

BECKER COUNTY
DETROIT LAKES, MINNESOTA
YEAR ENDED DECEMBER 31, 2006

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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DETROIT LAKES, MINNESOTA**

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INTRODUCTORY SECTION

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2006**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1 st District	Larry Knutson	January 2009
2 nd District	Harold Salminen	January 2011
3 rd District	Karen Mulari, Chair	January 2009
4 th District	Robert Bristlin*	January 2007
5 th District	Barry Nelson	January 2009
Officers		
Elected:		
Attorney	Joseph Evans	January 2011
Auditor-Treasurer	Ryan Tangen	January 2011
Coroner	Knute Thorsgard	January 2011
Recorder	Darlene Maneval	January 2011
Registrar of Titles	Darlene Maneval	January 2011
Sheriff	Tim Gordon	January 2011
Surveyor	Roy Smith	January 2011
Appointed:		
Administrator	Brian C. Berg	Indefinite
Assessor	Steven Skoog	January 2009
Highway Engineer	Brad Wentz	May 2008
Human Services Director	Nancy Nelson	Indefinite
Natural Resource Manager	Mark Lohmeier	Indefinite
Personnel Director	Nancy Grabanski	Indefinite
Solid Waste Officer	Vacant	Indefinite
Veteran Services Officer	Lauri Brooke	September 2010

* Effective January 2, 2007, John Bellefeuille assumed the position of 4th District Commissioner.

FINANCIAL SECTION



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

GOVERNMENTAL AUDIT SERVICES

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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, each major fund, and the aggregate remaining fund information of Becker County, Minnesota, as of and for the year ended December 31, 2006, which, along with the financial statements for the business-type activities, comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sunnyside Care Center major enterprise fund as of and for the year ended September 30, 2006, which is the business-type activities of Becker County, or the Becker County Economic Development Authority which is the discretely presented component unit of Becker County. Those financial statements were audited by other auditors whose 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 and the Becker County Economic Development Authority component unit is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of December 31, 2006, including the Sunnyside Care Center Enterprise Fund at September 30, 2006, 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 20, 2007, 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 effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Becker County's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Becker County. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Hoffman, Dale, & Swenson, PLLC

September 20, 2007



COUNTY OF BECKER

Ryan L. Tangen • County Auditor/Treasurer

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The management of Becker County offers readers of the County's Financial Statements this narrative overview and analysis of the financial activities of Becker County for the fiscal year ended December 31, 2006. 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 \$68,748,649, of which \$45,082,534 is invested in capital assets, net of related debt, \$1,061,178 is restricted for specific purposes, and \$22,604,937 is unrestricted. The total net assets of governmental activities increased by \$6,980,444 for the year ended December 31, 2006.

The total net assets of business-type activities are \$1,461,623 of which \$633,865 is invested in capital assets net, of related debt, \$50,547 is restricted for specific purposes, and \$777,211 is unrestricted. The total net assets of business-type activities increased by \$114,188 for the year ended September 30, 2006.

At the close of 2006 the County's governmental funds reported combined ending fund balances of \$23,521,685, an increase of \$1,009,933, from the prior year. Of the total fund balance amount, \$1,676,024 is legally or contractually reserved, \$3,760,678 is designated for specific purposes, and an additional \$18,084,983 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 contemplating an expansion of its courthouse for some years. In 2006 the County signed contracts to construct an addition of 35,000 square feet to accommodate current and future space needs. Construction began in the spring of 2007. In addition, the County will need to expand the available parking to satisfy the employee and customer needs. Also, the current building will require remodeling and modifications to include a new heating and cooling system. These projects will be funded by the use of set aside funds and bonds which were issued early 2007. The three projects are estimated to cost approximately 10 million dollars of which approximately 6 million dollars were bonded and 4 million dollars will be expended from planned set aside dollars.

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 grants finance most of these activities.
- **Business-type activities**—The County charges fees to cover the costs of certain services it provides. Included here are the operations of the Sunnyside Care Center.
- **Component unit**—The County includes one separate legal entity in its report. The Becker County Economic Development Authority is presented in a separate column. Although legally separate, this "component unit" is important because the County is financially accountable for it.

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term

financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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

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

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

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

Notes to the Financial Statements

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

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The County also provides supplementary information on intergovernmental revenues.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$70,210,272 at the close of 2006. The largest portion of the County's net assets (approximately 65 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 two percent of the County's net assets are restricted and 33 percent of the County's net assets are unrestricted. The unrestricted net asset amount of \$23,382,148, as of December 31, 2006, 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 \$6,060,332, from the prior year, mainly due to an increase of capital assets held by the County. Capital assets increased significantly due to the completion of infrastructure construction projects. The next significant increase to capital assets was in the purchase of election equipment required by the Help America Vote Act. Total liabilities decreased by \$1,034,300 from the prior year, which resulted in increased net assets of \$7,094,632.

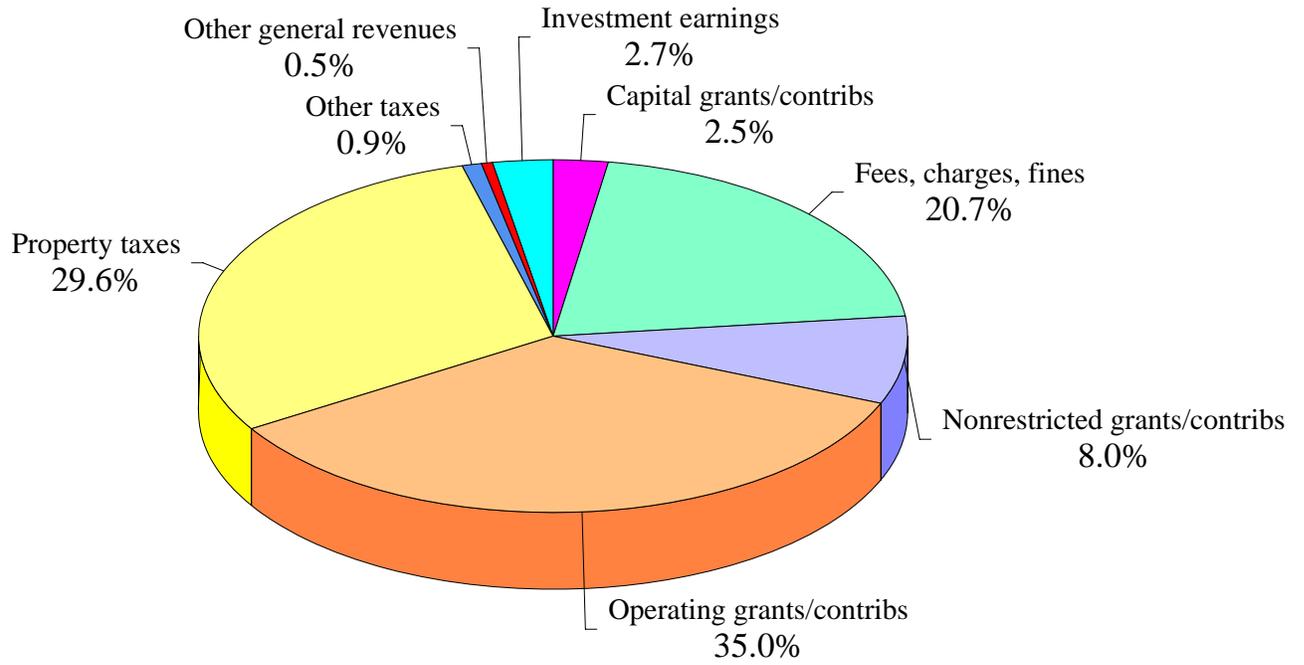
NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 27,847,555	\$ 27,333,869	\$ 1,163,046	\$ 1,036,387	\$ 29,010,601	\$ 28,370,256
Capital assets	<u>45,230,445</u>	<u>39,735,587</u>	<u>2,001,865</u>	<u>2,076,736</u>	<u>47,232,310</u>	<u>41,812,323</u>
Total assets	<u>\$ 73,078,000</u>	<u>\$ 67,069,456</u>	<u>\$ 3,164,911</u>	<u>\$ 3,113,123</u>	<u>\$ 76,242,911</u>	<u>\$ 70,182,579</u>
Other liabilities	\$ 2,497,975	\$ 3,126,961	\$ 156,525	\$ 212,835	\$ 2,654,500	\$ 3,339,796
Long-term liabilities outstanding	<u>1,831,376</u>	<u>2,174,290</u>	<u>1,546,763</u>	<u>1,552,853</u>	<u>3,378,139</u>	<u>3,727,143</u>
Total liabilities	<u>\$ 4,329,351</u>	<u>\$ 5,301,251</u>	<u>\$ 1,703,288</u>	<u>\$ 1,765,688</u>	<u>\$ 6,032,639</u>	<u>\$ 7,066,939</u>
Net assets						
Invested in capital assets, net of related debt	\$ 45,082,534	\$ 39,092,577	\$ 633,865	\$ 702,736	\$ 45,716,399	\$ 39,795,313
Restricted	1,061,178	1,258,217	50,547	14,464	1,111,725	1,272,681
Unrestricted	<u>22,604,937</u>	<u>21,417,411</u>	<u>777,211</u>	<u>630,235</u>	<u>23,382,148</u>	<u>22,047,646</u>
Total net assets	<u>\$ 68,748,649</u>	<u>\$ 61,768,205</u>	<u>\$ 1,461,623</u>	<u>\$ 1,347,435</u>	<u>\$ 70,210,272</u>	<u>\$ 63,115,640</u>

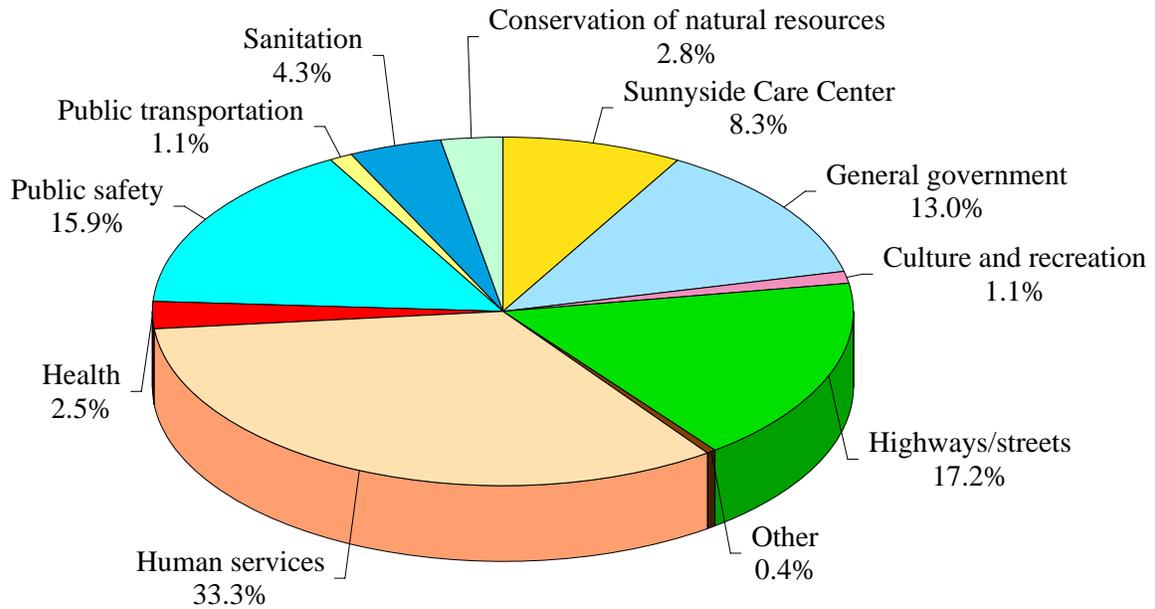
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues						
Charges for services	\$ 6,013,598	\$ 6,098,202	\$ 3,201,349	\$ 3,081,383	\$ 9,214,947	\$ 9,179,585
Operating grants and contributions	15,582,564	11,404,844	9,884	55,759	15,592,448	11,460,603
Capital grants and contributions	1,104,896	16,851	15,557	32,716	1,120,453	49,567
General revenues						
Property taxes	13,213,658	12,668,185	-	-	13,213,658	12,668,185
Other taxes	403,002	405,257	-	-	403,002	405,257
Grants and contributions not restricted to specific programs	3,581,576	3,749,886	-	-	3,581,576	3,749,886
Other general revenues	<u>1,436,551</u>	<u>1,120,960</u>	<u>3,689</u>	<u>1,367</u>	<u>1,440,240</u>	<u>1,122,327</u>
Total revenues	<u>\$ 41,335,845</u>	<u>\$ 35,464,185</u>	<u>\$ 3,230,479</u>	<u>\$ 3,171,225</u>	<u>\$ 44,566,324</u>	<u>\$ 38,635,410</u>
Expenses						
General government	\$ 4,873,767	\$ 4,162,326	\$ -	\$ -	\$ 4,873,767	\$ 4,162,326
Public safety	5,950,911	5,455,571	-	-	5,950,911	5,455,571
Highways and streets	6,462,850	6,787,100	-	-	6,462,850	6,787,100
Public transportation	398,104	400,320	-	-	398,104	400,320
Sanitation	1,600,852	1,636,053	-	-	1,600,852	1,636,053
Human services	12,475,362	11,892,476	-	-	12,475,362	11,892,476
Health	951,813	821,211	-	-	951,813	821,211
Culture and recreation	412,421	468,156	-	-	412,421	468,156
Conservation of natural resources	1,064,445	785,425	-	-	1,064,445	785,425
Economic development	155,424	151,867	-	-	155,424	151,867
Interest	9,452	17,007	-	-	9,452	17,007
Sunnyside Care Center	-	-	3,116,291	2,902,409	3,116,291	2,902,409
Total expenses	<u>\$ 34,355,401</u>	<u>\$ 32,577,512</u>	<u>\$ 3,116,291</u>	<u>\$ 2,902,409</u>	<u>\$ 37,471,692</u>	<u>\$ 35,479,921</u>
Increase (decrease) in net assets	\$ 6,980,444	\$ 2,886,673	\$ 114,188	\$ 268,816	\$ 7,094,632	\$ 3,155,489
Net assets - January 1	<u>61,768,205</u>	<u>58,881,532</u>	<u>1,347,435</u>	<u>1,078,619</u>	<u>63,115,640</u>	<u>59,960,151</u>
Net assets - December 31	<u>\$ 68,748,649</u>	<u>\$ 61,768,205</u>	<u>\$ 1,461,623</u>	<u>\$ 1,347,435</u>	<u>\$ 70,210,272</u>	<u>\$ 63,115,640</u>

