

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**BECKER COUNTY**  
**DETROIT LAKES, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2013**

## **Description of the Office of the State Auditor**

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

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

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

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

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

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

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

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

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

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This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**Year Ended December 31, 2013**



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

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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DETROIT LAKES, MINNESOTA**

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2013

| Office                   | Name             | Term Expires |
|--------------------------|------------------|--------------|
| <b>Commissioners</b>     |                  |              |
| 1st District             | Larry Knutson    | January 2015 |
| 2nd District             | Ben Grimsley     | January 2015 |
| 3rd District             | John Okeson**    | January 2017 |
| 4th District             | Donald Skarie*   | January 2017 |
| 5th District             | Barry Nelson     | January 2017 |
| <b>Officers</b>          |                  |              |
| <b>Elected</b>           |                  |              |
| Attorney                 | Mike Fritz×      | January 2015 |
| Auditor-Treasurer        | Ryan Tangen***   | January 2015 |
| Coroner                  | Knute Thorsgard~ | January 2015 |
| Recorder                 | Darlene Maneval  | January 2015 |
| Registrar of Titles      | Darlene Maneval  | January 2015 |
| Sheriff                  | Kelly Shannon°   | January 2015 |
| Surveyor                 | Roy Smith        | January 2015 |
| <b>Appointed</b>         |                  |              |
| Administrator            | Jack Ingstad     | Indefinite   |
| Assessor                 | Steve Carlson    | January 2016 |
| Highway Engineer         | Jim Olson        | Indefinite   |
| Human Services Director  | Nancy Nelson     | Indefinite   |
| Natural Resource Manager | Martin Wiley     | Indefinite   |
| Personnel Director       | Nancy Grabanski  | Indefinite   |
| Solid Waste Officer      | Steve Skoog      | January 2017 |

\*2013 Chair

\*\*2013 Vice Chair

\*\*\*Auditor-Treasurer position was filled by Mary Hendrickson as of March 11, 2014

°Appointed on 10/31/2012 to fill the elected term

~Appointed as of 1/1/2011 as there were no votes in the election

×Attorney position was filled by Gretchen Thilmony as of February 18, 2014

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Becker County

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County, Minnesota, as of and for the year ended December 31, 2013, including the Sunnyside Care Center as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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, which represent the amounts shown as the major enterprise fund and the business-type activities of Becker County. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sunnyside Care Center, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of December 31, 2013, including the Sunnyside Care Center as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards



generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of Becker County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Becker County's internal control over financial reporting and compliance.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 26, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013  
(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, 2013. 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 position of governmental activities is \$80,502,041, of which \$58,380,566 is net investment in capital assets, \$3,614,273 is restricted for specific purposes, and \$18,507,202 is unrestricted. The total net position of governmental activities increased by \$560,209 for the year ended December 31, 2013.

The total net position of business-type activities is \$1,412,488, of which \$527,039 is net investment in capital assets, \$10,861 is restricted for capital projects, and \$874,588 is unrestricted. The total net position of business-type activities decreased by \$5,952 for the year ended September 30, 2013.

At the close of 2013, the County's governmental funds reported combined ending fund balances of \$22,176,487, a decrease of \$2,690,739 from the prior year. Of the total fund balance amount, \$1,523,665 is nonspendable, \$3,049,176 is legally or contractually restricted, \$6,084,593 is formally committed for specific purposes, \$5,898,966 is assigned for specific purposes, and \$5,620,087 is noted as unassigned fund balance in the General Fund. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

## **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 Position presents information on all of the County's assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 (such as uncollected taxes).

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

- **Governmental activities**--Most of the County's basic services are reported here, including general government, public safety, highways and streets, public transportation, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- **Business-type activities**--The County charges fees to cover the costs of certain services it provides. Included here are the operations of the Sunnyside Care Center.

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

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

## **Fund Financial Statements**

A fund is a grouping of related accounts 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 Balance for the General Fund, Public Safety Special Revenue Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, and the Environmental Affairs Special Revenue Fund, all of which are considered to be major funds. Data from the other five special revenue funds and the Debt Service Fund are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in combining statements after the notes to the financial statements.

