		
Investment earnings received	$	2,673
Increase in restricted assets		38,105
Net cash provided by (used in) investing activities	**$**	**40,778**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(75,662)**
Cash and Cash Equivalents at October 1		**727,269**
Cash and Cash Equivalents at September 30	**$**	**651,607**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 9
(Continued)

STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010
Increase (Decrease) in Cash and Cash Equivalents

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	$	(46,618)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	108,876
Provision for bad debts		4,327
Changes in operating assets and liabilities		
Accounts receivable		51,246
Prepaid items		1,187
Accounts payable		(58,262)
Accrued expenses		(29,673)
Total adjustments	**$**	**77,701**
Net cash provided by (used in) operating activities	**$**	**31,083**
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Refinancing of Long-Term Debt	**$**	**1,165,000**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

	Agency (Statement C-1)
Assets	
Cash and pooled investments	**$ 1,031,406**
Liabilities	
Due to other governments	$ 890,772
Deferred credits	140,634
Total Liabilities	**$ 1,031,406**

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

I. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

Discretely Presented Component Unit

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

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

Joint Ventures

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

I. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

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

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for 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, 2010.

Additionally, the County reports the following fund types:

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

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

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

I. Summary of Significant Accounting Policies

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2010, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2010 were $195,822. Total investment earnings for 2010 were $275,093.

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

3. Receivables and Payables

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

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

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

4. Inventories and Prepaid Items

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

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Inventories and Prepaid Items (Continued)

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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

I. Summary of Significant Accounting Policies

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

7. Employee Benefits

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

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

8. Deferred Revenue

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

9. Long-Term Obligations

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

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

10. Net Assets and Fund Balance

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

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

10. Net Assets and Fund Balance (Continued)

In the fund financial statements, 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, 2010, the Parks and Recreation Special Revenue Fund had expenditures in excess of budget in the amount of $56,470 and the Natural Resource Management Special Revenue Fund had expenditures in excess of budget in the amount of $2,843.

B. Land Management

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

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the County's total deposits and investments to the basic financial statements, as of December 31, 2010, are reported as follows:

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Primary government	
Cash and pooled investments	$ 25,023,515
Petty cash and change funds	9,250
Cash with fiscal agent	248,155
Investments	9,643
Restricted assets	
Donor-restricted assets	7,899
Resident trust funds	13,515
Fiduciary funds	
Cash and pooled investments	1,031,406
Component unit	
Cash and pooled investments	1,605,669
Cash held by MHFA	35,821
Total cash and investments	$ 27,984,873
Deposits	$ 21,354,271
Cash on hand	12,606
Investments	6,697,164
Change in Enterprise Funds' cash from September 30 to December 31, 2010	(79,168)
Total deposits, cash on hand, and investments	$ 27,984,873

Deposits

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

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

III. Detailed Notes on All Funds

A. Assets

1. 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, 2010, 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, 2010, the County had the following investments and maturities:

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Interest Rate Risk (Continued)

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
Federal Home Loan Bank	$ 857,159	$ -	$ 857,159	$ -
Federal Home Loan Mortgage Corporation	551,690	-	-	551,690
Federal National Mortgage Association	3,511,625	496,980	736	3,013,909
Chicago, IL Taxable Series D, MBIA	460,022	-	460,022	-
Evansville, IN Sewer Revenue Bonds	340,149	-	340,149	-
Ohio Housing Finance Agency Mortgage Revenue	25,123	25,123	-	-
Renewable Water Sewer System Revenue Bonds	950,294	-	950,294	-
Minnesota Association of Governments Investing for Counties (MAGIC)	1,102	1,102	-	-
Total Investments	$ 6,697,164	$ 523,205	$ 2,608,360	$ 3,565,599
	100%	8%	39%	53%

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, 2010, is as follows:

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Credit Risk (Continued)

	Moody's or S&P Rating	Fair Value
Federal Home Loan Bank	AAA	$ 857,159
Federal Home Loan Mortgage Corporation	AAA	551,690
Federal National Mortgage Association	AAA	2,491,865
Federal National Mortgage Association	N/R	15,460
Federal National Mortgage Association	AAAE	1,004,300
Chicago, IL Taxable Series D, MBIA	A+	460,022
Evansville, IN Sewer Revenue Bonds	AA	340,149
Ohio Housing Finance Agency Mortgage Revenue	Aaa	25,123
Renewable Water Sewer System Revenue Bonds	AA	950,294
Minnesota Association of Governments Investing Counties (MAGIC)	N/A	1,102
		$ 6,697,164

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, 2010, 85 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	$ 1,200,876
Federal National Mortgage Association	2,962,710
Chicago, IL Taxable Series D, MBIA	397,036
Evansville, IN Sewer Revenue Bonds	293,576
Ohio Housing Finance Agency Mortgage Revenue	21,683
Renewable Water Sewer System Revenue Bonds	820,180
	$ 5,696,061

III. Detailed Notes on All Funds

A. Assets

1. 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	$ 857,159	13%
Federal Home Loan Mortgage Corporation	551,690	8%
Federal National Mortgage Association	3,511,625	52%
Chicago, IL Taxable Sewer Revenue Bonds	460,022	7%
Evansville, IN Sewer Revenue Bonds	340,149	5%
Renewable Water Sewer System Revenue Bonds	950,294	14%

2. Receivables

Receivables as of December 31, 2010, for the County's governmental activities and as of September 30, 2010, for the County's business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 816,600	$ -
Special assessments	16,335	-
Accounts	1,149,623	-
Accrued interest	74,122	-
Due from other governments	1,491,217	-
Notes	1,153,050	1,153,050
Total Governmental Activities	$ 4,700,947	$ 1,153,050
Business-Type Activities		
Accounts	$ 262,581	$ -

III. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2010, and for the business-type activities for the year ended September 30, 2010, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 1,462,220	$ 58,706	$ -	$ 1,520,926
Right-of-way	663,135	-	-	663,135
Construction in progress	-	26,986		26,986
Total capital assets not depreciated	$ 2,125,355	$ 85,692	$ -	$ 2,211,047
Capital assets being depreciated				
Infrastructure	$ 71,331,816	$ 4,544,891	$ -	$ 75,876,707
Buildings and improvements	17,648,263	330,946	-	17,979,209
Land improvements	1,265,018	3,913	-	1,268,931
Machinery and equipment	5,358,405	189,504	99,713	5,448,196
Total capital assets being depreciated	$ 95,603,502	$ 5,069,254	$ 99,713	$ 100,573,043
Less: accumulated depreciation for				
Infrastructure	$ 32,953,766	$ 2,696,685	$ -	$ 35,650,451
Buildings and improvements	6,354,609	492,779	-	6,847,388
Land improvements	211,394	61,431	-	272,825
Machinery and equipment	3,652,539	529,890	99,713	4,082,716
Total accumulated depreciation	$ 43,172,308	$ 3,780,785	$ 99,713	$ 46,853,380
Total capital assets, depreciated, net	$ 52,431,194	$ 1,288,469	$ -	$ 53,719,663
Governmental Activities Capital Assets, Net	$ 54,556,549	$ 1,374,161	$ -	$ 55,930,710