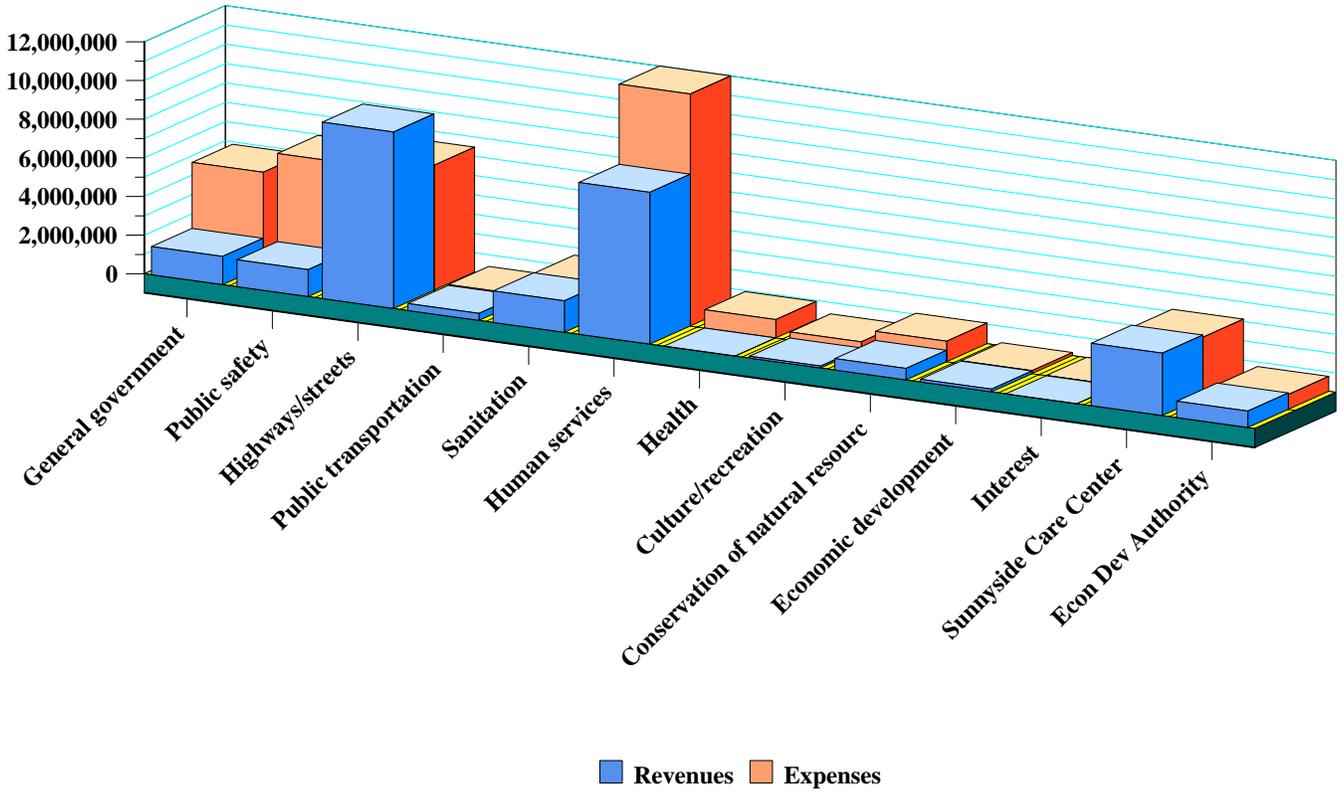
Revenues by Source



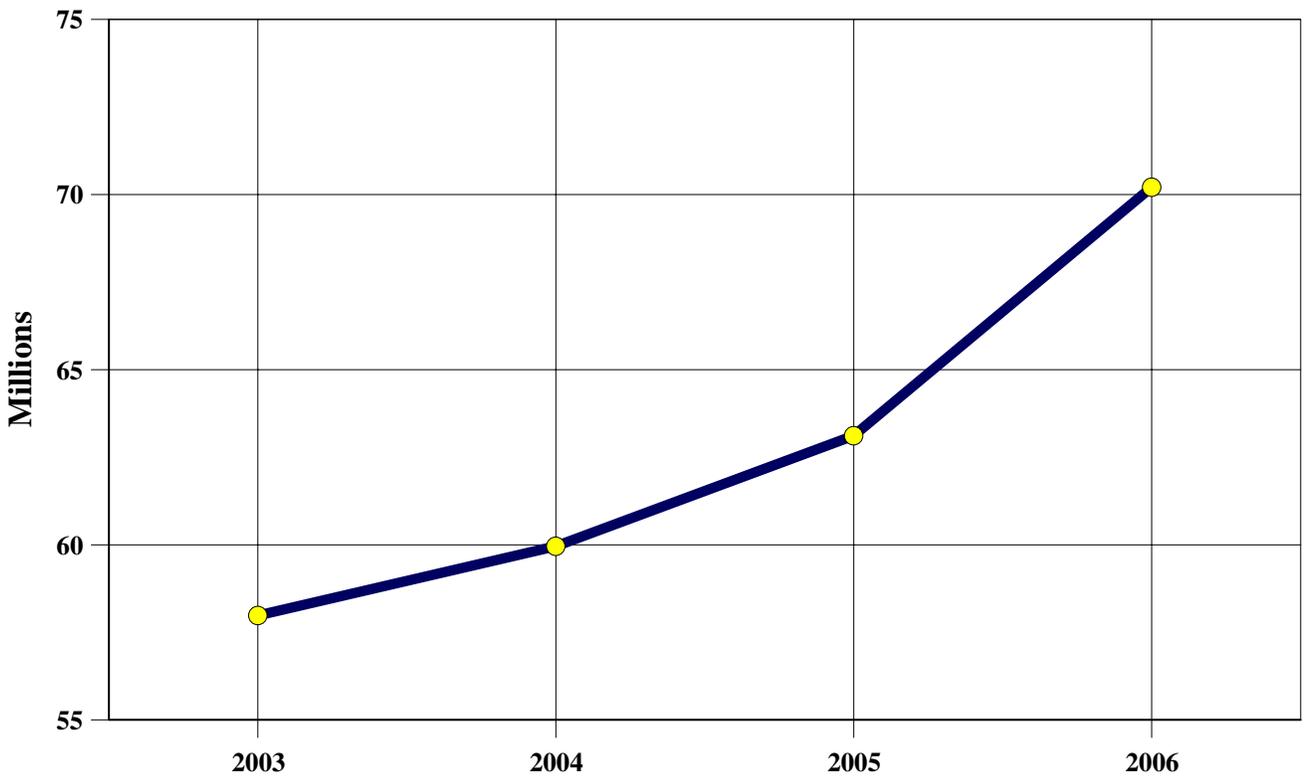
Expenses by Function



Program Revenues & Expenses



Net Assets



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 2006, the County's governmental funds reported combined ending fund balances of \$23,521,685. Of this amount, approximately seven percent constitutes legally or contractually reserved fund balance, 16 percent constitutes specifically designated fund balance, and 77 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 \$8,870,632. The General Fund's reserved fund balance was \$402,154, unreserved, designated fund balance was \$190,446, and the unreserved, undesignated fund balance was \$8,278,032. 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 2006. Unreserved fund balance represents 129 percent of total General Fund expenditures, while total fund balance represents 135 percent of that same amount.

In 2006, the fund balance amount in the General Fund increased by \$1,140,116. The primary reason for this increase was additional investment earnings over the budgeted amount. Other reasons include savings realized through the preliminary consolidation of the Auditor's office with the Treasurer's office and a later than expected start of the courthouse addition.

The fund balance of the Public Safety Special Revenue Fund increased \$212,579 from the prior year, due to changes in the allocation of payment in lieu of tax dollars received for other governmental entities, saving in costs associated with prisoners' provisions, and delayed purchase of replacement patrol cars.

The fund balance of the Road and Bridge Special Revenue Fund increased \$620,296 in 2006, due to revenue recognition of construction and maintenance allotments for county road and bridge projects.

The fund balance of the Human Services Special Revenue Fund decreased \$342,806 from the prior year, due to a higher than expected out of home placement costs incurred by child protection.

The fund balance of the Environmental Affairs Special Revenue Fund decreased \$50,013 from the prior year, due to increased costs of transportation and disposal of the solid waste collected at the county transfer station. The transfer station also underwent updating to increase safety and accessibility.

Proprietary Fund

The Sunnyside Care Center Enterprise Fund's total operating revenues increased by \$119,966 or approximately four percent. The total cost of all operating expenses increased by \$216,295 or eight percent. This combination of an increase in operating revenues and an increase in operating expenses yielded an operating income of \$144,556. However, when the nonoperating revenues and expenses are added to our analysis, the total change in net assets was \$114,188.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budgets as approved for 2006.

Actual revenues were more than overall final budgeted revenues by \$1,255,889. The largest positive variances were in intergovernmental revenue resulting from the Help America Vote Act totaling \$462,732, additional investment earnings in the amount of \$483,419, and \$129,897 in additional charges for services.

Actual expenditures were less than overall final budgeted expenditures by \$1,738,625. The largest positive variance was in general government for buildings and grounds due to the later than expected start of the courthouse expansion project resulting in expenditures under budget by \$2,041,487.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2006 and business-type activities as of September 30, 2006, amounted to \$47,232,310 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately 13 percent. This increase was mainly due to infrastructure.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 646,854	\$ 546,410	\$ 2,325	\$ 2,325	\$ 649,179	\$ 548,735
Right-of-Way	628,366	597,588	-	-	628,366	597,588
Construction in progress	392,861	165,184	1,246	-	394,107	165,184
Infrastructure	38,049,762	33,099,696	-	-	38,049,762	33,099,696
Buildings and improvements	3,503,976	3,842,132	1,860,515	1,940,643	5,364,491	5,782,775
Land improvements	379,857	271,589	20,537	20,539	400,394	292,128
Machinery and equipment	<u>1,628,769</u>	<u>1,212,988</u>	<u>117,242</u>	<u>113,229</u>	<u>1,746,011</u>	<u>1,326,217</u>
Total capital assets	<u>\$ 45,230,445</u>	<u>\$ 39,735,587</u>	<u>\$ 2,001,865</u>	<u>\$ 2,076,736</u>	<u>\$ 47,232,310</u>	<u>\$ 41,812,323</u>

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

Long-term debt

At the end of the current fiscal year, the County had total debt outstanding of \$1,515,911 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 100,000	\$ 550,000	\$ 1,250,000	\$ 1,250,000	\$ 1,350,000	\$ 1,800,000
General obligation revenue notes	-	-	118,000	124,000	118,000	124,000
Capital leases	<u>47,911</u>	<u>93,010</u>	<u>-</u>	<u>-</u>	<u>47,911</u>	<u>93,010</u>
	<u>\$ 147,911</u>	<u>\$ 643,010</u>	<u>\$ 1,368,000</u>	<u>\$ 1,374,000</u>	<u>\$ 1,515,911</u>	<u>\$ 2,017,010</u>

The County's net decrease in debt of \$501,099 (25 percent) during the fiscal year was attributable to principal payments.