Becker County adopts annual budgets for its general and special revenue 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 Position 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 Exhibit 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 38 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 and other schedules, including combining statements, budgetary comparison schedules, a schedule of intergovernmental revenue, and a schedule of expenditures of federal awards.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net position serves as a useful indicator of the County's financial position. The County's assets and deferred outflows of resources exceeded liabilities by \$81,914,529 at the close of 2013. The largest portion of the County's net position (approximately 71.9 percent) reflects its net investment in capital assets (land, construction in progress, infrastructure, buildings and improvements, land improvements, and machinery and equipment), less any related outstanding debt used to acquire those assets. It should be noted that this amount is not available for future spending. Approximately 4.4 percent of the County's net position is restricted, and 23.7 percent of the County's net position is unrestricted. The unrestricted net position amount of \$19,381,790 as of December 31, 2013, may be used to meet the County's ongoing obligations to citizens.



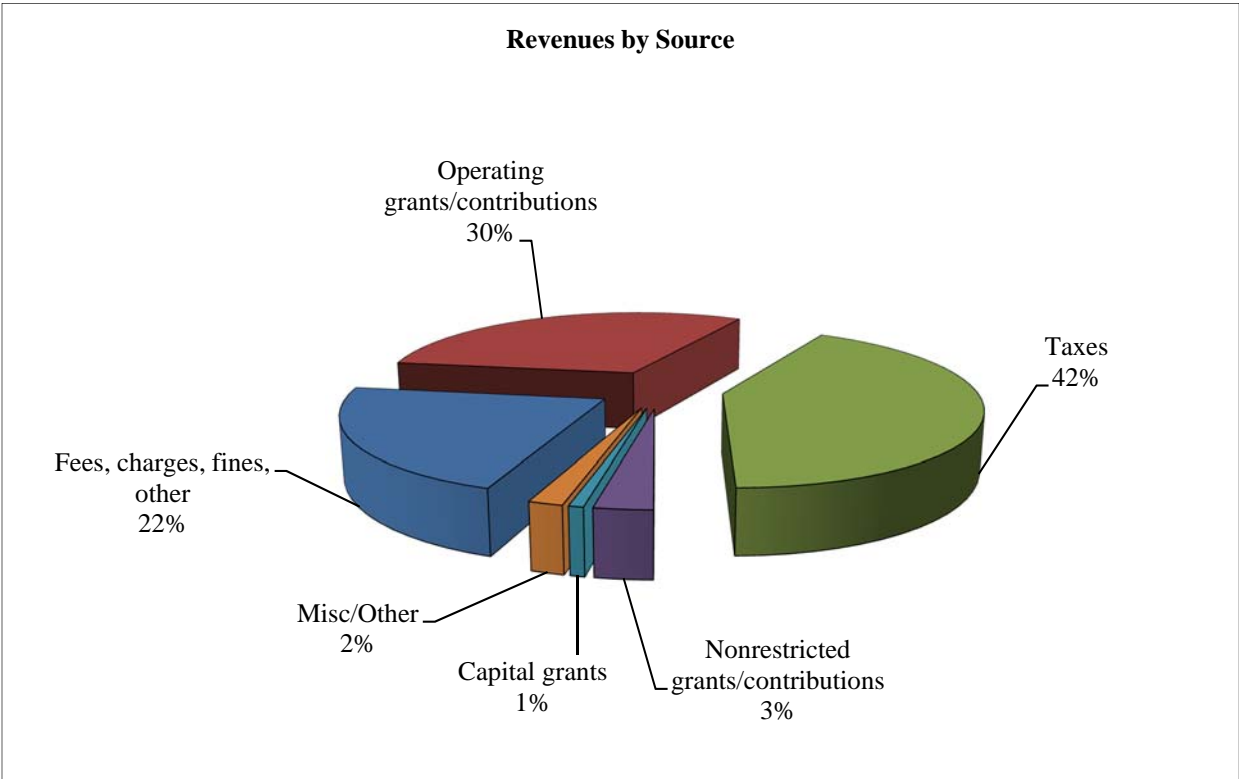
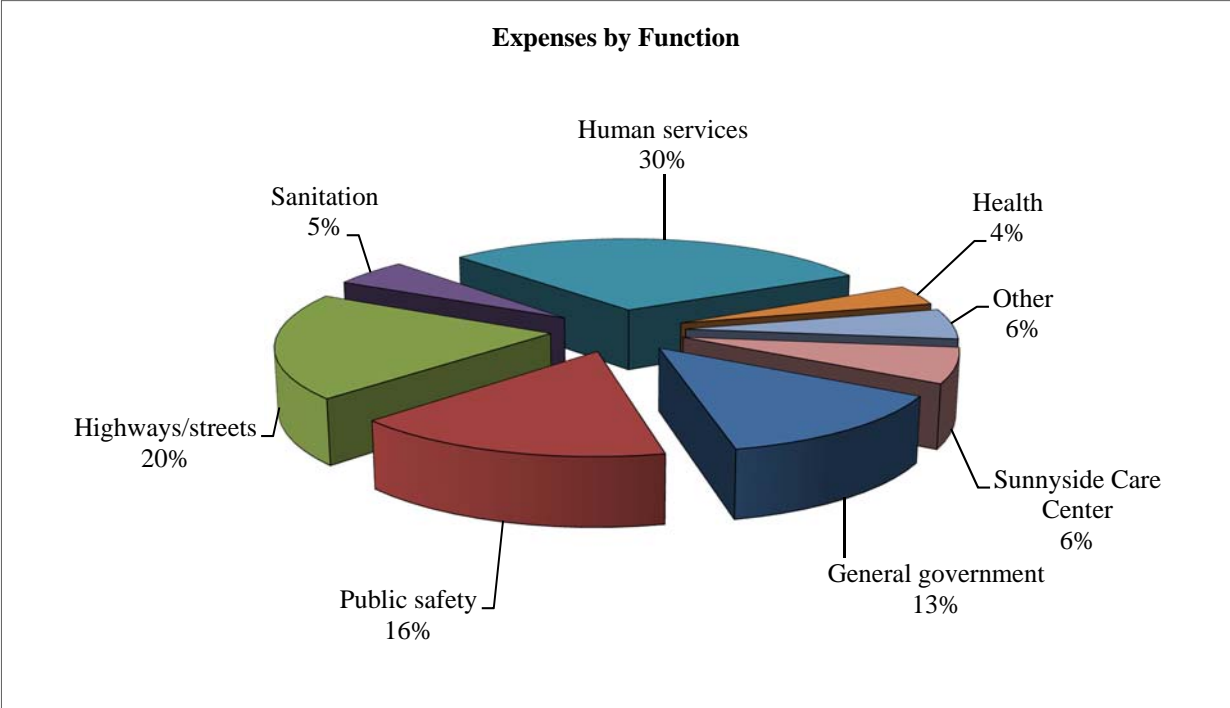
The County's overall financial position increased from last year. Total assets increased by \$818,151 from the prior year as a result of various road projects that were added to the infrastructure and equipment purchases and updates. This resulted in increased net position of \$554,257 from the prior year.