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 118,625	$ -	$ -	$ 118,625
Capital assets being depreciated				
Buildings and improvements	$ 2,576,474	$ 22,473	$ -	$ 2,598,947
Land improvements	165,090	-	-	165,090
Machinery and equipment	516,845	20,525		537,370
Total capital assets being depreciated	$ 3,258,409	$ 42,998	$ -	$ 3,301,407
Less: accumulated depreciation for				
Buildings and improvements	$ 938,435	$ 78,467	$ -	$ 1,016,902
Land improvements	133,511	2,363	-	135,874
Machinery and equipment	376,739	28,046		404,785
Total accumulated depreciation	$ 1,448,685	$ 108,876	$ -	$ 1,557,561
Total capital assets, depreciated, net	$ 1,809,724	$ (65,878)	$ -	$ 1,743,846
Business-Type Activities Capital Assets, Net	$ 1,928,349	$ (65,878)	$ -	$ 1,862,471

Depreciation Expense

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

Governmental Activites	
General government	$ 597,110
Public safety	62,013
Highways and streets, including depreciation of infrastructure assets	3,000,882
Public transportation	41,832
Sanitation	58,861
Human services	1,197
Culture and recreation	17,968
Conservation of natural resources	659
Economic development	263
Total Depreciation Expense - Governmental Activities	$ 3,780,785
Business-Type Activities	
Sunnyside Care Center	$ 108,876

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, 2010.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Human Services SRF	$ 10,071	Charges for services
	Other Governmental	2,820	Gravel tax
Total Due to General Fund		$ 12,891	
Public Safety Special Revenue Fund	Human Services SRF	$ 1,952	Charges for services
Road and Bridge Special Revenue Fund	General Fund	$ 6,498	Charges for services
	Public Safety SRF	6,464	Charges for services
	Human Services SRF	142	Charges for services
	Environmental Affairs SRF	307	Charges for services
	Other Governmental	29,677	Gravel tax and charges for services
Total Due to Road and Bridge Special Revenue Fund		$ 43,088	
Human Services Special Revenue Fund	General Fund	$ 71	Charges for services
Total Due To/From Other Funds		$ 58,002	

III. Detailed Notes on All Funds

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following operating transfers:

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

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, 2010, governmental funds reported the following various components of deferred unavailable revenue:

	Deferred Unavailable
Taxes	$ 621,521
Special Assessments	31,046
Long-term receivables	762,099
Contracts	483,216
Total Deferred Revenue	$ 1,897,882

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 Public Safety Special Revenue Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the Environmental Affairs Special Revenue Fund, and the Natural Resource Management Special Revenue Fund.

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately $873,435 at December 31, 2010, is available to employees in the event of illness-related absences and is not paid to them at termination.

III. Detailed Notes on All Funds

C. Liabilities (Continued)

Leases

Operating Leases

The County leases space under noncancelable operating leases. Total costs for such leases were $143,160 for the year ended December 31, 2010. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2011	$ 143,160
2012	143,160
2013	143,160
2014	69,271
Total	$ 498,751

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, 2010:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental Activities					
2010 Postage machine	2015	Annual	$ 1,124	$ 9,029	$ 7,905
2007 Loader	2011	Annual	18,612	83,851	16,848
2009 Bituminus Distributor	2013	Annual	22,175	99,900	59,826
Less: Accumulated depreciation				(65,234)	-
Total Governmental Activities Capital Leases				$ 127,546	$ 84,579

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2010, were as follows:

III. Detailed Notes on All Funds

C. Liabilities

Leases

Capital Leases (Continued)

Year Ending December 31	Governmental Activities
2011	$ 43,008
2012	24,396
2013	24,396
2014	2,221
2015	556
Total minimum lease payments	$ 94,577
Less amount representing interest	(9,998)
Present Value of Minimum Lease Payments	$ 84,579

Long-Term Debt

Governmental Activities

	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2010
G.O. Courthouse Expansion Bonds of 2007	2027	$250,000-$435,000	4.00-4.25	$ 6,395,000	$ 5,570,000

Business-Type Activities

	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance September 30, 2010
2004 G.O. Nursing Home Bonds	2034	$25,000-$90,000	5.00-5.65	$ 1,250,000	$ -
2004 G.O. Revenue Note	2022	$7,000-$8,000	1.68	135,430	91,000
Note Payable	2035	$24,805-$77,239	5.00	1,165,000	1,153,050
					$ 1,244,050

In February 2010, Becker County called and redeemed the Series 2004 General Obligation Nursing Home Bonds with an outstanding balance of $1,190,000. The County then issued a $1,165,000 Note Payable to Sunnyside Care Center which matures in March 2035 and bears interest at 5.00 percent.

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Debt Service Requirements

Debt service requirements at December 31, 2010, for governmental activities and September 30, 2010, for business-type activities were as follows:

Governmental Activities

Year Ending December 31	Principal	Interest
2011	$ 275,000	$ 223,631
2012	285,000	212,431
2013	250,000	201,731
2014	260,000	191,531
2015	270,000	180,932
2016-2020	1,515,000	730,950
2021-2025	1,860,000	385,447
2026-2027	855,000	36,656
Total	$ 5,570,000	$ 2,163,309

Business-Type Activities

Year Ending December 31	Principal	Interest
2011	$ 31,805	$ 58,875
2012	33,061	57,501
2013	34,380	56,066
2014	35,767	54,561
2015	37,223	52,987
2016-2020	215,672	238,445
2021-2025	240,874	186,284
2026-2030	287,859	122,897
2031-2035	327,409	42,272
Total	$ 1,244,050	$ 869,888

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2010, and for the business-type activities for the year ended September 30, 2010, was as follows:

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Changes in Long-Term Liabilities (Continued)

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	$ 111,980	$ 9,029	$ 36,430	$ 84,579	$ 37,345
General obligation bonds	5,835,000	-	265,000	5,570,000	275,000
Net OPEB payable	313,791	148,085	31,188	430,688	-
Compensated absences	2,104,034	1,315,855	1,289,565	2,130,324	-
Governmental Activities Long-Term Liabilities	$ 8,364,805	$ 1,472,969	$ 1,622,183	$ 8,215,591	$ 312,345

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 1,190,000	$ -	$ 1,190,000	$ -	$ -
General obligation revenue notes	98,000	-	7,000	91,000	7,000
Note Payable	-	1,165,000	11,950	1,153,050	24,805
Compensated absences	119,241	-	27,740	91,501	76,198
Business-Type Activities Long-Term Liabilities	$ 1,407,241	$ 1,165,000	$ 1,236,690	$ 1,335,551	$ 108,003

IV. Pension Plans

A. Defined Benefits Plans

Plan Description

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

IV. Pension Plans

A. Defined Benefits Plans

Plan Description (Continued)

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

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

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

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

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

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

IV. Pension Plans

A. Defined Benefits Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary in 2010. Public Employees Police and Fire Fund members were required to contribute 9.40 percent of their annual covered salary in 2010. Contribution rates in the Coordinated Plan and the Police and Fire Fund increased in 2011 to 6.25 and 9.60 percent, respectively. 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 2010 and 2011:

	2010	2011
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	7.00	7.25
Public Employees Police and Fire Fund	14.10	14.40
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2010, 2009, and 2008, 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
2010	$ 797,614	$ 215,076	$ 105,152
2009	771,085	215,822	100,507
2008	710,596	193,775	94,208

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

B. Defined Contribution Plan

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

IV. Pension Plans

B. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2010, were:

	Employee	Employer
Contribution amount	$ 6,623	$ 6,623
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 2010, there were approximately 230 participants in the plan, including 6 retirees.