Minnesota Statutes limit the amount of debt that a County may have to two percent of its total market value, excluding revenue bonds. At the end of 2006, overall debt of the County is well below the two 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 6.6 percent as of December 31, 2006. This is higher than the statewide rate of 4.2 percent and the national average rate of 4.3 percent.
- Becker County's population at July 1, 2005 was 31,868, an increase of 1,868 since 2000. This ranks Becker County 33rd of 87 in the State of Minnesota.
- On December 19, 2006, Becker County set its 2007 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, P.O. Box 787, Detroit Lakes, Minnesota 56502-0787.

BASIC FINANCIAL STATEMENTS

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and pooled investments	\$ 23,489,446	\$ 569,578	\$ 24,059,024	\$ 1,250,866
Petty cash and change funds	13,750	-	13,750	-
Investments	8,255	-	8,255	-
Taxes receivable				
Current	269,643	-	269,643	3,323
Prior	157,710	-	157,710	2,834
Special assessments receivable				
Current	3,980	-	3,980	-
Prior	20,653	-	20,653	-
Accounts receivable	1,147,809	493,921	1,641,730	1,803
Accrued interest receivable	226,255	-	226,255	
Loans receivable	-	-	-	35,000
Contract for deed receivable - current	-	-	-	55,860
Property held for resale	-	-	-	1,168,107
Due from other governments	1,888,645	-	1,888,645	165,230
Prepaid items	-	16,779	16,779	-
Inventories	614,846	16,287	631,133	-
Contract for deed receivable - noncurrent	-	-	-	1,043,781
Special assessments receivable - noncurrent	6,563	-	6,563	-
Investment in joint ventures	-	-	-	2,700
Restricted assets				
Donor-restricted assets	-	50,547	50,547	-
Resident trust funds	-	15,934	15,934	-
Capital assets				
Non-depreciable	1,668,081	3,571	1,671,652	312,474
Depreciable - net of accumulated depreciation	43,562,364	1,998,294	45,560,658	2,185,931
Total Assets	\$ 73,078,000	\$ 3,164,911	\$ 76,242,911	\$ 6,227,909
<u>Liabilities</u>				
Accounts payable	\$ 701,501	\$ 61,909	\$ 763,410	\$ 17,475
Salaries payable	522,346	67,237	589,583	-
Contracts payable	317,919	-	317,919	-
Due to other governments	582,845	-	582,845	19,920
Accrued interest payable	1,724	11,445	13,169	21,902
Deferred revenue - unearned	371,640	-	371,640	182,762
Security deposits	-	-	-	10,105
Other current liabilities	-	-	-	5,035
Payable from restricted assets				
Residents trust funds	-	15,934	15,934	-
Long-term liabilities				
Due within one year	120,487	76,378	196,865	606,472
Due within more than one year	1,710,889	1,470,385	3,181,274	1,083,523
Total Liabilities	\$ 4,329,351	\$ 1,703,288	\$ 6,032,639	\$ 1,947,194

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	<u>Primary Government</u>			Discretely Presented Component Unit
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<u>Net Assets</u>				
Invested in capital assets, net of related debt	\$ 45,082,534	\$ 633,865	\$ 45,716,399	\$ 1,638,933
Restricted for				
General government	387,077	-	387,077	-
Public safety	207,633	-	207,633	-
Conservation of natural resources	215,575	-	215,575	-
Capital projects	-	50,547	50,547	-
Debt service	235,816	-	235,816	-
Minnesota housing revolving loan fund	-	-	-	1,492,799
Other purposes	15,077	-	15,077	-
Unrestricted	<u>22,604,937</u>	<u>777,211</u>	<u>23,382,148</u>	<u>1,148,983</u>
Total Net Assets	<u>\$ 68,748,649</u>	<u>\$ 1,461,623</u>	<u>\$ 70,210,272</u>	<u>\$ 4,280,715</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Revenues		
	Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions
<u>Functions/Programs</u>			
Primary Government			
Governmental activities			
General government	\$ 4,873,767	\$ 1,311,160	\$ 150,754
Public safety	5,950,911	344,488	1,053,002
Highways and streets	6,462,850	857,194	7,172,422
Public transportation	398,104	122,891	247,421
Sanitation	1,600,852	1,551,422	85,857
Human services	12,475,362	1,137,694	6,720,567
Health	951,813	-	-
Culture and recreation	412,421	2,240	97,528
Conservation of natural resources	1,064,445	542,713	55,013
Economic development	155,424	143,796	-
Interest	9,452	-	-
Total governmental activities	\$ 34,355,401	\$ 6,013,598	\$ 15,582,564
Business-type activities			
Sunnyside Care Center	\$ 3,116,291	\$ 3,201,349	\$ 9,884
Total primary government	\$ 37,471,692	\$ 9,214,947	\$ 15,592,448
Component Unit			
Becker County Economic Development Authority	\$ 765,737	\$ 168,472	\$ 633,134
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			

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (3,411,853)	\$ -	\$ (3,411,853)	
-	(4,553,421)	-	(4,553,421)	
1,104,896	2,671,662	-	2,671,662	
-	(27,792)	-	(27,792)	
-	36,427	-	36,427	
-	(4,617,101)	-	(4,617,101)	
-	(951,813)	-	(951,813)	
-	(312,653)	-	(312,653)	
-	(466,719)	-	(466,719)	
-	(11,628)	-	(11,628)	
-	(9,452)	-	(9,452)	
\$ 1,104,896	\$ (11,654,343)	\$ -	\$ (11,654,343)	
\$ 15,557	\$ -	\$ 110,499	\$ 110,499	
\$ 1,120,453	\$ (11,654,343)	\$ 110,499	\$ (11,543,844)	
<u>\$ 50,000</u>				<u>\$ 85,869</u>
	\$ 13,213,658	\$ -	\$ 13,213,658	\$ 159,418
	82,793	-	82,793	-
	43,317	-	43,317	-
	276,892	-	276,892	-
	3,581,576	-	3,581,576	17,534
	1,217,471	3,689	1,221,160	31,498
	219,080	-	219,080	-
	\$ 18,634,787	\$ 3,689	\$ 18,638,476	\$ 208,450
	\$ 6,980,444	\$ 114,188	\$ 7,094,632	\$ 294,319
	61,768,205	1,347,435	63,115,640	3,986,396
	\$ 68,748,649	\$ 1,461,623	\$ 70,210,272	\$ 4,280,715

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General Fund	Public Safety
<u>Assets</u>		
Cash and pooled investments	\$ 8,712,322	\$ 3,007,506
Petty cash and change funds	8,800	1,700
Undistributed cash in agency funds	2,821	-
Investments	8,255	-
Taxes receivable		
Current	38,357	94,225
Prior	44,137	34,387
Special assessments receivable		
Current	-	-
Prior	-	-
Accounts receivable	18,719	7,920
Accrued interest receivable	226,255	-
Due from other funds	64,722	1,387
Due from other governments	58,784	80,325
Inventories	-	-
Special assessments receivable - noncurrent	-	-
	\$ 9,183,172	\$ 3,227,450
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 107,548	\$ 73,217
Salaries payable	120,709	150,482
Contracts payable	-	-
Due to other funds	9,536	9,580
Due to other governments	13,283	68,249
Deferred revenue - unavailable	61,464	84,085
Deferred revenue - unearned	-	-
	\$ 312,540	\$ 385,613

EXHIBIT 3

Special Revenue Funds			Other	Total
Road and	Human	Environmental	Governmental	Governmental
Bridge	Services	Affairs	Funds	Funds
			(Statement A-1)	
\$ 2,566,042	\$ 2,682,368	\$ 5,165,834	\$ 1,352,553	\$ 23,486,625
300	2,700	250	-	13,750
-	-	-	-	2,821
-	-	-	-	8,255
40,877	96,184	-	-	269,643
21,306	51,440	-	6,440	157,710
-	-	3,980	-	3,980
-	-	20,653	-	20,653
2,736	558,262	89,641	470,531	1,147,809
-	-	-	-	226,255
119,463	-	-	127,824	313,396
706,295	1,037,573	5,668	-	1,888,645
614,846	-	-	-	614,846
6,563	-	-	-	6,563
\$ 4,078,428	\$ 4,428,527	\$ 5,286,026	\$ 1,957,348	\$ 28,160,951
\$ 23,426	\$ 448,184	\$ 42,734	\$ 6,392	\$ 701,501
62,916	170,102	11,673	6,464	522,346
317,919	-	-	-	317,919
-	15,343	99	278,838	313,396
1,669	371,190	3,652	124,802	582,845
630,283	583,404	21,109	449,274	1,829,619
371,640	-	-	-	371,640
\$ 1,407,853	\$ 1,588,223	\$ 79,267	\$ 865,770	\$ 4,639,266

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General Fund	Public Safety
Fund Balances		
Reserved for		
Missing heirs	\$ 15,077	\$ -
Inventories	-	-
Law library	38,492	-
Recorder's equipment	185,505	-
Enhancement	112,033	-
Sheriff's contingent fund	-	982
Debt service	-	-
Enhanced 911	-	206,651
Elections	51,047	-
Conservation of natural resources	-	-
Gravel pit closure	-	-
Unreserved		
Designated for		
DARE	-	11,064
Canteen	-	7,562
Financial assurance	-	-
Sheriff's equipment and education	-	37,429
Sheriff's contingency	5,302	-
Sheriff's contingency - drugs and alcohol	-	7,898
Sheriff's auxiliary	-	6,279
Employee health insurance	38,529	-
Transit	146,615	-
Undesignated	8,278,032	2,563,972
Unreserved, reported in nonmajor		
Special revenue funds	-	-
	-	-
Total Fund Balances	\$ 8,870,632	\$ 2,841,837
Total Liabilities and Fund Balances	\$ 9,183,172	\$ 3,227,450

**EXHIBIT 3
(Continued)**

Special Revenue Funds			Other	Total
Road and Bridge	Human Services	Environmental Affairs	Governmental Funds (Statement A-1)	Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 15,077
614,846	-	-	-	614,846
-	-	-	-	38,492
-	-	-	-	185,505
-	-	-	-	112,033
-	-	-	-	982
-	-	-	235,816	235,816
-	-	-	-	206,651
-	-	-	-	51,047
-	-	-	31,396	31,396
-	-	-	184,179	184,179
-	-	-	-	11,064
-	-	-	-	7,562
-	-	3,500,000	-	3,500,000
-	-	-	-	37,429
-	-	-	-	5,302
-	-	-	-	7,898
-	-	-	-	6,279
-	-	-	-	38,529
-	-	-	-	146,615
2,055,729	2,840,304	1,706,759	-	17,444,796
-	-	-	640,187	640,187
\$ 2,670,575	\$ 2,840,304	\$ 5,206,759	\$ 1,091,578	\$ 23,521,685
\$ 4,078,428	\$ 4,428,527	\$ 5,286,026	\$ 1,957,348	\$ 28,160,951

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006**

Fund balances - total governmental funds (Exhibit 3)	\$	23,521,685
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		45,230,445
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		1,829,619
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
General obligation bonds	\$ (100,000)	
Capital leases	(47,911)	
Compensated absences	(1,683,465)	
Accrued interest payable	(1,724)	(1,833,100)
Net assets of governmental activities (Exhibit 1)	\$	<u>68,748,649</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General Fund	Public Safety
Revenues		
Taxes	\$ 2,066,073	\$ 4,501,763
Special assessments	-	-
Licenses and permits	303,369	4,470
Intergovernmental	2,634,572	1,110,279
Charges for services	1,012,488	219,022
Fines and forfeitures	89,435	50,775
Gifts and contributions	1,000	1,190
Investment earnings	1,216,419	-
Miscellaneous	392,002	70,221
	\$ 7,715,358	\$ 5,957,720
Expenditures		
Current		
General government	\$ 5,373,275	\$ -
Public safety	-	5,739,774
Public transportation	415,566	-
Highways and streets	-	-
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	276,101	-
Conservation of natural resources	357,163	-
Economic development	147,295	-
Debt service		
Principal retirement	4,240	5,028
Interest	1,602	339
	\$ 6,575,242	\$ 5,745,141

EXHIBIT 5

Special Revenue Funds			Other	Total
Road and	Human	Environmental	Governmental	Governmental
Bridge	Services	Affairs	Funds	Funds
			(Statement A-2)	
\$ 2,025,344	\$ 4,605,425	\$ -	\$ 149,756	\$ 13,348,361
3,541	-	165,461	-	169,002
22,529	-	-	-	330,368
9,163,697	7,335,067	100,288	149,488	20,493,391
48,432	-	1,423,914	1,740	2,705,596
-	-	-	-	140,210
-	-	-	668	2,858
1,052	-	-	-	1,217,471
788,429	1,071,097	314	481,793	2,803,856
\$ 12,053,024	\$ 13,011,589	\$ 1,689,977	\$ 783,445	\$ 41,211,113
\$ -	\$ -	\$ -	\$ -	\$ 5,373,275
-	-	-	-	5,739,774
-	-	-	-	415,566
11,531,607	-	-	-	11,531,607
-	-	1,725,511	-	1,725,511
-	12,402,582	-	-	12,402,582
-	951,813	-	-	951,813
-	-	-	187,046	463,147
-	-	-	704,200	1,061,363
-	-	-	-	147,295
23,266	-	12,565	450,000	495,099
1,166	-	1,914	12,438	17,459
\$ 11,556,039	\$ 13,354,395	\$ 1,739,990	\$ 1,353,684	\$ 40,324,491