### Net Position

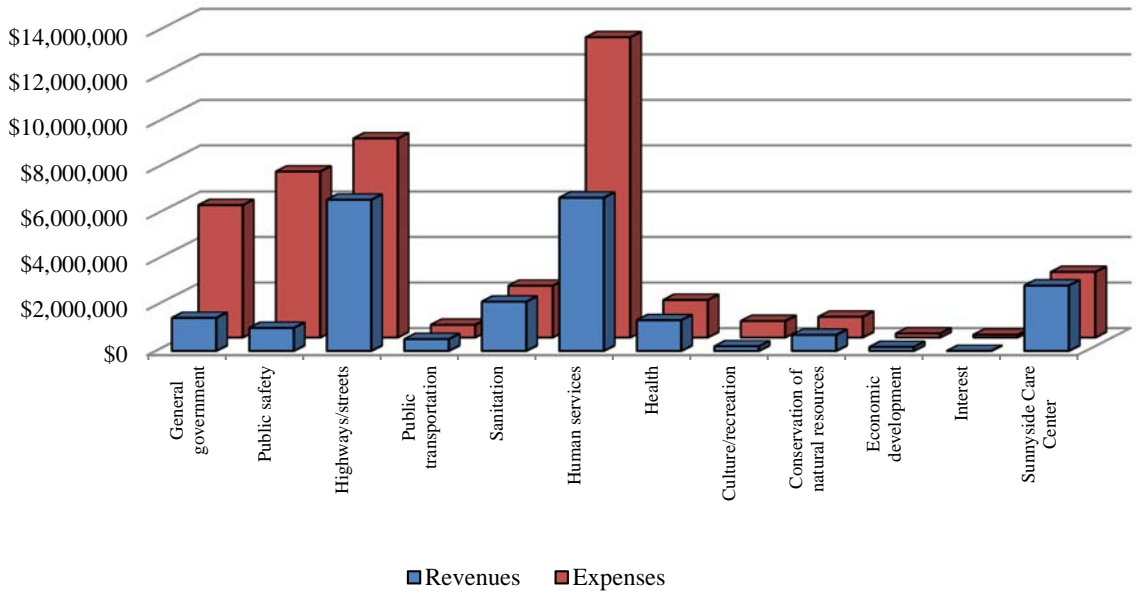
|                                   | Governmental Activities |                      | Business-Type Activities |                     | Total Primary Government |                      |
|-----------------------------------|-------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|
|                                   | 2013                    | 2012                 | 2013                     | 2012                | 2013                     | 2012                 |
| <b>Assets</b>                     |                         |                      |                          |                     |                          |                      |
| Current and other assets          | \$ 27,469,029           | \$ 29,501,086        | \$ 64,534                | \$ (25,750)         | \$ 27,533,563            | \$ 29,475,336        |
| Capital assets                    | 63,512,212              | 60,681,219           | 1,664,311                | 1,735,380           | 65,176,523               | 62,416,599           |
| <b>Total Assets</b>               | <b>\$ 90,981,241</b>    | <b>\$ 90,182,305</b> | <b>\$ 1,728,845</b>      | <b>\$ 1,709,630</b> | <b>\$ 92,710,086</b>     | <b>\$ 91,891,935</b> |
| Deferred Outflows of Resources    | \$ 377,071              | -                    | -                        | -                   | \$ 377,071               | -                    |
| <b>Liabilities</b>                |                         |                      |                          |                     |                          |                      |
| Other liabilities                 | \$ 2,796,481            | \$ 2,263,079         | \$ 246,357               | \$ 214,190          | \$ 3,042,838             | \$ 2,477,269         |
| Long-term liabilities outstanding | 8,059,790               | 7,977,394            | 70,000                   | 77,000              | 8,129,790                | 8,054,394            |
| <b>Total Liabilities</b>          | <b>\$ 10,856,271</b>    | <b>\$ 10,240,473</b> | <b>\$ 316,357</b>        | <b>\$ 291,190</b>   | <b>\$ 11,172,628</b>     | <b>\$ 10,531,663</b> |
| <b>Net Position</b>               |                         |                      |                          |                     |                          |                      |
| Net investment in capital assets  | \$ 58,380,566           | \$ 55,158,555        | \$ 527,039               | \$ 556,197          | \$ 58,907,605            | \$ 55,714,752        |
| Restricted                        | 3,614,273               | 2,880,410            | 10,861                   | 9,274               | 3,625,134                | 2,889,684            |
| Unrestricted                      | 18,507,202              | 21,902,867           | 874,588                  | 852,969             | 19,381,790               | 22,755,836           |
| <b>Total Net Position</b>         | <b>\$ 80,502,041</b>    | <b>\$ 79,941,832</b> | <b>\$ 1,412,488</b>      | <b>\$ 1,418,440</b> | <b>\$ 81,914,529</b>     | <b>\$ 81,360,272</b> |