IV. Pension Plans

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	$	152,910
Interest on net OPEB obligation		13,942
Adjustments to Annual Required Contribution		(18,767)
Annual OPEB cost (expense)	$	148,085
Contributions made		(27,223)
Increase in net OPEB obligation	$	120,862
Net OPEB Obligation - January 1, 2010		309,826
Net OPEB Obligation - December 31, 2010	$	430,688

The County's annual OPEB cost for December 31, 2010, was $148,085. The percentage of annual OPEB cost contributed to the plan was 18.4 percent, and the net OPEB obligation for 2010 was $430,688. Currently, only two year's actuarial data is available. Future notes will provide additional trend information as it becomes available. For more information, refer to the Notes to the Required Supplementary Information, Section II.

Fund Status and Funding Progress

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

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

IV. Pension Plans

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

Actuarial Methods and Assumptions

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

In the January 1, 2010, actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Becker County's implicit rate of return on the General Fund. The annual healthcare cost trend is 8.5 percent initially reduced by decrements to an ultimate rate of 5.0 percent over seven years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2010, was 27 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, 2010 amounted to $88,097. Certain employees of Ecumen perform services for the Care Center. The Care Center had unpaid amounts pertaining to the above transactions at September 30, 2010 amounting to $11,688.

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.

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 $450,000 per claim in 2010 and 2011. 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. 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 2010, Becker County contributed $167,373 to the BCCI. Separate financial information can be obtained from the Becker County Children's Initiative, P.O. Box 24, Detroit Lakes, Minnesota 56502-0024.

V. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Northwest Minnesota Regional Radio Board

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

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

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by annual contributions from members, reflective of the extent of participation and use of services. Becker County contributed $785 to the Northwest Regional Radio Board for the year ended December 31, 2010. Complete financial information can be obtained from Greater Northwest Emergency Medical Services, 2301 Johanneson Avenue NW, Suite 103, Bemidji, Minnesota 56601.

Northwestern Counties Data Processing Security Association

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

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

The Northwestern Counties Data Processing Security Association has no long-term debt. Financing is provided by state grants and appropriations from member counties when needed. Becker County did not contribute to the Association for the year ended December 31, 2010. Lake of the Woods County, in an agent capacity, reports the cash transactions of the Association as an agency fund on its financial statements. Complete financial information can be obtained from the Lake of the Woods County Auditor's Office, 206 8th Avenue SE, Suite 260, Baudette, MN 56623.

V. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Prairie Lakes Municipal Solid Waste Authority

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

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

The Prairie Lakes Municipal Solid Waste Authority has revenue debt. Financing is provided by state grants and appropriations from member counties when needed. Becker County contributed $52,840 for the purpose of land acquisition for the year ended December 31, 2010. Otter Tail County, in an agent capacity, reports the cash transactions of the Authority as an agency fund on its financial statements. Complete financial information can be obtained from the Otter Tail County Auditor’s Office, 510 Fir Avenue West, Fergus Falls, MN 56537.

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1982, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in the carrying out of this agreement. Each county’s proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county. In 2010, Becker County paid $4,454 to the West Central Area Agency on Aging as its share of the 2010 assessment.

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

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

V. Summary of Significant Contingencies and Other Items

D. 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 2010.

E. 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.

F. 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 2010.

District IV Transportation Planning

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

V. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (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. Becker County's responsibility does not extend beyond making this appointment.

Lake Agassiz Regional Library

The Lake Agassiz Regional Library, a consolidated public library system serving over 134,228 residents, was formed in 1961 pursuant to Minnesota Statutes, §§ 134.20 and 471.59, and includes the counties of Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin, as well as the cities of Breckenridge, Crookston, Detroit Lakes, Mahnomen, and Moorhead. Control of the Library is vested in the Lake Agassiz Regional Library Board of trustees which is composed of 23 individuals who represent 12 signatory entities. Becker County appropriated $302,335 to the Lake Agassiz Regional Library for the year ended December 31, 2010.

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, 2010.

Western Area City/County Co-Op

Becker County and 24 other cities and counties created the Western Area City/County Co-Op (WACCO). Each member of WACCO is authorized to appoint one member to the Board of Directors. The County did not contribute during 2010.

V. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

Wild Rice Watershed District

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

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

The Becker County Economic Development Authority's (EDA) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2010, and include the financial statements of the Housing Department for the year ended June 30, 2010. 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.

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies (Continued)

2. Basic Financial Statements

Government-Wide Statements

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

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

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

Fund Financial Statements

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

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

The EDA reports the following major governmental fund:

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

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

2. Basic Financial Statements

Fund Financial Statements (Continued)

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.

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.

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

4. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

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

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

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

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.

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.

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Assets or Equity

Capital Assets (Continued)

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

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

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

Deferred Revenue

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

Long-Term Obligations

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

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.

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

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

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, 2009, from which the partial information was derived.

B. Detailed Notes on All Funds

1. Assets

Deposits and Investments

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

Governmental activities		
Cash and pooled investments	$	624,922
Business-type activities		
Cash and pooled investments		980,747
Cash held by MHFA		35,821
Total Cash and Investments	$	1,641,490

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.

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets

Deposits and Investments

Deposits (Continued)

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, 2010, 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.

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, 2010:

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

Contract for Deed—Business-Type Activities

The following is a summary of contracts for deed receivable resulting from the sale of Minnesota Urban and Rural Homesteading (MURL) homes to individuals for the year ended June 30, 2010:

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets

Contract for Deed—Business-Type Activities (Continued)

Balance - July 1, 2009	$	1,192,652
New loans		220,000
Payments		(37,546)
Canceled contracts		(76,865)
Balance - June 30, 2010	$	1,298,241
Less: current portion		(42,858)
Long-Term Portion	$	1,255,383