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General Fund	Public Safety
Excess of Revenues Over (Under) Expenditures	\$ 1,140,116	\$ 212,579
Fund Balance - January 1	7,730,516	2,629,258
Increase (decrease) in reserved for inventories	-	-
Fund Balance - December 31	<u>\$ 8,870,632</u>	<u>\$ 2,841,837</u>

EXHIBIT 5
(Continued)

Special Revenue Funds			Other	Total
Road and	Human	Environmental	Governmental	Governmental
Bridge	Services	Affairs	Funds	Funds
			(Statement A-2)	
\$ 496,985	\$ (342,806)	\$ (50,013)	\$ (570,239)	\$ 886,622
2,050,279	3,183,110	5,256,772	1,661,817	22,511,752
123,311	-	-	-	123,311
<u>\$ 2,670,575</u>	<u>\$ 2,840,304</u>	<u>\$ 5,206,759</u>	<u>\$ 1,091,578</u>	<u>\$ 23,521,685</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 886,622

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	\$ 8,569,712	
Current year depreciation	(3,157,247)	
Net book value of assets disposed	82,393	5,494,858

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the governmental funds. 1,829,619

Revenues reported in the fund statements in the current year, but
reported in the Statement of Activities in the prior year. (1,704,887)

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	\$ 450,000	
Capital leases	45,099	495,099

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	\$ 8,007	
Change in compensated absences	(152,185)	
Change in inventories	123,311	(20,867)

Change in net assets of governmental activities (Exhibit 2) \$ 6,980,444

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET ASSETS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2006**

Assets

Current Assets

Cash and pooled investments	\$ 569,578
Accounts receivable - net of allowance for uncollectible accounts of \$5,000	493,921
Inventories	16,287
Prepaid items	16,779

Total Current Assets **\$ 1,096,565**

Restricted Assets

Donor-restricted assets	\$ 50,547
Resident trust funds	15,934

Total Restricted Assets **\$ 66,481**

Noncurrent Assets

Capital assets	
Non-depreciable	\$ 3,571
Depreciable - net of accumulated depreciation	1,998,294

Total Noncurrent Assets **\$ 2,001,865**

Total Assets **\$ 3,164,911**

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 7
(Continued)

**STATEMENT OF NET ASSETS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2006**

<u>Liabilities</u>	
Current Liabilities	
Accounts payable	\$ 61,909
Salaries payable	67,237
Compensated absences payable	50,378
General obligation revenue notes payable	26,000
Interest payable	11,445
	<hr/>
Total Current Liabilities	\$ 216,969
Current Liabilities Payable from Restricted Assets	
Resident trust funds	\$ 15,934
	<hr/>
Noncurrent Liabilities	
Compensated absences payable - long-term	\$ 128,385
General obligation bonds payable - long-term	1,230,000
General obligation revenue notes payable - long-term	112,000
	<hr/>
Total Noncurrent Liabilities	\$ 1,470,385
Total Liabilities	\$ 1,703,288
	<hr/>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	\$ 633,865
Restricted for capital acquisitions	50,547
Unrestricted	777,211
	<hr/>
Total Net Assets	\$ 1,461,623
	<hr/>

**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, 2006**

Operating Revenues	
Net resident service revenue	\$ 3,169,323
Other operating revenue	32,026
	3,201,349
Total Operating Revenues	\$ 3,201,349
Operating Expenses	
Employee benefits	\$ 435,600
Nursing services	1,079,631
Administration and fiscal services	365,985
Social service and activities	96,031
Ancillary services	266,323
Plant operations	151,942
Laundry and linen	55,649
Dietary	263,418
Housekeeping	74,365
Medical care surcharge	160,455
Depreciation	107,394
	3,056,793
Total Operating Expenses	\$ 3,056,793
Operating Income (Loss)	\$ 144,556
Nonoperating Revenues (Expenses)	
Noncapital grants and contributions	\$ 9,884
Investment earnings	3,689
Interest expense	(59,498)
	(45,925)
Total Nonoperating Revenues (Expenses)	\$ (45,925)
Income (Loss) Before Contributions	\$ 98,631
Capital contributions	15,557
	114,188
Change in Net Assets	\$ 114,188
Net Assets - October 1	1,347,435
	1,461,623
Net Assets - September 30	\$ 1,461,623

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 3,021,494
Payments to suppliers	(1,030,258)
Payments to employees	(1,932,956)
	<hr/>
Net cash provided by (used in) operating activities	\$ 58,280
Cash Flows from Noncapital Financing Activities	
Grants and contributions	\$ 9,884
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	\$ (47,157)
Principal paid on long-term debt	(6,000)
Interest paid on long-term debt	(71,203)
Capital grants and contributions	15,557
	<hr/>
Net cash provided by (used in) capital and related financing activities	\$ (108,803)
Cash Flows from Investing Activities	
Investment earnings received	\$ 3,689
Increase in restricted assets	(8,984)
	<hr/>
Net cash provided by (used in) investing activities	\$ (5,295)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (45,934)
Cash and Cash Equivalents at October 1	615,512
	<hr/>
Cash and Cash Equivalents at September 30	\$ 569,578
	<hr/> <hr/>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

***EXHIBIT 9
(Continued)***

**STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 144,556
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities	
operating activities	
Depreciation expense	\$ 107,394
Provision for bad debts	21,706
Changes in operating assets and liabilities	
Accounts receivable	(201,561)
Prepaid items	13,918
Accounts payable	(33,463)
Accrued expenses	5,730
Total adjustments	\$ (86,276)
Net cash provided by (used in) operating activities	\$ 58,280
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Capital asset purchases included in accounts payable	\$ 14,634

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006**

**Agency
(Statement C-1)**

<u>Assets</u>	
Cash and cash equivalents	<u>\$ 913,007</u>
<u>Liabilities</u>	
Accounts payable	\$ 165,051
Due to other governments	607,597
Deferred credits	<u>140,359</u>
Total Liabilities	<u>\$ 913,007</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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 829 Lake Avenue, Detroit Lakes, Minnesota 56501.

Joint Ventures

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

I. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

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

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

The County reports the following major enterprise fund:

The Sunnyside Care Center Enterprise Fund is used to account for the operations of the Sunnyside Care Center. The Care Center's financial position and operations are presented as of and for the year ended September 30, 2006.

Additionally, the County reports the following fund types:

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

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

I. Summary of Significant Accounting Policies

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

2. Cash and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2006, 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 2006 were \$1,216,419.

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

3. Receivables and Payables

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

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

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

4. Inventories and Prepaid Items

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Inventories and Prepaid Items (Continued)

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

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

5. Restricted Assets

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

6. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

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

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

I. Summary of Significant Accounting Policies

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

7. Compensated absences

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

8. Deferred Revenue

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

9. Long-Term Obligations

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

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

10. Net Assets and Fund Balance

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

10. Net Assets and Fund Balance (Continued)

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

11. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget – Nonmajor Funds

The following is a summary of the individual nonmajor funds that had expenditures in excess of budget as of December 31, 2006:

	Expenditures	Budget	Excess
Resource Development Special Revenue Fund	\$ 202,459	\$ 103,200	\$ (99,259)
Ditch Special Revenue Fund	692	300	(392)
Natural Resource Management Special Revenue Fund	501,049	367,428	(133,621)

B. Land Management

The County manages approximately 74,727 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Investments

Reconciliations of the County's total deposits and investments to the basic financial statements, as of December 31, 2006, are reported as follows:

Primary government	
Cash and pooled investments	\$ 24,059,024
Petty cash and change funds	13,750
Investments	8,255
Restricted assets	
Donor-restricted assets	50,547
Resident trust funds	15,934
Fiduciary funds	
Cash and pooled investments	913,007
Component unit	
Cash and pooled investments	<u>1,250,866</u>
Total cash and investments	<u>\$ 26,311,383</u>
Deposits	\$ 7,486,486
Cash on hand	16,555
Investments	18,812,702
Change in Enterprise Fund's cash from September 30 to December 31, 2006	<u>(4,360)</u>
Total deposits, cash on hand, and investments	<u>\$ 26,311,383</u>

Deposits

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

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has a deposit policy for custodial credit risk. As of December 31, 2006, 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Investments

Interest Rate Risk (Continued)

At December 31, 2006, the County had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
FHLB	\$ 12,321,919	\$ 5,164,204	\$ 3,932,975	\$ 3,224,740
FNMA	727,224	690,225	-	36,999
GNMA	2,276	-	2,276	-
Negotiable Certificates of Deposit	748,760	748,760	-	-
Corporate Bonds	497,750	497,750	-	-
Minnesota Association of Governments Investing for Counties (MAGIC)	4,125,161	4,125,161	-	-
United States Treasury Strips	1,490,280	-	-	1,490,280
Money Market/Cash	<u>(1,100,668)</u>	<u>(1,100,668)</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 18,812,702</u>	<u>\$ 10,125,432</u>	<u>\$ 3,935,251</u>	<u>\$ 4,752,019</u>
	100%	54%	21%	25%

The negative cash amount is a result of the timing of trade transactions.

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, 2006, is as follows:

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Investments

Credit Risk (Continued)

	<u>S&P's Rating</u>	<u>Fair Value</u>
FHLB	AAA	\$ 12,272,528
FHLB	N/R	49,391
FNMA	AAA	690,225
FNMA	N/R	36,999
GNMA	N/A	2,276
Negotiable Certificates of Deposit	N/A	748,760
Corporate Bonds	A1	497,750
Minnesota Association of Governments Investing for Counties (MAGIC)	N/A	4,125,161
United States Treasury Strips	N/A	1,490,280
Money Market/Cash	N/A	<u>(1,100,668)*</u>
		<u>\$ 18,812,702</u>

N/R – not rated

N/A – not applicable

* Negative net balance of the temporary sweep accounts due to the timing of transactions.

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. The County has a policy on custodial credit risk. At December 31, 2006, 13.74 percent of the County's investments were subject to custodial credit risk in the following amounts by issuer.

<u>Issuer</u>	<u>Amount</u>
Federal Home Loan Bank	\$ 3,268,731
Federal National Mortgage Association	435,601
Negotiable CDs	400,113
Corporate Bonds	256,433
Money Market/Cash	492,738

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, investment pools, and mutual funds.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Investments

Concentration of Credit Risk (Continued)

Investments in any one issuer that represent five percent or more of the County's investments are:

Issuer	Reported Amount	
Federal Home Loan Bank	\$ 12,321,919	66%

2. Receivables

Receivables as of December 31, 2006, for the County's governmental activities and as of September 30, 2006, 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	\$ 427,353	\$ -
Special Assessments	31,196	6,563
Accounts	1,147,809	-
Due from other governments	1,888,645	-
Accrued interest	226,255	-
Total Governmental Activities	\$ 3,721,258	\$ 6,563
Business-Type Activities		
Accounts	\$ 493,921	\$ -

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2006, and for the business-type activities for the year ended September 30, 2006, was as follows:

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 546,410	\$ 100,444	\$ -	\$ 646,854
Right-of-way	597,588	30,778	-	628,366
Construction in progress	<u>165,184</u>	<u>351,912</u>	<u>124,235</u>	<u>392,861</u>
Total capital assets, not depreciated	<u>\$ 1,309,182</u>	<u>\$ 483,134</u>	<u>\$ 124,235</u>	<u>\$ 1,668,081</u>
Capital assets being depreciated				
Infrastructure	\$ 56,270,126	\$ 7,459,112	\$ 168,478	\$ 63,560,760
Buildings and improvements	8,554,562	-	-	8,554,562
Land improvements	339,470	128,453	-	467,923
Machinery and equipment	<u>3,625,419</u>	<u>874,119</u>	<u>73,391</u>	<u>4,426,147</u>
Total capital assets being depreciated	<u>\$ 68,789,577</u>	<u>\$ 8,461,684</u>	<u>\$ 241,869</u>	<u>\$ 77,009,392</u>
Less: accumulated depreciation for				
Infrastructure	\$ 23,170,430	\$ 2,340,568	\$ -	\$ 25,510,998
Buildings and improvements	4,712,430	338,156	-	5,050,586
Land improvements	67,881	20,185	-	88,066
Machinery and equipment	<u>2,412,431</u>	<u>458,338</u>	<u>73,391</u>	<u>2,797,378</u>
Total accumulated depreciation	<u>\$ 30,363,172</u>	<u>\$ 3,157,247</u>	<u>\$ 73,391</u>	<u>\$ 33,447,028</u>
Total capital assets, depreciated, net	<u>\$ 38,426,405</u>	<u>\$ 5,304,437</u>	<u>\$ 168,478</u>	<u>\$ 43,562,364</u>
Governmental Activities Capital Assets, Net	<u>\$ 39,735,587</u>	<u>\$ 5,787,571</u>	<u>\$ 292,713</u>	<u>\$ 45,230,445</u>

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,325	\$ -	\$ -	\$ 2,325
Construction in progress	<u>-</u>	<u>1,246</u>	<u>-</u>	<u>1,246</u>
Total capital assets, not depreciated	<u>\$ 2,325</u>	<u>\$ 1,246</u>	<u>\$ -</u>	<u>\$ 3,571</u>
Capital assets being depreciated				
Buildings and improvements	\$ 2,546,908	\$ 2,444	\$ -	\$ 2,549,352
Land improvements	148,470	1,297	-	149,767
Machinery and equipment	<u>398,126</u>	<u>27,536</u>	<u>2,000</u>	<u>423,662</u>
Total capital assets being depreciated	<u>\$ 3,093,504</u>	<u>\$ 31,277</u>	<u>\$ 2,000</u>	<u>\$ 3,122,781</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 606,265	\$ 82,572	\$ -	\$ 688,837
Land improvements	127,931	1,299	-	129,230
Machinery and equipment	<u>284,897</u>	<u>23,523</u>	<u>2,000</u>	<u>306,420</u>
Total accumulated depreciation	<u>\$ 1,019,093</u>	<u>\$ 107,394</u>	<u>\$ 2,000</u>	<u>\$ 1,124,487</u>
Total capital assets, depreciated, net	<u>\$ 2,074,411</u>	<u>\$ (76,117)</u>	<u>\$ -</u>	<u>\$ 1,998,294</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,076,736</u>	<u>\$ (74,871)</u>	<u>\$ -</u>	<u>\$ 2,001,865</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation Expense

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

Governmental Activities		
General government	\$	255,034
Public safety		166,578
Highways and streets, including depreciation of infrastructure assets		2,587,507
Public transportation		30,200
Sanitation		50,029
Human services		14,370
Culture and recreation		49,718
Conservation of natural resources		659
Economic development		<u>3,152</u>
Total Depreciation Expense – Governmental Activities	\$	<u>3,157,247</u>
Business-Type Activities		
Sunnyside Care Center	\$	<u>107,394</u>

Construction Commitments

The County has active construction commitments as of December 31, 2006. The commitments include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
General government – courthouse addition	\$ -	\$ 6,718,451
Highways and streets	5,256,240	622,741

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

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

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

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	Human Services SRF	\$ 13,593	Charges for services
	Other Governmental	<u>51,129</u>	Forfeited tax settlement
Total Due to General Fund		<u>\$ 64,722</u>	
Public Safety Special Revenue Fund	Human Services SRF	\$ 1,387	Charges for services
Road and Bridge Special Revenue Fund	General Fund	\$ 9,536	Charges for services
	Public Safety SRF	9,580	Charges for services
	Human Services SRF	363	Charges for services
	Other Governmental	<u>99,984</u>	Forfeited tax settlement, gravel tax, and charges for services
Total Due to Road and Bridge SRF		<u>\$ 119,463</u>	
Other Governmental	Other Governmental	\$ 127,824	Forfeited tax settlement
Total Due To/From Other Funds		<u>\$ 313,396</u>	

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. Governmental funds also defer recognition in connection with resources that have been received, but not yet earned. As of December 31, 2006, Governmental Funds reported the following various components of deferred revenues:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Taxes	\$ 294,010	\$ -
Special Assessments	21,887	-
Contracts	443,787	-
Grants	482,747	-
Highway Users Tax	<u>587,188</u>	<u>371,640</u>
Total Deferred Revenue	<u>\$ 1,829,619</u>	<u>\$ 371,640</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities (Continued)

Compensated Absences

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

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately \$742,695 at December 31, 2006, is available to employees in the event of illness-related absences and is not paid to them at termination.

Leases

Operating Leases

The County leases space under noncancelable operating leases. Total costs for such leases were \$1,140,821 for the year ended December 31, 2006. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2007	\$ 212,590
2008	143,160
2009	143,160
2010	143,160
2011	143,160
2012-2014	355,591
Total	\$ 1,140,821

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, 2006:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental Activities					
2001 postage machine	2010	Annual	\$ 5,842	\$ 23,517	\$ 15,706
2002 Dictaphone equipment	2007	Semi-Annual	2,683	23,412	2,614
2005 Landfill loader	2009	Annual	14,479	52,135	29,591
Less: Accumulated depreciation				(62,230)	-
Total Governmental Activities Capital Leases				\$ 36,834	\$ 47,911

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Leases

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006, were as follows:

Year Ending December 31	Governmental Activities
2007	\$ 23,004
2008	20,320
2009	8,255
2010	487
Total minimum lease payments	\$ 52,066
Less amount representing interest	(4,155)
Present Value of Minimum Lease Payments	\$ 47,911

Long-Term Debt

Governmental Activities

	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2006
2001 G.O. Courthouse Refunding Bonds	2007	\$80,000-\$100,000	3.5028	\$ 505,000	\$ 100,000

Business-Type Activities

	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance September 30, 2006
2004 G.O. Nursing Home Bonds	2034	\$20,000-\$90,000	5.00-5.65	\$ 1,250,000	\$ 1,250,000
2004 G.O. Revenue Note	2022	\$6,000-\$8,000	1.68	135,430	118,000
					\$ 1,368,000

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Debt Service Requirements

Debt service requirements at December 31, 2006, for governmental activities and September 30, 2006, for business-type activities were as follows:

Governmental Activities

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2007	<u>\$ 100,000</u>	<u>\$ 2,000</u>

Business-Type Activities

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 26,000	\$ 70,152
2008	27,000	69,052
2009	27,000	67,934
2010	32,000	66,691
2011	32,000	65,324
2012-2016	176,000	304,680
2017-2021	220,000	258,663
2022-2026	248,000	198,909
2027-2031	325,000	120,769
2032-2034	<u>255,000</u>	<u>22,176</u>
Total	<u>\$ 1,368,000</u>	<u>\$ 1,244,350</u>

Changes in Long-Term Liabilities

Long-term liability for activity for the governmental activities for the year ended December 31, 2006, and for the business-type activities for the year ended September 30, 2006, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 550,000	\$ -	\$ 450,000	\$ 100,000	\$ 100,000
Capital leases	93,010	-	45,099	47,911	23,004
Compensated absences	<u>1,531,280</u>	<u>1,093,611</u>	<u>941,426</u>	<u>1,683,465</u>	-
Total Governmental Activities Long-Term Liabilities	<u>\$ 2,174,290</u>	<u>\$ 1,093,611</u>	<u>\$ 1,436,525</u>	<u>\$ 1,831,376</u>	<u>\$ 123,004</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,250,000	\$ -	\$ -	\$ 1,250,000	\$ 20,000
General obligation revenue notes	124,000	-	6,000	118,000	6,000
Compensated absences	<u>178,853</u>	<u>2,742</u>	<u>2,832</u>	<u>178,763</u>	<u>50,378</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 1,552,853</u>	<u>\$ 2,742</u>	<u>\$ 8,832</u>	<u>\$ 1,546,763</u>	<u>\$ 76,378</u>

IV. Pension Plans

A. Defined Benefits Plans

Plan Description

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

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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

IV. Pension Plans

A. Defined Benefits Plans

Plan Description (Continued)

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

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. 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 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members were required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

IV. Pension Plans

A. Defined Benefits Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2006 and 2007:

	<u>2006</u>	<u>2007</u>
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	6.00	6.25
Public Employees Police and Fire Fund	10.50	11.70
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2006, 2005, and 2004, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police and Fire Fund</u>	<u>Public Employees Correctional Fund</u>
2006	\$ 586,617	\$ 139,150	\$ 82,774
2005	512,981	112,168	75,946
2004	467,817	102,856	65,408

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

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minnesota Statutes, 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.

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.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

IV. Pension Plans

B. Defined Contribution Plan (Continued)

The County's contributions for the years ending December 31, 2006, 2005, and 2004, were \$6,328, \$6,364, and \$3,487, respectively, equal to the contractually required contributions for each year as set by state statute.

C. Other Post-Employment Benefits – Retirees

In accordance with Minnesota Statutes, the County provides post-retirement health care benefits for certain retirees and their dependents. As of year-end, the County has 17 active participants. During 2006, the County expended approximately \$70,000 for these benefits and was fully reimbursed by each participant.

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. The Care Center is under a three-year agreement, which expires August 15, 2009. The monthly management fee is 3.0 percent of annual operating revenues. Management fees for the year ending September 30, 2006 amounted to \$131,875.

Certain employees of Ecumen perform services for the Care Center. Payments to Ecumen for salaries and related expenses for the year ending September 30, 2006 amounted to \$72,635. The Care Center had unpaid amounts pertaining to the above transactions at September 30, 2006 amounting to \$11,413.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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

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. 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 \$390,000 and \$400,000 per claim in 2006 and 2007, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

D. Subsequent Event

On April 24, 2007, Becker County Economic Development Authority issued \$6,395,000 Public Facilities Lease Revenue Bonds for the acquisition, construction, and equipping of an addition to the County courthouse. The Authority will lease the project to the County with rental payments derived from the lease designated for payment of the bonds.

E. Joint Ventures

Becker County Children's Initiative

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

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Becker County Children's Initiative (Continued)

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 2006, Becker County was not required to make a contribution to the BCCI. Separate financial information can be obtained from the Becker County Children's Initiative, P.O. Box 24, Detroit Lakes, Minnesota 56502-0024.

Northwestern Counties Data Processing Security Association

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

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

The Northwestern Counties Data Processing Security Association has no long-term debt. Financing is provided by state grants and appropriations from member counties when needed. Becker County contributed \$1,000 to the Association for the year ended December 31, 2006. 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures (Continued)

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 2006, Becker County paid \$3,920 to the West Central Area Agency on Aging as its share of the 2006 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.

West Central 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 2006.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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

F. Related Organizations

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

G. Jointly-Governed Organizations

Becker County Airport Commission

Becker County and the City of Detroit Lakes created the Becker County Airport commission. The County and the City each appoint two members to the Commission. The County and the City alternately appoint the fifth Commission member for a three-year term. The Commission is reported as a special revenue fund in the financial statements of City of Detroit Lakes. The County appropriated \$70,318 for airport operations in 2006.

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.

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 \$191,914 to the Lake Agassiz Regional Library for the year ended December 31, 2006.

Minnesota Rural County 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, 2006.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

G. Jointly-Governed Organizations (Continued)

Western Area City/County Co-Op

Becker County and 24 other cities and counties created the Western Area City/County Co-Op (WACCO). Each member of WACCO is authorized to appoint one member to the Board of Directors. The County paid \$5,000 in dues during 2006.

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 United States Department of Housing and Urban Development recognized the creation of the Becker County Economic Development Authority (EDA) and the dissolution of the Housing and Redevelopment Authority of Becker County during 2006. Therefore, the Becker County Housing and Economic Development Authority has dropped housing from their name. The EDA's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2006, and include the financial statements of the Housing Department for the year ended June 30, 2006. 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies (Continued)

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 Statute, §§ 469.001 to 469.047. The EDA is governed by a seven-member Board appointed by the Becker County Board of Commissioners.

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

2. Basic Financial Statements

Government-Wide Statements

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

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

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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

2. Basic Financial Statements (Continued)

Fund Financial Statements

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

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

The EDA reports the following major governmental fund:

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

The EDA reports the following major enterprise funds:

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

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

3. Measurement Focus and Basis of Accounting

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

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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

3. Measurement Focus and Basis of Accounting (Continued)

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

4. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

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

Receivables and Payables

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

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

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

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

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

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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

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

Capital Assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Furniture, equipment, and vehicles	3-7

Deferred Revenue

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

Long-Term Obligations

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

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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

A. Summary of Significant Accounting Policies

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

Fund Equity

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

Use of Estimates

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

B. Detailed Notes on All Funds

1. Assets

Cash and Investments

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

Governmental activities	\$ 493,536
Business-type activities	<u>757,330</u>
Total Cash and Investments	<u>\$ 1,250,866</u>

Deposits

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

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets (Continued)

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, 2006, the EDA's deposits were not exposed to custodial credit risk.

Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, § 118A.04, subdivision 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

During the year ended December 31, 2006, the EDA had no investments.