Contract for Deed	Date	Interest Rates (%)	Due Date	Monthly Payment	Balance June 30
Federal Home Funds					
Patty Sweeney	October 1, 1999	-	October 1, 2014	$ 279	$ 52,334
Lee Ward	February 1, 2000	-	January 1, 2015	190	56,526
Cynthia Burton	March 1, 2001	-	March 1, 2021	110	72,544
Michael Steffl	September 1, 2002	-	September 1, 2017	388	43,572
Katrina Albrecht	May 1, 2003	-	May 1, 2028	143	76,954
Sean Grove and Amy Olson	June 1, 2004	-	June 1, 2024	103	69,105
Anthony and Angela Sieling	July 1, 2004	-	July 1, 2029	144	82,243
Kim Steward and Randy Heinen	September 1, 2004	-	September 1, 2020	108	77,744
Robert Goodrich	August 1, 2004	-	August 1, 2022	218	61,831
Felicia Johnson	December 1, 2005	-	December 1, 2035	238	76,549
Melissa Pearson	February 1, 2007	-	February 1, 2033	224	78,510
Michelle Skramstad	February 1, 2007	-	February 1, 2032	164	114,580
Branden/Endersby	May 1,2010	-	November 1, 2026	-	75,000
Bladow/Anderson	November 1,2009	-	November 1, 2029	254	141,952
Total Federal Home Funds					$ 1,079,444
State Non-Home Funds					
Savior	May 1, 2009	-	May 1, 2039	132	$ 73,416
Rojas	April 1, 2009	-	April 1, 2039	385	145,381
Total State Non-Home Funds					$ 218,797
Total Contracts for Deed					$ 1,298,241

Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

EDA Business-Type Activities as of and for the year ending December 31, 2010:

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	$ 1,942,962	$ -	$ -	$ 1,942,962
Equipment	106,665	-	-	106,665
Total capital assets being depreciated	$ 2,049,627	$ -	$ -	$ 2,049,627
Less: accumulated depreciation for				
Buildings	$ 80,076	$ 48,575	$ 1	$ 128,650
Equipment	21,333	21,334	-	42,667
Total accumulated depreciation	$ 101,409	$ 69,909	$ 1	$ 171,317
Total capital assets, depreciated, net	$ 1,948,218	$ (69,909)	$ (1)	$ 1,878,310
Capital Assets, Net	$ 2,106,572	$ (69,909)	$ (1)	$ 2,036,664

Housing Business-Type Activities as of and for the year ending June 30, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 168,000	$ -	$ -	$ 168,000
Capital assets being depreciated				
Buildings	$ 2,696,188	$ 128,501	$ -	$ 2,824,689
Machinery, furniture, and equipment	102,988	-	-	102,988
Total capital assets being depreciated	$ 2,799,176	$ 128,501	$ -	$ 2,927,677
Less: accumulated depreciation for				
Buildings	$ 738,931	$ 59,538	$ -	$ 798,469
Machinery, furniture, and equipment	99,454	1,584	-	101,038
Total accumulated depreciation	$ 838,385	$ 61,122	$ -	$ 899,507
Total capital assets, depreciated, net	$ 1,960,791	$ 67,379	$ -	$ 2,028,170
Capital Assets, Net	$ 2,128,791	$ 67,379	$ -	$ 2,196,170

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	$	61,301
Becker Workshop		4,851
Group Home		3,757
Total Depreciation Expense - EDA	$	69,909
Housing Business-Type Activities		
Public housing	$	53,720
Other housing		7,402
Total Depreciation Expense - Housing	$	61,122

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, 2010, the EDA paid the County $87,204 from the EDA programs and $100,142 from housing programs.

4. Liabilities

Payables

There were no payables at December 31, 2010, for governmental activities. Payables at June 30, 2010, for business-type activities were as follows:

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Payables (Continued)

	EDA Business-Type Activities	Housing Dept Business-Type Activities
Accounts payable	$ 1,186	$ 6,007
Other liabilities	-	10,555
Accrued liabilities - other	-	2,637
Due to other governments	6,649	1,704
Prepaid rent	69	8,395
Tenant security deposits	2,912	10,469
Total Payables	$ 10,816	$ 39,767

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, 2010:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2010
Wild Rice Promissory Note	2013	$ 1,500	-	$ 144,000	$ 46,500

EDA Business-Type Activities – December 31, 2010

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

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Long-Term Debt

EDA Business-Type Activities – December 31, 2010 (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 January 1, 2028, at which time it will be recorded as revenue or repaid.

The following is a schedule of long-term debt for EDA business-type activities at December 31, 2010:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2010
Greater MN Housing Fund	2037	$ -	-	$ 217,300	$ 217,300
MN Housing Finance	2028	-	-	1,400,000	1,400,000
Total Long-Term Debt					$ 1,617,300

Housing Business-Type Activities – June 30, 2010

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 following is a schedule of long-term debt for housing business-type activities at June 30, 2010:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance June 30, 2010
MHFA mortgage loan	N/A	N/A	-	$ 800,000	$ 800,000

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Long-Term Debt (Continued)

Debt Service Requirements

Governmental Activities

Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	Promissory Note Principal	Promissory Note Interest
2011	$ 18,000	$ -
2012	18,000	-
2013	10,500	-
Total	$ 46,500	$ -

Business-Type Activities

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

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

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Wild Rice Promissory Note	$ 64,500	$ -	$ 18,000	$ 46,500	$ 18,000

EDA Business-Type Activities

Long-term liability activity for the year ended December 31, 2010, was as follows:

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

4. Liabilities

Changes in Long-Term Liabilities

EDA Business-Type Activities (Continued)

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

Housing Business-Type Activities

Long-term liability activity for the year ended June 30, 2010, was as follows:

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

C. Summary of Significant Contingencies and Other Items

1. Risk Management

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

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

2. Liens Receivable

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

VI. Becker County Economic Development Authority

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

3. Minnesota Housing Trust Fund Loans

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

Loan dated July 1, 1992, with a final maturity of July 1, 2022	$ 8,116
Loan dated December 30, 1994, with a final maturity of December 30, 2024	38,625
Loan dated May 29, 2003, with a final maturity of May 29, 2033	28,995
Total	$ 75,736

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, 2010, are as follows:

	Original Grant	Revolving Fund Cash	Contract for Deed Receivables
Federal Home Minnesota Urban and Rural Homesteading Loan	1,810,100	150,824	1,079,444
State Home Minnesota Urban and Rural Homesteading Loan	196,185	7,452	218,797
Total	$ 2,006,285	$ 158,276	$ 1,298,241

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 $30,790) 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). The Lease automatically renews on a month-to-month basis after the five-year agreement has expired and no new lease is signed.

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 $29,103) 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). The lease automatically renews on a month-to-month basis after the five-year agreement has expired and no new lease is signed.

6. Five year commitment

The EDA and Four County Mental Health Initiative mutually terminated the five year commitment (no lease) for the use of property the EDA owns (carrying value of $165,353 and accumulated depreciation of $19,613), to be used for the operation of the Highway 34 Group Home. The home is now a single family rental unit. According to the terms of the one-year lease, the EDA will receive $500 per month beginning November 1, 2010.

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, 2010, the outstanding balance on the Public Facilities Lease Revenue Bonds, Series 2007A was $5,570,000.