Receivables

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets (Continued)

Loans Receivable—Governmental Activities

Loans receivable consist of cash loans to private enterprises or nonprofit organizations. The following is a summary of changes in loans receivable for the year ended December 31, 2006:

<u>Loans Receivable</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31</u>
Marine Innovations	\$ 2,709	\$ -	\$ 2,709	\$ -
EZ Roll Lakes Equipment	36,407	-	36,407	-
Maple Avenue Apartments	-	35,000	-	\$ 35,000
Total	<u>\$ 39,116</u>	<u>\$ 35,000</u>	<u>\$ 39,116</u>	<u>\$ 35,000</u>

Contract for Deed—Business-Type Activities

The following is a summary of contracts for deed receivable resulting from the sale of Minnesota Urban and Rural Homesteading (MURL) homes to individuals for the year ended June 30, 2006:

Balance – July 1, 2005	\$ 963,974
New loans	170,000
Payments	(34,333)
Canceled contracts	-
Balance – June 30, 2006	\$ 1,099,641
Less: current portion	(55,860)
Long-Term Portion	<u>\$ 1,043,781</u>

<u>Contract for Deed</u>	<u>Date</u>	<u>Interest Rates (%)</u>	<u>Due Date</u>	<u>Monthly Payment</u>	<u>Balance June 30</u>
Patty Sweeney	October 1, 1999	-	October 1, 2014	\$ 392	\$ 66,956
Lee Ward	February 1, 2000	-	January 1, 2015	50	63,741
Cynthia Burton	March 1, 2001	-	March 1, 2021	199	80,373
Andrew Yorgason	September 1, 2001	-	September 1, 2019	562	58,907
Michael Steffl	September 1, 2002	-	September 1, 2017	371	59,076
Katrina Albrecht	May 1, 2003	-	May 1, 2028	477	84,508
Joseph Stringfield	October 1, 2002	-	October 1, 2018	253	93,993
Sean Grove and Amy Olson	June 1, 2004	-	June 1, 2024	340	82,092
Anthony and Angela Sieling	July 1, 2004	-	July 1, 2029	387	91,660
Kim Steward and Randy Heinen	September 1, 2004	-	September 1, 2020	758	90,907
Robert Goodrich	August 1, 2004	-	August 1, 2022	307	76,426
Jamie Johnson and Ryan Evans	June 1, 2005	-	May 31, 2020	269	82,241
Felicia Johnson	December 1, 2005	-	December 1, 2035	217	83,761
Melissa Pearson	February 1, 2006	-	February 1, 2033	73	85,000
Total					<u>\$ 1,099,641</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets (Continued)

Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

Governmental Activities – During 2006, the EDA Board determined that the assets shown as governmental better fit the definition of enterprise type funds and moved these assets to the EDA activities enterprise fund.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 129,474	\$ -	\$ 129,474	\$ -
Capital assets being depreciated				
Buildings and improvements	\$ 285,767	\$ -	\$ 285,767	\$ -
Less: accumulated depreciation for				
Buildings and improvements	7,144	-	7,144	-
Total capital assets depreciated, net	\$ 278,623	\$ -	\$ 278,623	\$ -
Governmental Activities				
Capital Assets, Net	<u>\$ 408,097</u>	<u>\$ -</u>	<u>\$ 408,097</u>	<u>\$ -</u>

EDA Business-Type Activities as of and for the year ending December 31, 2006:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ -	\$ 134,474	\$ -	\$ 134,474
Capital assets being depreciated				
Buildings	\$ -	\$ 285,768	\$ -	\$ 285,768
Less: accumulated depreciation for				
Buildings	-	14,288	-	14,288
Total capital assets depreciated, net	\$ -	\$ 271,480	\$ -	\$ 271,480
Governmental Activities				
Capital Assets, Net	<u>\$ -</u>	<u>\$ 405,954</u>	<u>\$ -</u>	<u>\$ 405,954</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

Housing Business-Type Activities as of and for the year ending June 30, 2006:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 178,000	\$ -	\$ -	\$ 178,000
Capital assets being depreciated				
Buildings	\$ 2,549,877	\$ -	\$ -	\$ 2,549,877
Machinery, furniture, and equipment	<u>101,216</u>	<u>-</u>	<u>-</u>	<u>101,216</u>
Total capital assets being depreciated	\$ 2,651,093	\$ -	\$ -	\$ 2,651,093
Less: accumulated depreciation for				
Buildings	\$ 588,167	\$ 53,413	\$ -	\$ 641,580
Machinery, furniture, and equipment	<u>92,901</u>	<u>2,161</u>	<u>-</u>	<u>95,062</u>
Total accumulated depreciation	\$ 681,068	\$ 55,574	\$ -	\$ 736,642
Total capital assets depreciated, net	\$ 1,970,025	\$ (55,574)	\$ -	\$ 1,914,451
Business-Type Activities				
Capital Assets, Net	<u>\$ 2,148,025</u>	<u>\$ (55,574)</u>	<u>\$ -</u>	<u>\$ 2,092,451</u>

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

EDA Business-Type Activities	
Becker Workshop	\$ 4,850
Group Home	<u>2,294</u>
Total Depreciation Expense – EDA	<u>\$ 7,144</u>
Housing Business-Type Activities	
Public housing	\$ 47,492
Other housing	<u>8,080</u>
Total Depreciation Expense – Housing	<u>\$ 55,572</u>

2. Interfund Payables

Due To/From Becker County

Business-Type Activities

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Becker County – General Fund	EDA – Housing Enterprise Fund	<u>\$ 19,920</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds (Continued)

3. Liabilities

Payables

There were no payables at December 31, 2006, for governmental activities. Payables at June 30, 2006, for business-type activities were as follows:

		<u>Business-type Activities</u>
Accounts	\$	17,475
Due to other governments		19,920
Accrued interest payable		<u>21,902</u>
Total Payables	\$	<u><u>59,297</u></u>

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, 2006:

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amounts</u>	<u>Outstanding Balance December 31, 2006</u>
Wild Rice Promissory Note	2013	\$ 1,500	-	\$ 144,000	<u>\$ 118,500</u>

EDA Business-Type Activities – December 31, 2006

The EDA entered into a loan with the Corporation for Supportive Housing in the amount of \$100,000 on January 31, 2005, to purchase land for a 12-unit supportive housing project. The loan will end on the earlier of the date of take-out financing for the project or June 30, 2007.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

3. Liabilities

Long-Term Debt

EDA Business-Type Activities – December 31, 2006 (Continued)

The following is a schedule of long-term debt for EDA business-type activities at December 31, 2006:

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amounts</u>	<u>Outstanding Balance December 31, 2006</u>
CSH Loan	2007	\$ -	-	\$ 100,000	<u>\$ 59,472</u>

Housing Business-Type Activities

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

The EDA entered into two loan agreements in the amounts of \$309,000 and \$220,000 with the Minnesota Housing Finance Agency to be used for the Community Revitalization Fund Program. The loans are to be paid from the proceeds of the sale of homes that are projects in the program.

The following is a schedule of long-term debt for housing business-type activities at June 30, 2006:

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amounts</u>	<u>Outstanding Balance June 30, 2006</u>
Loans payable	N/A	N/A	2.00	\$ 529,000	\$ 529,000
Mortgage loan	N/A	N/A	-	800,000	800,000
Loan payable	N/A	N/A	-	183,023	<u>183,023</u>
Total Long-Term Debt					<u>\$ 1,512,023</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

3. Liabilities

Long-Term Debt (Continued)

Debt Service Requirements

Governmental Activities

Debt service requirements at December 31, 2006, were as follows:

Year Ending December 31	Promissory Note	
	Principal	Interest
2007	\$ 18,000	\$ -
2008	18,000	-
2009	18,000	-
2010	18,000	-
2011	18,000	-
2012-2013	<u>28,500</u>	<u>-</u>
Total	<u>\$ 118,500</u>	<u>\$ -</u>

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Wild Rice Promissory Note	\$ 136,500	\$ -	\$ 18,000	\$ 118,500	\$ 18,000
Loan payable	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 236,500</u>	<u>\$ -</u>	<u>\$ 118,000</u>	<u>\$ 118,500</u>	<u>\$ 18,000</u>

EDA Business-type Activities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 40,528</u>	<u>\$ 59,472</u>	<u>\$ 59,472</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

B. Detailed Notes on All Funds

3. Liabilities

Changes in Long-Term Liabilities (Continued)

Housing Business-type Activities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans payable	\$ 529,000	\$ -	\$ -	\$ 529,000	\$ 529,000
Mortgage loan	800,000	-	-	800,000	-
Loan Payable	-	<u>183,023</u>	-	<u>183,023</u>	-
Business-type Activity Long-Term Liabilities	<u>\$ 1,329,000</u>	<u>\$ 183,023</u>	<u>\$ -</u>	<u>\$ 1,512,023</u>	<u>\$ 529,000</u>

C. Summary of Significant Contingencies and Other Items

1. Risk Management

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

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

2. Liens Receivable

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

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

3. Minnesota Housing Trust Fund Loans

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

Loan dated July 1, 1992, with a final maturity of July 1, 2022	\$ 10,613
Loan dated December 30, 1994, with a final maturity of December 30, 2024	48,925
Loan dated May 29, 2003, with a final maturity of May 29, 2033	<u>28,995</u>
Total	<u>\$ 88,533</u>

4. Minnesota Housing Revolving Fund Programs

The EDA received grants from the Minnesota Housing Finance Agency to be used to construct homes for low-income residents of Becker County. When the houses are sold, the grant amounts become revolving funds to build additional housing. Should the EDA discontinue these programs, the revolving fund will be returned to the Minnesota Housing Finance Agency. The amounts received and balances on hand at June 30, 2006, are as follows:

	Original Grant	Revolving Fund Cash	Contract for Deed Receivable	Property Held For Resale
Community Revitalization Fund	\$ 313,401	\$ 118,089	\$ -	\$ 520,784
Minnesota Urban and Rural Homesteading Loan	2,060,100	87,330	1,099,641	242,467

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 \$21,961) 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).

Lutheran Social Services of Minnesota entered into a five-year operating lease with the EDA for the property the EDA owns (carrying value of \$158,589 and accumulated depreciation of \$58,557) to be used for the operation of Springhill Group Home. According to the lease terms, the EDA began receiving monthly installments of \$800 beginning in August 2004 (aggregate payments of \$48,000 during the lease term).

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

VI. Becker County Economic Development Authority

C. Summary of Significant Contingencies and Other Items

5. Operating Leases (Continued)

Becker County entered into a five-year lease with the EDA for property the EDA owns (carrying value of \$207,820 and accumulated depreciation of \$9,701) to be used for the Becker County Workshop. According to the lease terms, the EDA began receiving monthly installments of \$1,750 beginning in August 2005 (aggregate payments of \$105,000 during the lease term).

6. Five year commitment

The EDA has a five year commitment (no lease) from Four County Mental Health Initiative, for the use of the property the EDA owns (carrying value of \$106,848 and accumulated depreciation of \$4,587), to be used for the operation of the Highway 34 Group Home. According to the commitment, the residents will pay 30% of their income towards rent with the Four County Mental Health Initiative providing subsidies.

7. Housing Program

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

REQUIRED SUPPLEMENTARY INFORMATION

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,010,196	\$ 2,010,196	\$ 2,066,073	\$ 55,877
Licenses and permits	279,110	279,110	303,369	24,259
Intergovernmental	2,118,759	2,118,759	2,634,572	515,813
Charges for services	882,591	882,591	1,012,488	129,897
Fines and forfeitures	67,000	67,000	89,435	22,435
Gifts and contributions	-	-	1,000	1,000
Investment earnings	733,000	733,000	1,216,419	483,419
Miscellaneous	368,813	368,813	392,002	23,189
Total Revenues	\$ 6,459,469	\$ 6,459,469	\$ 7,715,358	\$ 1,255,889
Expenditures				
Current				
General government				
Commissioners	\$ 223,077	\$ 223,077	\$ 215,879	\$ 7,198
Courts	38,000	38,000	49,442	(11,442)
Administrator	177,561	177,561	173,293	4,268
Human resources	106,042	106,042	111,814	(5,772)
County auditor	360,260	360,260	328,243	32,017
Motor vehicle	195,754	195,754	190,878	4,876
County treasurer	239,668	239,668	218,824	20,844
County assessor	388,978	388,978	375,794	13,184
Elections	114,877	114,877	479,977	(365,100)
Central services	20,960	20,960	14,643	6,317
Information technology	485,141	485,141	467,242	17,899
Attorney	545,744	545,744	538,148	7,596
Law library	50,450	50,450	56,766	(6,316)
Contracted legal services	26,000	26,000	22,602	3,398
Recorder	421,260	421,260	490,361	(69,101)
Surveyor	10,940	10,940	10,575	365
Planning and zoning	353,608	353,608	346,994	6,614
Buildings and grounds	2,884,856	2,884,856	843,369	2,041,487
Becker County annex	145,036	145,036	135,838	9,198
Veterans service officer	138,583	138,583	104,875	33,708
Accounting and auditing	45,000	45,000	37,292	7,708
Other general government	128,327	128,327	160,426	(32,099)
Cost allocation plan	8,000	8,000	-	8,000
Total general government	\$ 7,108,122	\$ 7,108,122	\$ 5,373,275	\$ 1,734,847