REQUIRED SUPPLEMENTARY INFORMATION

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts						Variance with Final Budget Positive
	Original		Final		Actual Amounts		(Negative)
Revenues							
Taxes	$	2,593,312	$	2,593,312	$ 2,639,948	$	46,636
Special assessments		-		-	3,891		3,891
Licenses and permits		257,600		257,600	215,583		(42,017)
Intergovernmental		1,903,910		1,903,910	2,057,661		153,751
Charges for services		1,023,050		1,023,050	1,005,706		(17,344)
Fines and forfeitures		20,000		20,000	74,817		54,817
Gifts and contributions		-		-	2,510		2,510
Investment earnings		402,725		402,725	266,485		(136,240)
Miscellaneous		507,391		507,391	561,201		53,810
Total Revenues	**$**	**6,707,988**	**$**	**6,707,988**	**$ 6,827,802**	**$**	**119,814**
Expenditures							
Current							
General government							
Commissioners	$	266,613	$	266,613	$ 249,429	$	17,184
Courts		60,000		60,000	51,220		8,780
Administrator		176,655		176,655	158,809		17,846
Human resources		141,221		141,221	142,712		(1,491)
County auditor-treasurer		678,672		678,672	660,226		18,446
Motor vehicle		217,746		217,746	208,092		9,654
County assessor		463,337		463,337	451,149		12,188
Elections		93,465		93,465	100,063		(6,598)
Central services		18,650		18,650	15,976		2,674
Information technology		454,458		454,458	379,336		75,122
Attorney		688,006		688,006	676,257		11,749
Law library		-		-	25,590		(25,590)
Contracted legal services		55,000		55,000	51,567		3,433
Recorder		444,859		444,859	582,504		(137,645)
Surveyor		7,354		7,354	8,354		(1,000)
Planning and zoning		388,176		388,176	364,978		23,198
Buildings and grounds		632,881		632,881	509,118		123,763
Becker County annex		177,665		177,665	153,424		24,241
Veterans service officer		136,723		136,723	147,665		(10,942)
Other general government		42,000		42,000	35,268		6,732
Total general government	**$**	**5,143,481**	**$**	**5,143,481**	**$ 4,971,737**	**$**	**171,744**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures				
Current (Continued)				
Public Transportation				
Transit	$ 433,775	$ 433,775	$ 415,321	$ 18,454
Airport	48,500	48,500	40,500	8,000
Total public transportation	**$ 482,275**	**$ 482,275**	**$ 455,821**	**$ 26,454**
Culture and recreation				
Historical society	$ 65,000	$ 65,000	$ 65,000	$ -
Senior citizens	400	400	4,514	(4,114)
Regional library	302,335	302,335	302,335	-
Total culture and recreation	**$ 367,735**	**$ 367,735**	**$ 371,849**	**$ (4,114)**
Conservation of natural resources				
Cooperative extension	$ 120,119	$ 120,119	$ 117,476	$ 2,643
Soil and water conservation	170,575	170,575	170,575	-
Agricultural society/county fair	15,000	15,000	15,000	-
Wetland challenge	27,614	27,614	27,614	-
Water planning	28,503	28,503	28,503	-
Other conservation of natural resources	1,725	1,725	1,897	(172)
Total conservation of natural resources	**$ 363,536**	**$ 363,536**	**$ 361,065**	**$ 2,471**
Economic development				
Administration	$ 244,236	$ 244,236	$ 186,657	$ 57,579
Debt service				
Principal retirement	$ -	$ -	$ 1,607	$ (1,607)
Interest	-	-	546	(546)
Total debt service	**$ -**	**$ -**	**$ 2,153**	**$ (2,153)**
Total Expenditures	**$ 6,601,263**	**$ 6,601,263**	**$ 6,349,282**	**$ 251,981**
Excess of Revenues Over (Under) Expenditures	**$ 106,725**	**$ 106,725**	**$ 478,520**	**$ 371,795**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Other Financing Sources (Uses)				
Transfers in	85,000	85,000	85,000	-
Capital lease issued	-	-	9,029	9,029
Total Other Financing Sources (Uses)	**$ 85,000**	**$ 85,000**	**$ 94,029**	**$ 9,029**
Net Change in Fund Balance	**$ 191,725**	**$ 191,725**	**$ 572,549**	**$ 380,824**
Fund Balance - January 1	**6,382,635**	**6,382,635**	**6,382,635**	**-**
Fund Balance - December 31	**$ 6,574,360**	**$ 6,574,360**	**$ 6,955,184**	**$ 380,824**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 2

BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 5,328,693	$ 5,328,693	$ 5,308,128	$ (20,565)
Licenses and permits	17,500	17,500	7,800	(9,700)
Intergovernmental	865,212	865,212	1,111,340	246,128
Charges for services	361,550	361,550	177,605	(183,945)
Fines and forfeitures	24,200	24,200	22,129	(2,071)
Gifts and contributions	1,000	1,000	519	(481)
Investment earnings	3,000	3,000	-	(3,000)
Miscellaneous	88,600	88,600	120,783	32,183
Total Revenues	**$ 6,689,755**	**$ 6,689,755**	**$ 6,748,304**	**$ 58,549**
Expenditures				
Current				
Public safety				
Sheriff	$ 3,350,424	$ 3,350,424	$ 3,491,627	$ (141,203)
Boat and water safety	61,840	61,840	47,922	13,918
Emergency services	22,292	22,292	46,869	(24,577)
Coroner	42,955	42,955	58,870	(15,915)
County jail	2,735,859	2,735,859	2,724,094	11,765
Probation and parole	338,576	338,576	353,557	(14,981)
Sentence to serve	57,469	57,469	81,464	(23,995)
Total public safety	**$ 6,609,415**	**$ 6,609,415**	**$ 6,804,403**	**$ (194,988)**
Excess of Revenues Over (Under) Expenditures	**$ 80,340**	**$ 80,340**	**$ (56,099)**	**$ (136,439)**
Fund Balance - January 1	**3,842,001**	**3,842,001**	**3,842,001**	**-**
Fund Balance - December 31	**$ 3,922,341**	**$ 3,922,341**	**$ 3,785,902**	**$ (136,439)**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 3

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 2,547,137	$ 2,547,137	$ 2,478,012	$ (69,125)
Special assessments	3,800	3,800	436	(3,364)
Licenses and permits	22,000	22,000	14,894	(7,106)
Intergovernmental	4,910,456	4,910,456	4,566,469	(343,987)
Charges for services	137,000	137,000	138,101	1,101
Investment earnings	670	670	245	(425)
Miscellaneous	784,500	784,500	959,068	174,568
Total Revenues	**$ 8,405,563**	**$ 8,405,563**	**$ 8,157,225**	**$ (248,338)**
Expenditures				
Current				
Highways and Streets				
Administration	$ 332,743	$ 332,743	$ 327,932	$ 4,811
Maintenance	2,672,044	2,672,044	3,073,431	(401,387)
Construction	4,136,039	4,136,039	4,330,114	(194,075)
Equipment maintenance and shop	1,135,411	1,135,411	1,157,537	(22,126)
Other highways and streets	129,326	129,326	118,836	10,490
Total highways and streets	**$ 8,405,563**	**$ 8,405,563**	**$ 9,007,850**	**$ (602,287)**
Debt service				
Principal retirement	$ -	$ -	$ 34,823	$ (34,823)
Interest	-	-	5,964	(5,964)
Total debt service	**$ -**	**$ -**	**$ 40,787**	**$ (40,787)**
Total Expenditures	**$ 8,405,563**	**$ 8,405,563**	**$ 9,048,637**	**$ (643,074)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (891,412)**	**$ (891,412)**
Fund Balance - January 1	**2,562,463**	**2,562,463**	**2,562,463**	**-**
Increase (decrease) in reserved for inventories	**-**	**-**	**(26,160)**	**(26,160)**
Fund Balance - December 31	**$ 2,562,463**	**$ 2,562,463**	**$ 1,644,891**	**$ (917,572)**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 4