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (Continued)				
Public Transportation				
Transit	\$ 324,447	\$ 324,447	\$ 345,248	\$ (20,801)
Airport	70,318	70,318	70,318	-
Total public transportation	\$ 394,765	\$ 394,765	\$ 415,566	\$ (20,801)
Culture and recreation				
Historical society	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
Senior citizens	3,920	3,920	4,187	(267)
Regional library	191,914	191,914	191,914	-
Total culture and recreation	\$ 275,834	\$ 275,834	\$ 276,101	\$ (267)
Conservation of natural resources				
Cooperative extension	\$ 149,620	\$ 149,620	\$ 143,002	\$ 6,618
Soil and water conservation	126,500	126,500	126,331	169
Agricultural inspections	15,274	15,274	15,500	(226)
Agricultural society/county fair	15,500	15,500	15,000	500
Wetland challenge	27,614	27,614	27,613	1
Water planning	26,164	26,164	26,164	-
Other conservation of natural resources	3,825	3,825	3,553	272
Total conservation of natural resources	\$ 364,497	\$ 364,497	\$ 357,163	\$ 7,334
Economic development				
Administration	\$ 170,649	\$ 170,649	\$ 147,295	\$ 23,354
Debt service				
Principal retirement	\$ -	\$ -	\$ 4,240	\$ (4,240)
Interest	-	-	1,602	(1,602)
Total debt service	\$ -	\$ -	\$ 5,842	\$ (5,842)
Total Expenditures	\$ 8,313,867	\$ 8,313,867	\$ 6,575,242	\$ 1,738,625
Excess of Revenues Over (Under)				
Expenditures	\$ (1,854,398)	\$ (1,854,398)	\$ 1,140,116	\$ 2,994,514
Fund Balance - January 1	7,730,516	7,730,516	7,730,516	-
Fund Balance - December 31	\$ 5,876,118	\$ 5,876,118	\$ 8,870,632	\$ 2,994,514

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,494,283	\$ 4,494,283	\$ 4,501,763	\$ 7,480
Licenses and permits	1,050	1,050	4,470	3,420
Intergovernmental	827,486	827,486	1,110,279	282,793
Charges for services	345,000	345,000	219,022	(125,978)
Fines and forfeitures	10,500	10,500	50,775	40,275
Gifts and contributions	-	-	1,190	1,190
Investment earnings	-	-	-	-
Miscellaneous	95,500	95,500	70,221	(25,279)
Total Revenues	\$ 5,773,819	\$ 5,773,819	\$ 5,957,720	\$ 183,901
Expenditures				
Current				
Public safety				
Sheriff	\$ 2,945,714	\$ 2,945,714	\$ 2,908,444	\$ 37,270
Boat and water safety	42,387	42,387	52,123	(9,736)
Emergency services	33,214	33,214	52,663	(19,449)
Coroner	32,632	32,632	29,164	3,468
County jail	2,343,872	2,343,872	2,345,846	(1,974)
Probation and parole	306,569	306,569	286,660	19,909
Sentence to serve	69,431	69,431	64,874	4,557
Total public safety	\$ 5,773,819	\$ 5,773,819	\$ 5,739,774	\$ 34,045
Debt service				
Principal retirement	\$ -	\$ -	\$ 5,028	\$ (5,028)
Interest	-	-	339	(339)
Total debt service	\$ -	\$ -	\$ 5,367	\$ (5,367)
Total Expenditures	\$ 5,773,819	\$ 5,773,819	\$ 5,745,141	\$ 28,678
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 212,579	\$ 212,579
Fund Balance - January 1	2,629,258	2,629,258	2,629,258	-
Fund Balance - December 31	\$ 2,629,258	\$ 2,629,258	\$ 2,841,837	\$ 212,579

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,276,715	\$ 2,276,715	\$ 2,025,344	\$ (251,371)
Special assessments	4,154	4,154	3,541	(613)
Licenses and permits	20,000	20,000	22,529	2,529
Intergovernmental	8,418,553	8,418,553	9,163,697	745,144
Charges for services	90,000	90,000	48,432	(41,568)
Investment earnings	-	-	1,052	1,052
Miscellaneous	803,500	803,500	788,429	(15,071)
Total Revenues	\$ 11,612,922	\$ 11,612,922	\$ 12,053,024	\$ 440,102
Expenditures				
Current				
Highways and Streets				
Administration	\$ 307,218	\$ 307,218	\$ 300,698	\$ 6,520
Maintenance	2,533,016	2,533,016	2,553,388	(20,372)
Construction	7,665,149	7,665,149	7,547,055	118,094
Equipment maintenance and shop	985,399	985,399	1,007,459	(22,060)
Other highways and streets	122,140	122,140	123,007	(867)
Total highways and streets	\$ 11,612,922	\$ 11,612,922	\$ 11,531,607	\$ 81,315
Debt service				
Principal retirement	\$ -	\$ -	\$ 23,266	\$ (23,266)
Interest	-	-	1,166	(1,166)
Total debt service	\$ -	\$ -	\$ 24,432	\$ (24,432)
Total Expenditures	\$ 11,612,922	\$ 11,612,922	\$ 11,556,039	\$ 56,883
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 496,985	\$ 496,985
Fund Balance - January 1	2,050,279	2,050,279	2,050,279	-
Increase (decrease) in reserved for inventories	-	-	123,311	123,311
Fund Balance - December 31	\$ 2,050,279	\$ 2,050,279	\$ 2,670,575	\$ 620,296

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,091,734	\$ 5,091,734	\$ 4,605,425	\$ (486,309)
Intergovernmental	7,100,419	7,100,419	7,335,067	234,648
Miscellaneous	710,498	710,498	1,071,097	360,599
Total Revenues	\$ 12,902,651	\$ 12,902,651	\$ 13,011,589	\$ 108,938
Expenditures				
Current				
Human Services				
Income maintenance	\$ 2,557,947	\$ 2,557,947	\$ 2,474,802	\$ 83,145
Social services	9,467,210	9,467,210	9,927,780	(460,570)
Total human services	\$ 12,025,157	\$ 12,025,157	\$ 12,402,582	\$ (377,425)
Health				
Community Health	877,494	877,494	951,813	(74,319)
Total Expenditures	\$ 12,902,651	\$ 12,902,651	\$ 13,354,395	\$ (451,744)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (342,806)	\$ (342,806)
Fund Balance - January 1	3,183,110	3,183,110	3,183,110	-
Fund Balance - December 31	\$ 3,183,110	\$ 3,183,110	\$ 2,840,304	\$ (342,806)

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL AFFAIRS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 219,000	\$ 219,000	\$ 165,461	\$ (53,539)
Intergovernmental	92,000	92,000	100,288	8,288
Charges for services	1,350,000	1,350,000	1,423,914	73,914
Miscellaneous	800	800	314	(486)
Total Revenues	\$ 1,661,800	\$ 1,661,800	\$ 1,689,977	\$ 28,177
Expenditures				
Current				
Sanitation				
Solid waste	\$ 1,245,014	\$ 1,245,014	\$ 1,424,647	\$ (179,633)
Recycling	271,345	271,345	257,976	13,369
Hazardous waste	51,457	51,457	42,888	8,569
Total sanitation	\$ 1,567,816	\$ 1,567,816	\$ 1,725,511	\$ (157,695)
Debt service				
Principal retirement	\$ -	\$ -	\$ 12,565	\$ (12,565)
Interest	-	-	1,914	(1,914)
Total debt service	\$ -	\$ -	\$ 14,479	\$ (14,479)
Total Expenditures	\$ 1,567,816	\$ 1,567,816	\$ 1,739,990	\$ (172,174)
Excess of Revenues Over (Under) Expenditures	\$ 93,984	\$ 93,984	\$ (50,013)	\$ (143,997)
Fund Balance - January 1	5,256,772	5,256,772	5,256,772	-
Fund Balance - December 31	\$ 5,350,756	\$ 5,350,756	\$ 5,206,759	\$ (143,997)

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

I. Budgetary Information

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.

II. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2006:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Courts	\$ 49,442	\$ 38,000	\$ (11,442)
Human resources	111,814	106,042	(5,772)
Elections	479,977	114,877	(365,100)
Law library	56,766	50,450	(6,316)
Recorder	490,361	421,260	(69,101)
Other general government	160,426	128,327	(32,099)
Public safety			
Transit	345,248	324,447	(20,801)
Culture and recreation			
Senior citizens	4,187	3,920	(267)
Conservation of natural resources			
Agricultural inspections	15,500	15,274	(226)
Debt service			
Principal retirement	4,240	-	(4,240)
Interest	1,602	-	(1,602)

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

II. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Public Safety Special Revenue Fund			
Public safety			
Boat and water safety	\$ 52,123	\$ 42,387	\$ (9,736)
Emergency services	52,663	33,214	(19,449)
County jail	2,345,846	2,343,872	(1,974)
Debt service			
Principal retirement	5,028	-	(5,028)
Interest	339	-	(339)
Road and Bridge Special Revenue Fund			
Highways and streets			
Maintenance	2,553,388	2,533,016	(20,372)
Equipment maintenance and shop	1,007,459	985,399	(22,060)
Other highways and streets	123,007	122,140	(867)
Debt service			
Principal retirement	23,266	-	(23,266)
Interest	1,166	-	(1,166)
Human Services Special Revenue Fund			
Human services			
Social services	9,927,780	9,467,210	(460,570)
Health			
Community health	951,813	877,494	(74,319)
Environmental Affairs Special Revenue Fund			
Sanitation			
Solid waste	1,424,647	1,245,014	(179,633)
Debt service			
Principal retirement	12,565	-	(12,565)
Interest	1,914	-	(1,914)

SUPPLEMENTARY INFORMATION

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

Debt Service Funds

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Statement A-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	<u>Special Revenue Funds (Statement B-1)</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
<u>Assets</u>			
Cash and pooled investments	\$ 1,117,550	\$ 235,003	\$ 1,352,553
Taxes receivable - prior	992	5,448	6,440
Accounts receivable	470,531	-	470,531
Due from other funds	127,824	-	127,824
Total Assets	<u>\$ 1,716,897</u>	<u>\$ 240,451</u>	<u>\$ 1,957,348</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 6,392	\$ -	\$ 6,392
Salaries payable	6,464	-	6,464
Due to other funds	278,838	-	278,838
Due to other governments	124,802	-	124,802
Deferred revenue - unavailable	444,639	4,635	449,274
Total Liabilities	<u>\$ 861,135</u>	<u>\$ 4,635</u>	<u>\$ 865,770</u>
Fund Balances			
Reserved for			
Debt service	\$ -	\$ 235,816	\$ 235,816
Conservation of natural resources	31,396	-	31,396
Gravel pit closure	184,179	-	184,179
Unreserved			
Undesignated	640,187	-	640,187
Total Fund Balances	<u>\$ 855,762</u>	<u>\$ 235,816</u>	<u>\$ 1,091,578</u>
Total Liabilities and Fund Balances	<u>\$ 1,716,897</u>	<u>\$ 240,451</u>	<u>\$ 1,957,348</u>

**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, 2006**

	<u>Special Revenue Funds (Statement B-2)</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
Revenues			
Taxes	\$ 143,430	\$ 6,326	\$ 149,756
Intergovernmental	147,175	2,313	149,488
Charges for services	1,740	-	1,740
Gifts and contributions	668	-	668
Miscellaneous	481,793	-	481,793
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 774,806	\$ 8,639	\$ 783,445
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
Culture and recreation	\$ 187,046	\$ -	\$ 187,046
Conservation of natural resources	704,200	-	704,200
Debt service			
Principal retirement	-	450,000	450,000
Interest	-	12,438	12,438
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 891,246	\$ 462,438	\$ 1,353,684
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	\$ (116,440)	\$ (453,799)	\$ (570,239)
	<hr/>	<hr/>	<hr/>
Fund Balance - January 1	972,202	689,615	1,661,817
	<hr/>	<hr/>	<hr/>
Fund Balance - December 31	\$ 855,762	\$ 235,816	\$ 1,091,578
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2006**

	Parks and Recreation	Resource Development
<u>Assets</u>		
Cash and pooled investments	\$ 324,473	\$ 191,019
Taxes receivable - prior	992	-
Accounts receivable	-	-
Due from other funds	51,130	76,694
Total Assets	\$ 376,595	\$ 267,713
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 6,219	\$ -
Salaries payable	2,062	-
Due to other funds	2,448	-
Due to other governments	267	-
Deferred revenue - unavailable	852	-
Total Liabilities	\$ 11,848	\$ -
Fund Balances		
Reserved for		
Conservation of natural resources	\$ -	\$ -
Gravel pit closure	-	-
Unreserved		
Undesignated	364,747	267,713
Total Fund Balances	\$ 364,747	\$ 267,713
Total Liabilities and Fund Balances	\$ 376,595	\$ 267,713

Statement B-1

<u>County Ditch</u>	<u>Natural Resource Management</u>	<u>Gravel Tax</u>	<u>Total (Statement A-1)</u>
\$ 9,187	\$ 287,043	\$ 305,828	\$ 1,117,550
-	-	-	992
-	448,881	21,650	470,531
-	-	-	127,824
<u>\$ 9,187</u>	<u>\$ 735,924</u>	<u>\$ 327,478</u>	<u>\$ 1,716,897</u>
\$ -	\$ 173	\$ -	\$ 6,392
-	4,402	-	6,464
-	180,857	95,533	278,838
-	76,769	47,766	124,802
-	443,787	-	444,639
<u>\$ -</u>	<u>\$ 705,988</u>	<u>\$ 143,299</u>	<u>\$ 861,135</u>
\$ -	\$ 31,396	\$ -	\$ 31,396
-	-	184,179	184,179
9,187	(1,460)	-	640,187
<u>\$ 9,187</u>	<u>\$ 29,936</u>	<u>\$ 184,179</u>	<u>\$ 855,762</u>
<u>\$ 9,187</u>	<u>\$ 735,924</u>	<u>\$ 327,478</u>	<u>\$ 1,716,897</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Parks and Recreation</u>	<u>Resource Development</u>
Revenues		
Taxes	\$ 52,227	\$ 76,694
Intergovernmental	97,215	49,960
Charges for services	1,740	-
Gifts and contributions	668	-
Miscellaneous	500	460
	<hr/>	<hr/>
Total Revenues	\$ 152,350	\$ 127,114
	<hr/>	<hr/>
Expenditures		
Current		
Culture and recreation	\$ 187,046	\$ -
Conservation of natural resources	-	202,459
	<hr/>	<hr/>
Total Expenditures	\$ 187,046	\$ 202,459
	<hr/>	<hr/>
Excess of Revenues Over (Under)		
Expenditures	\$ (34,696)	\$ (75,345)
	<hr/>	<hr/>
Fund Balance - January 1	399,443	343,058
	<hr/>	<hr/>
Fund Balance - December 31	\$ 364,747	\$ 267,713
	<hr/> <hr/>	<hr/> <hr/>

Statement B-2

<u>County Ditch</u>	<u>Natural Resource Management</u>	<u>Gravel Tax</u>	<u>Total (Statement A-2)</u>
\$ -	\$ -	\$ 14,509	\$ 143,430
-	-	-	147,175
-	-	-	1,740
-	-	-	668
-	480,833	-	481,793
<u>\$ -</u>	<u>\$ 480,833</u>	<u>\$ 14,509</u>	<u>\$ 774,806</u>
\$ -	\$ -	\$ -	\$ 187,046
692	501,049	-	704,200
<u>\$ 692</u>	<u>\$ 501,049</u>	<u>\$ -</u>	<u>\$ 891,246</u>
\$ (692)	\$ (20,216)	\$ 14,509	\$ (116,440)
<u>9,879</u>	<u>50,152</u>	<u>169,670</u>	<u>972,202</u>
<u><u>\$ 9,187</u></u>	<u><u>\$ 29,936</u></u>	<u><u>\$ 184,179</u></u>	<u><u>\$ 855,762</u></u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 34,800	\$ 34,800	\$ 52,227	\$ 17,427
Intergovernmental	277,000	277,000	97,215	(179,785)
Charges for services	2,300	2,300	1,740	(560)
Gifts and contributions	2,300	2,300	668	(1,632)
Miscellaneous	-	-	500	500
Total Revenues	\$ 316,400	\$ 316,400	\$ 152,350	\$ (164,050)
Expenditures				
Current				
Culture and recreation	293,640	293,640	187,046	106,594
Excess of Revenues Over (Under) Expenditures	\$ 22,760	\$ 22,760	\$ (34,696)	\$ (57,456)
Fund Balance - January 1	399,443	399,443	399,443	-
Fund Balance - December 31	\$ 422,203	\$ 422,203	\$ 364,747	\$ (57,456)

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
RESOURCE DEVELOPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 52,000	\$ 52,000	\$ 76,694	\$ 24,694
Intergovernmental	71,200	71,200	49,960	(21,240)
Miscellaneous	400	400	460	60
Total Revenues	\$ 123,600	\$ 123,600	\$ 127,114	\$ 3,514
Expenditures				
Current				
Conservation of natural resources	103,200	103,200	202,459	(99,259)
Excess of Revenues Over (Under) Expenditures	\$ 20,400	\$ 20,400	\$ (75,345)	\$ (95,745)
Fund Balance - January 1	343,058	343,058	343,058	-
Fund Balance - December 31	\$ 363,458	\$ 363,458	\$ 267,713	\$ (95,745)

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current				
Conservation of natural resources	\$ 300	\$ 300	\$ 692	\$ (392)
Excess of Revenues Over (Under) Expenditures	\$ (300)	\$ (300)	\$ (692)	\$ (392)
Fund Balance - January 1	9,879	9,879	9,879	-
Fund Balance - December 31	\$ 9,579	\$ 9,579	\$ 9,187	\$ (392)

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
NATURAL RESOURCE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 273,400	\$ 273,400	\$ 480,833	\$ 207,433
Expenditures				
Current				
Conservation of natural resources	367,428	367,428	501,049	(133,621)
Excess of Revenues Over (Under) Expenditures	\$ (94,028)	\$ (94,028)	\$ (20,216)	\$ 73,812
Fund Balance - January 1	50,152	50,152	50,152	-
Fund Balance - December 31	\$ (43,876)	\$ (43,876)	\$ 29,936	\$ 73,812

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 10

**BUDGETARY COMPARISON SCHEDULE
GRAVEL TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 170,000	\$ 170,000	\$ 14,509	\$ (155,491)
Expenditures				
Current				
Conservation of natural resources	170,000	170,000	-	170,000
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 14,509	\$ 14,509
Fund Balance - January 1	169,670	169,670	169,670	-
Fund Balance - December 31	\$ 169,670	\$ 169,670	\$ 184,179	\$ 14,509

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

AGENCY FUNDS

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

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

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Statement C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CLEARING FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 230,864	\$ 3,387,654	\$ 3,361,920	\$ 256,598
<u>Liabilities</u>				
Accounts payable	\$ 133,919	\$ 165,051	\$ 133,919	\$ 165,051
Due to other governments	96,945	3,222,603	3,228,001	91,547
Total Liabilities	\$ 230,864	\$ 3,387,654	\$ 3,361,920	\$ 256,598
 <u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 536,604	\$ 30,390,722	\$ 30,400,540	\$ 526,786
<u>Liabilities</u>				
Due to other governments	\$ 431,014	\$ 30,250,363	\$ 30,294,950	\$ 386,427
Deferred credits	105,590	140,359	105,590	140,359
Total Liabilities	\$ 536,604	\$ 30,390,722	\$ 30,400,540	\$ 526,786
 <u>CHILDREN'S INITIATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 345,483	\$ 191,616	\$ 407,476	\$ 129,623
<u>Liabilities</u>				
Due to other governments	\$ 345,483	\$ 191,616	\$ 407,476	\$ 129,623
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,112,951	\$ 33,969,992	\$ 34,169,936	\$ 913,007
<u>Liabilities</u>				
Accounts payable	\$ 133,919	\$ 165,051	\$ 133,919	\$ 165,051
Due to other governments	873,442	33,664,582	33,930,427	607,597
Deferred credits	105,590	140,359	105,590	140,359
Total Liabilities	\$ 1,112,951	\$ 33,969,992	\$ 34,169,936	\$ 913,007

OTHER SCHEDULES

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 11

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Total Governmental Funds	Total Component Unit
Shared Revenue		
State		
Highway users tax	\$ 4,013,851	\$ -
County program aid	1,567,467	-
PERA rate reimbursement	38,181	-
Disparity reduction aid	4,150	-
Police state aid	105,664	-
Enhanced 911	109,886	-
Market value credit	1,412,404	-
Mobile home market value credit	13,230	-
	\$ 7,264,833	\$ -
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 2,415,634	\$ -
Payments		
Local		
Local contributions	\$ 546,144	\$ -
Payments in lieu of taxes	276,892	-
	\$ 823,036	\$ -
Grants		
State		
Minnesota Department/Board of/Office of		
Corrections	\$ 227,849	\$ -
Public Safety	6,575	-
Transportation	3,368,581	-
Health	147,664	-
Natural Resources	154,520	-
Human Services	2,190,124	-
Soil and Water Resources	58,557	-
Housing Finance Agency	-	459,631
Commerce	14,431	-
Pollution Control Agency	85,857	-
Peace Officers	17,002	-
	\$ 6,271,160	\$ 459,631

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**Schedule 11
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Total Governmental Funds	Total Component Unit
Federal		
Department of		
Agriculture	\$ 166,696	\$ -
Housing and Urban Development	-	555,343
Transportation	973,160	-
Education	500	-
Election Assistance Commission	462,732	-
Health and Human Services	2,007,954	-
Homeland Security	107,686	-
	\$ 3,718,728	\$ 555,343
Total Federal		
	\$ 9,989,888	\$ 1,014,974
Total State and Federal Grants		
	\$ 20,493,391	\$ 1,014,974
Total Intergovernmental Revenue	\$ 20,493,391	\$ 1,014,974

MANAGEMENT AND COMPLIANCE SECTION

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 12

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the financial statements of Becker County.
- B. A deficiency in internal control was disclosed by the audit of financial statements of Becker County and is 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 control deficiency is not a material weakness.
- C. No instances of noncompliance material to the financial statements of Becker County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Becker County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
 - Highway Planning and Construction, CFDA #20.205
 - Help America Vote Act, CFDA #90.401
 - Child Care and Development Block Grant, CFDA #93.575
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Becker County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-7 Segregation of Duties

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

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

Client's Response:

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.



GOVERNMENTAL AUDIT SERVICES

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

Board of County Commissioners
Becker County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Becker County as of and for the year ended December 31, 2006, and have issued our report thereon dated September 20, 2007. 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, or the financial statements of the Becker County Economic Development Authority which is the discretely presented component unit. Those financial statements were audited by 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.

Internal Control Over Financial Reporting

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

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

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

Schedule of Findings and Questioned Costs, item 96-7, to be a significant deficiency in internal control over financial reporting.

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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



Hoffman, Dale, & Swenson, PLLC

September 20, 2007



GOVERNMENTAL AUDIT SERVICES

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

Board of County Commissioners
Becker County

Compliance

We have audited the compliance of Becker County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to its major federal programs for the year ended December 31, 2006. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Becker County's financial statements include the operations of the Becker County Economic Development Authority (EDA) component unit, which expended \$555,343 in federal awards during the year ended December 31, 2006, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the EDA because the EDA had a separate Single Audit in accordance with OMB Circular A-133.

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

In our opinion, the Becker County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Becker County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency, or a combination of significant deficiencies, that does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Becker County as of and for the year ended December 31, 2006, and have issued our report thereon dated September 20, 2007. We did not audit the financial statements of the Sunnyside Care Center Enterprise Fund, or the Becker County Economic Development Authority, the discretely presented component unit. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Becker County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 20, 2007

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Schedule 13

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Woman, Infants, and Children	10.557	\$ 149,923
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	<u>16,773</u>
Total U.S. Department of Agriculture		\$ 166,696
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 856,121
Formula Grants for Other Than Urbanized Areas	20.509	91,518
State and Community Highway Safety	20.600	14,958
Passed Through Minnesota Department of Public Safety Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	9,305
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	<u>1,258</u>
Total U.S. Department of Transportation		\$ 973,160
U.S. Department of Education		
Passed Through Minnesota Department of Education Special Education Grants for Infants and Families with Disabilities	84.181	\$ 500
U.S. Department of Election Assistance Commission		
Passed Through Minnesota Department of Secretary of State Help America Vote Act	90.401	\$ 462,732
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	\$ 44,512
Temporary Assistance for Needy Families	93.558	22,896
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	226,858
Temporary Assistance for Needy Families	93.558	348,198
Child Care and Development Block Grant	93.575	519,940
Child Welfare Services	93.645	18,243
Foster Care - Title IV-E	93.658	256,214
Social Services Block Grant	93.667	366,696

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**Schedule 13
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (continued)		
Chafee Foster Care Independence Program	93.674	2,327
Hurricane Katrina Relief	93.776	146,462
Block Grants for Community Mental Health Services	93.958	12,635
Maternal and Child Health Services Block Grant	93.994	<u>42,973</u>
Total U.S. Department of Health and Human Services		\$ <u>2,007,954</u>
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 21,749
Passed Through Minnesota Department of Public Safety Disaster Grant - Public Assistance	97.036	43,523
Hazard Mitigation Grant	97.039	3,035
Emergency Management Performance Grant	97.042	13,379
Homeland Security Grant Program	97.067	<u>26,000</u>
Total U.S. Department of Homeland Security		\$ <u>107,686</u>
Total Federal Awards		\$ <u>3,718,728</u>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Becker County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the County. Governmental funds use the modified accrual basis of accounting.
3. There were no pass-through grants to subrecipients or other agencies in 2006.