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts							
	Original		Final		Actual Amounts		Variance with Final Budget Positive (Negative)	
Revenues								
Taxes	$	5,521,204	$	5,521,204	$	5,520,492	$	(712)
Intergovernmental		6,831,430		6,831,430		7,959,317		1,127,887
Miscellaneous		1,202,658		1,202,658		1,257,247		54,589
Total Revenues	**$**	**13,555,292**	**$**	**13,555,292**	**$**	**14,737,056**	**$**	**1,181,764**
Expenditures								
Current								
Human Services								
Income maintenance	$	2,906,373	$	2,906,373	$	2,897,231	$	9,142
Social services		9,430,322		9,430,322		9,167,510		262,812
Collaborative		-		-		167,373		(167,373)
Total human services	**$**	**12,336,695**	**$**	**12,336,695**	**$**	**12,232,114**	**$**	**104,581**
Health								
Community Health		1,218,597		1,218,597		1,274,938		(56,341)
Total Expenditures	**$**	**13,555,292**	**$**	**13,555,292**	**$**	**13,507,052**	**$**	**48,240**
Excess of Revenues Over (Under) Expenditures	**$**	**-**	**$**	**-**	**$**	**1,230,004**	**$**	**1,230,004**
Fund Balance - January 1		**4,914,692**		**4,914,692**		**4,914,692**		**-**
Fund Balance - December 31	**$**	**4,914,692**	**$**	**4,914,692**	**$**	**6,144,696**	**$**	**1,230,004**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 5

BUDGETARY COMPARISON SCHEDULES
ENVIRONMENTAL AFFAIRS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Special assessments	$ 188,000	$ 188,000	$ 187,728	$ (272)
Intergovernmental	96,200	96,200	117,205	21,005
Charges for services	1,484,700	1,484,700	1,356,660	(128,040)
Miscellaneous	6,500	6,500	169,647	163,147
Total Revenues	**$ 1,775,400**	**$ 1,775,400**	**$ 1,831,240**	**$ 55,840**
Expenditures				
Current				
Sanitation				
Solid waste	$ 1,341,958	$ 1,341,958	$ 1,595,910	$ (253,952)
Recycling	280,069	280,069	287,804	(7,735)
Hazardous waste	55,385	55,385	69,265	(13,880)
Total Expenditures	**$ 1,677,412**	**$ 1,677,412**	**$ 1,952,979**	**$ (275,567)**
Excess of Revenues Over (Under) Expenditures	**$ 97,988**	**$ 97,988**	**$ (121,739)**	**$ (219,727)**
Other Financing Sources (Uses)				
Transfers out	(85,000)	(85,000)	(85,000)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	**$ 12,988**	**$ 12,988**	**$ (206,739)**	**$ (219,727)**
Fund Balance - January 1	**5,374,157**	**5,374,157**	**5,374,157**	**-**
Fund Balance - December 31	**$ 5,387,145**	**$ 5,387,145**	**$ 5,167,418**	**$ (219,727)**

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 6

SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

Schedule 7

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010:

	Expenditures	Budget	Excess
General Fund			
General government			
Human resources	$ 142,712	$ 141,221	$ (1,491)
Elections	100,063	93,465	(6,598)
Law library	25,590	-	(25,590)
Recorder	582,504	444,859	(137,645)
Surveyor	8,354	7,354	(1,000)
Veterans service officer	147,665	136,723	(10,942)
Culture and recreation			
Senior citizens	4,514	400	(4,114)
Conservation of natural resources			
Other conservation of natural resources	1,897	1,725	(172)
Debt service			
Principal retirement	1,607	-	(1,607)
Interest	546	-	(546)
Public Safety Special Revenue Fund			
Public safety			
Sheriff	3,491,627	3,350,424	(141,203)

I. Budgetary Information

B. Excess of Expenditures Over Budget (Continued)

	Expenditures	Budget	Excess
Emergency services	$ 46,869	$ 22,292	$ (24,577)
Coroner	58,870	42,955	(15,915)
Probation and parole	353,557	338,576	(14,981)
Sentence to serve	81,464	57,469	(23,995)
Road and Bridge Special Revenue Fund			
Highways and streets			
Maintenance	3,073,431	2,672,044	(401,387)
Construction	4,330,114	4,136,039	(194,075)
Equipment maintenance and shop	1,157,537	1,135,411	(22,126)
Debt service			
Principal retirement	34,823	-	(34,823)
Interest	5,964	-	(5,964)
Human Services Special Revenue Fund			
Human services			
Collaborative	167,373	-	(167,373)
Health			
Community health	1,274,938	1,218,597	(56,341)
Environmental Affairs Special Revenue Fund			
Sanitation			
Solid waste	1,595,910	1,341,958	(253,952)
Recycling	287,804	280,069	(7,735)
Hazardous waste	69,265	55,385	(13,880)

II. Other Post-Employment Benefits (OPEB)

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

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

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

SUPPLEMENTARY INFORMATION

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.

Statement A-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Special Revenue Funds (Statement B-1)	Debt Service Fund	Total Nonmajor Governmental Funds (Exhibit 3)
Assets			
Cash and pooled investments	$ 1,277,892	$ 442,268	$ 1,720,160
Cash with fiscal agent	-	248,155	248,155
Taxes receivable			
Current	-	14,402	14,402
Prior	83	8,412	8,495
Accounts receivable	67,716	-	67,716
Total Assets	**$ 1,345,691**	**$ 713,237**	**$ 2,058,928**
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 14,514	$ -	$ 14,514
Salaries payable	38,428	-	38,428
Due to other funds	32,497	-	32,497
Due to other governments	166,467	-	166,467
Deferred revenue - unavailable	82	17,468	17,550
Total Liabilities	**$ 251,988**	**$ 17,468**	**$ 269,456**
Fund Balances			
Reserved for			
Debt service	$ -	$ 695,769	$ 695,769
Conservation of natural resources	27,601	-	27,601
Gravel pit closure	281,337	-	281,337
Unreserved			
Undesignated	784,765	-	784,765
Total Fund Balances	**$ 1,093,703**	**$ 695,769**	**$ 1,789,472**
Total Liabilities and Fund Balances	**$ 1,345,691**	**$ 713,237**	**$ 2,058,928**

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, 2010

	Special Revenue Funds (Statement B-2)	Debt Service Fund	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues			
Taxes	$ 34,238	$ 487,768	$ 522,006
Intergovernmental	176,732	31,652	208,384
Charges for services	4,529	-	4,529
Investment earnings	-	5,690	5,690
Gifts and contributions	325	-	325
Miscellaneous	358,384	-	358,384
Total Revenues	**$ 574,208**	**$ 525,110**	**$ 1,099,318**
Expenditures			
Current			
Culture and recreation	$ 205,471	$ -	$ 205,471
Conservation of natural resources	355,692	-	355,692
Debt service			
Principal retirement	-	265,000	265,000
Interest	-	234,431	234,431
Administrative and fiscal services	-	2,000	2,000
Total Expenditures	**$ 561,163**	**$ 501,431**	**$ 1,062,594**
Excess of Revenues Over (Under) Expenditures	**$ 13,045**	**$ 23,679**	**$ 36,724**
Fund Balance - January 1	**1,080,658**	**672,090**	**1,752,748**
Fund Balance - December 31	**$ 1,093,703**	**$ 695,769**	**$ 1,789,472**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2010

	Parks and Recreation	Resource Development
Assets		
Cash and pooled investments	$ 286,342	$ 521,474
Taxes receivable - prior	83	-
Accounts receivable	-	-
Total Assets	**$ 286,425**	**$ 521,474**
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 13,838	$ -
Salaries payable	11,111	-
Due to other funds	4,903	1,348
Due to other governments	1,039	-
Deferred revenue - unavailable	82	-
Total Liabilities	**$ 30,973**	**$ 1,348**
Fund Balances		
Reserved for		
Gravel pit closure	$ -	$ -
Conservation of natural resources	-	-
Unreserved		
Undesignated	255,452	520,126
Total Fund Balances	**$ 255,452**	**$ 520,126**
Total Liabilities and Fund Balances	**$ 286,425**	**$ 521,474**

Statement B-1

County Ditch	Natural Resource Management	Gravel Tax	Total (Statement A-1)
$ 9,187	$ 95,125	$ 365,764	$ 1,277,892
-	-	-	83
-	11,310	56,406	67,716
$ 9,187	**$ 106,435**	**$ 422,170**	**$ 1,345,691**
$ -	$ 676	$ -	$ 14,514
-	27,317	-	38,428
-	652	25,594	32,497
-	50,189	115,239	166,467
-	-	-	82
$ -	**$ 78,834**	**$ 140,833**	**$ 251,988**
$ -	$ -	$ 281,337	$ 281,337
-	27,601	-	27,601
9,187	-	-	784,765
$ 9,187	**$ 27,601**	**$ 281,337**	**$ 1,093,703**
$ 9,187	**$ 106,435**	**$ 422,170**	**$ 1,345,691**

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, 2010

	Parks and Recreation	Resource Development
Revenues		
Taxes	$ 58	$ -
Intergovernmental	117,159	59,573
Charges for services	4,529	-
Gifts and contributions	325	-
Miscellaneous	33,437	50,160
Total Revenues	**$ 155,508**	**$ 109,733**
Expenditures		
Current		
Culture and recreation	$ 205,471	$ -
Conservation of natural resources	-	65,795
Total Expenditures	**$ 205,471**	**$ 65,795**
Excess of Revenues Over (Under) Expenditures	**$ (49,963)**	**$ 43,938**
Fund Balance - January 1	**305,415**	**476,188**
Fund Balance - December 31	**$ 255,452**	**$ 520,126**

__Statement B-2__

County Ditch	Natural Resource Management	Gravel Tax	Total (Statement A-2)
$ -	$ -	$ 34,180	$ 34,238
-	-	-	176,732
-	-	-	4,529
-	-	-	325
-	274,787	-	358,384
$ -	**$ 274,787**	**$ 34,180**	**$ 574,208**
$ -	$ -	$ -	$ 205,471
-	289,897	-	355,692
$ -	**$ 289,897**	**$ -**	**$ 561,163**
$ -	**$ (15,110)**	**$ 34,180**	**$ 13,045**
9,187	**42,711**	**247,157**	**1,080,658**
$ 9,187	**$ 27,601**	**$ 281,337**	**$ 1,093,703**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 8

BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Revenues				
Taxes	$ -	$ -	$ 58	$ 58
Intergovernmental	139,000	139,000	117,159	(21,841)
Charges for services	2,500	2,500	4,529	2,029
Gifts and contributions	11,250	11,250	325	(10,925)
Miscellaneous	29,200	29,200	33,437	4,237
Total Revenues	**$ 181,950**	**$ 181,950**	**$ 155,508**	**$ (26,442)**
Expenditures				
Current				
Culture and recreation	149,001	149,001	205,471	(56,470)
Excess of Revenues Over (Under) Expenditures	**$ 32,949**	**$ 32,949**	**$ (49,963)**	**$ (82,912)**
Fund Balance - January 1	**305,415**	**305,415**	**305,415**	**-**
Fund Balance - December 31	**$ 338,364**	**$ 338,364**	**$ 255,452**	**$ (82,912)**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 9

BUDGETARY COMPARISON SCHEDULE
RESOURCE DEVELOPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Revenues				
Intergovernmental	$ 46,500	$ 46,500	$ 59,573	$ 13,073
Miscellaneous	55,500	55,500	50,160	(5,340)
Total Revenues	**$ 102,000**	**$ 102,000**	**$ 109,733**	**$ 7,733**
Expenditures				
Current				
Conservation of natural resources	98,700	98,700	65,795	32,905
Excess of Revenues Over (Under) Expenditures	**$ 3,300**	**$ 3,300**	**$ 43,938**	**$ 40,638**
Fund Balance - January 1	**476,188**	**476,188**	**476,188**	**-**
Fund Balance - December 31	**$ 479,488**	**$ 479,488**	**$ 520,126**	**$ 40,638**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 10

BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

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

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 11

BUDGETARY COMPARISON SCHEDULE
NATURAL RESOURCE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts							
	Original		Final		Actual Amounts		Variance with Final Budget Positive (Negative)	
Revenues								
Miscellaneous	$	278,100	$	278,100	$	274,787	$	(3,313)
Expenditures								
Current								
Conservation of natural resources		287,054		287,054		289,897		(2,843)
Excess of Revenues Over (Under) Expenditures	**$**	**(8,954)**	**$**	**(8,954)**	**$**	**(15,110)**	**$**	**(6,156)**
Fund Balance - January 1		**42,711**		**42,711**		**42,711**		**-**
Fund Balance - December 31	**$**	**33,757**	**$**	**33,757**	**$**	**27,601**	**$**	**(6,156)**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 12

BUDGETARY COMPARISON SCHEDULE
GRAVEL TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ -	$ -	$ 34,180	$ 34,180
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 34,180**	**$ 34,180**
Fund Balance - January 1	**247,157**	**247,157**	**247,157**	**-**
Fund Balance - December 31	**$ 247,157**	**$ 247,157**	**$ 281,337**	**$ 34,180**

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, 2010

	Balance January 1	Additions	Deductions	Balance December 31
CLEARING FUND				
Assets				
Cash and pooled investments	**$ 130,351**	**$ 3,649,244**	**$ 3,492,389**	**$ 287,206**
Liabilities				
Accounts payable	$ 12,125	$ -	$ 12,125	$ -
Due to other governments	118,226	3,649,244	3,480,264	287,206
Total Liabilities	**$ 130,351**	**$ 3,649,244**	**$ 3,492,389**	**$ 287,206**
TAXES AND PENALTIES FUND				
Assets				
Cash and pooled investments	**$ 709,062**	**$ 40,083,261**	**$ 40,156,754**	**$ 635,569**
Liabilities				
Due to other governments	$ 600,591	$ 39,942,627	$ 40,048,283	$ 494,935
Deferred credits	108,471	140,634	108,471	140,634
Total Liabilities	**$ 709,062**	**$ 40,083,261**	**$ 40,156,754**	**$ 635,569**
CHILDREN'S INITIATIVE FUND				
Assets				
Cash and pooled investments	**$ 135,545**	**$ 153,420**	**$ 180,334**	**$ 108,631**
Liabilities				
Due to other governments	**$ 135,545**	**$ 153,420**	**$ 180,334**	**$ 108,631**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	**$ 974,958**	**$ 43,885,925**	**$ 43,829,477**	**$ 1,031,406**
Liabilities				
Accounts payable	$ 12,125	$ -	$ 12,125	$ -
Due to other governments	854,362	43,745,291	43,708,881	890,772
Deferred credits	108,471	140,634	108,471	140,634
Total Liabilities	**$ 974,958**	**$ 43,885,925**	**$ 43,829,477**	**$ 1,031,406**

OTHER SCHEDULES

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 13

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010

	Total Governmental Funds	Total Component Unit
Shared Revenue		
State		
Highway user tax	$ 3,656,740	$ -
County program aid	1,018,764	-
PERA rate reimbursement	38,181	-
Disparity reduction aid	737	-
Police aid	138,985	-
Enhanced 911	109,984	-
Market value credit	928,679	12,781
Mobile home market value credit	11,379	125
Total Shared Revenue	**$ 5,903,449**	**$ 12,906**
Payments		
Local		
Local contributions	$ 327,165	$ 6,387
Payments in lieu of taxes	338,341	-
Total Payments	**$ 665,506**	**$ 6,387**
Grants		
State		
Minnesota Department/Board of/Office of		
Corrections	$ 368,398	$ -
Public Safety	33,087	-
Transportation	272,167	-
Health	218,586	-
Natural Resources	170,114	-
Human Services	2,049,523	-
Soil and Water Resources	217,976	-
Housing Finance Agency	-	38,761
Veterans Services	4,200	-
Pollution Control Agency	117,205	-
Peace Officers	17,566	-
Total State	**$ 3,468,822**	**$ 38,761**
Federal		
Department of		
Agriculture	$ 433,035	$ -
Housing and Urban Development	-	471,210
Transportation	463,159	-
Health and Human Services	5,056,976	-
Homeland Security	29,429	-
Total Federal	**$ 5,982,599**	**$ 471,210**
Total State and Federal Grants	**$ 9,451,421**	**$ 509,971**
Total Intergovernmental Revenue	**$ 16,020,376**	**$ 529,264**

MANAGEMENT AND COMPLIANCE SECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF AUDITOR'S RESULTS

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

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

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

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

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

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

G. The major programs were:

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Highway Planning and Construction – ARRA	CFDA #20.205
Medical Assistance Program	CFDA #93.778

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

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

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.

ITEM ARISING THIS YEAR

10-1 Transfer Station Cash Controls

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

- pre-numbered charge slips are not accounted for
- cash over/under amounts are placed in a desk drawer to be used to balance out when needed
- staff receiving collections also balance out the cash register

The pre-numbered charge slips should be accounted for and reconciled to the daily collections in the cash register. Amounts collected over or under the total of the charge slips should be remitted and recorded on the daily activity. Staff in control of collections should not balance out the cash register at the end of the day.

<u>Schedule 14</u>
(Continued)

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

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

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

<u>MANAGEMENT PRACTICES</u>

<u>ITEM ARISING THIS YEAR</u>

10-2 <u>Accounts Receivable</u>

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

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

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

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

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

HOFFMAN, DALE, & SWENSON, PLLC

GOVERNMENTAL AUDIT SERVICES

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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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 27, 2011. 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, 2010, 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.

<u>Internal Control Over Financial Reporting</u>

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

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

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

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

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 27, 2011

HOFFMAN, DALE, & SWENSON, PLLC

GOVERNMENTAL AUDIT SERVICES

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

Board of County Commissioners
Becker County

Compliance

We have audited Becker County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2010. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Becker County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Becker County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of and for the year ended December 31, 2010, and have issued our report thereon dated September 27, 2011, which contained unqualified opinions on those financial statements. We did not audit the financial statements of the Sunnyside Care Center Enterprise Fund, which are the business-type activities of Becker County for the year ended September 30, 2010. Those statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 27, 2011

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 15

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number		Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
Supplemental Nutrition Assistance Program Cluster			
Supplemental Nutrition Assistance Program	10.551	$ 1,612	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	227,287	$ 228,899
Passed Through Minnesota Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		204,136
Total U.S. Department of Agriculture			**$ 433,035**
U.S. Department of Housing and Urban Development			
Direct Awards			
Community Development Block Grants	14.228		1,704
Low Rent Public Housing	14.850		79,589
Section 8 Housing Choice Vouchers	14.871		315,440
Public Housing Capital Fund	14.872		45,027
Formula Capital Fund Stimulus Grant	14.885		29,450
Total U.S. Department of Housing and Urban Development			**$ 471,210**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Program Cluster			
Highway Planning and Construction	20.205	$ 288,900	
Highway Planning and Construction - ARRA	20.205	47,985	$ 336,885
Formula Grants for Other Than Urbanized Areas	20.509		91,684
Passed Through Minnesota Department of Public Safety			
State and Community Highway Safety	20.600		18,320
Occupant Protection Incentive Grants	20.602		4,928
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		5,312
Safety Belt Performance Grants	20.609		1,155
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		4,875
Total U.S. Department of Transportation			**$ 463,159**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

Schedule 15
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	$ 74,379
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	102,108
Temporary Assistance for Needy Families	93.558	731,220
Child Support Enforcement	93.563	915,855
Refugee and Entrant Assistance	93.566	261
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	26,332
Child Welfare Services State Grants	93.645	21,172
Foster Care - Title IV-E	93.658	423,047
Social Services Block Grant	93.667	363,753
Chafee Foster Care Independence Program	93.674	18,999
Children's Health Insurance Program	93.767	356
Medical Assistance Program	93.778	2,311,528
Block Grants for Community Mental Health Services	93.958	25,741
Passed Through Minnesota Department of Health		
Maternal and Child Health Services Block Grant	93.994	42,225
Total U.S. Department of Health and Human Services		**$ 5,056,976**
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	$ 11,756
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance	97.036	4,527
Emergency Management Performance Grant	97.042	13,146
Total U.S. Department of Homeland Security		**$ 29,429**
Total Federal Awards		**$ 6,453,809**

BECKER COUNTY
DETROIT LAKES, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010. 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 2010, 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.