## Changes in Net Position

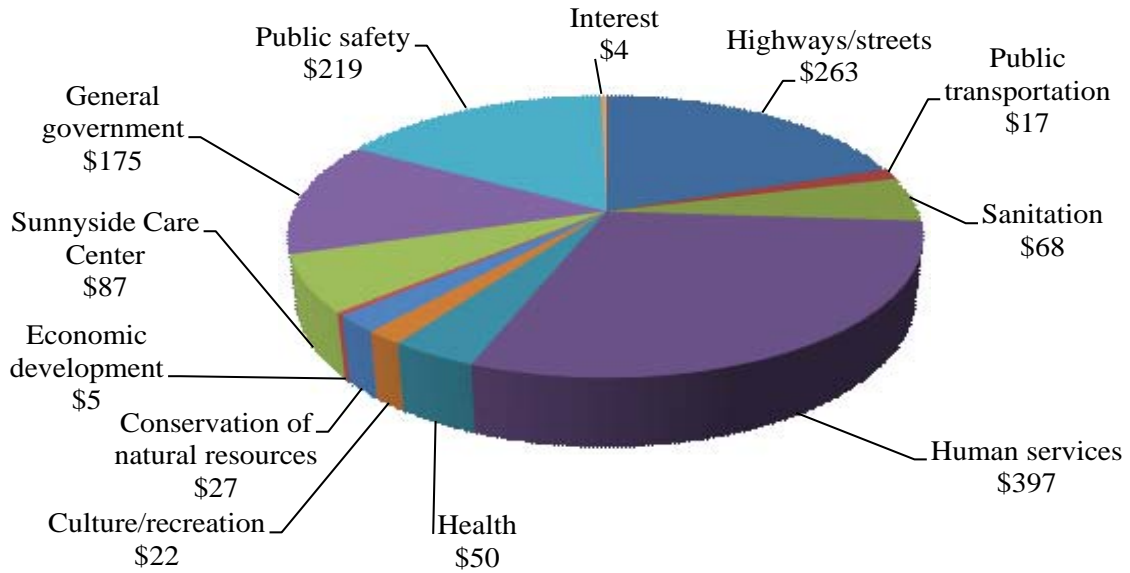
|  | Governmental Activities |                      | Business-Type Activities |                     | Total Primary Government |                      |
|--|-------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|
|  | 2013                    | 2012                 | 2013                     | 2012                | 2013                     | 2012                 |
| <b>Revenues</b>  |                         |                      |                          |                     |                          |                      |
| <b>Program Revenues</b>                                      |                         |                      |                          |                     |                          |                      |
| Fees, charges, fines, and other                              | \$ 6,954,345            | \$ 6,147,960         | \$ 2,819,156             | \$ 2,906,681        | \$ 9,773,501             | \$ 9,054,641         |
| Operating grants and contributions                           | 13,663,348              | 14,633,608           | 51,595                   | 49,147              | 13,714,943               | 14,682,755           |
| Capital grants and contributions                             | 343,930                 | 1,235,635            | 1,587                    | 1,746               | 345,517                  | 1,237,381            |
| <b>General Revenues</b>                                      |                         |                      |                          |                     |                          |                      |
| Property taxes   | 18,642,566              | 18,062,447           | -                        | -                   | 18,642,566               | 18,062,447           |
| Other taxes  | 176,122                 | 152,169              | -                        | -                   | 176,122                  | 152,169              |
| Grants and contributions not restricted to specific programs | 1,351,754               | 1,269,659            | 1,108                    | 1,116               | 1,352,862                | 1,270,775            |
| Other general revenues                                       | 800,817                 | 1,103,954            | 619                      | 638                 | 801,436                  | 1,104,592            |
| <b>Total Revenues</b>  | <b>\$ 41,932,882</b>    | <b>\$ 42,605,432</b> | <b>\$ 2,874,065</b>      | <b>\$ 2,959,328</b> | <b>\$ 44,806,947</b>     | <b>\$ 45,564,760</b> |
| <b>Expenses</b>  |                         |                      |                          |                     |                          |                      |
| General government   | \$ 5,814,885            | \$ 5,496,863         | \$ -                     | \$ -                | \$ 5,814,885             | \$ 5,496,863         |
| Public safety  | 7,262,520               | 7,081,793            | -                        | -                   | 7,262,520                | 7,081,793            |
| Public transportation  | 557,028                 | 514,167              | -                        | -                   | 557,028                  | 514,167              |
| Highways and streets   | 8,717,077               | 8,135,957            | -                        | -                   | 8,717,077                | 8,135,957            |
| Sanitation   | 2,272,459               | 2,211,148            | -                        | -                   | 2,272,459                | 2,211,148            |
| Human services   | 13,168,499              | 12,614,896           | -                        | -                   | 13,168,499               | 12,614,896           |
| Health   | 1,647,335               | 1,420,581            | -                        | -                   | 1,647,335                | 1,420,581            |
| Culture and recreation                                       | 725,548                 | 667,287              | -                        | -                   | 725,548                  | 667,287              |
| Conservation of natural resources                            | 909,430                 | 877,864              | -                        | -                   | 909,430                  | 877,864              |
| Economic development   | 176,052                 | 215,538              | -                        | -                   | 176,052                  | 215,538              |
| Interest   | 121,840                 | 416,746              | -                        | -                   | 121,840                  | 416,746              |
| Sunnyside Care Center  | -                       | -                    | 2,880,017                | 2,875,064           | 2,880,017                | 2,875,064            |
| <b>Total Expenses</b>  | <b>\$ 41,372,673</b>    | <b>\$ 39,652,840</b> | <b>\$ 2,880,017</b>      | <b>\$ 2,875,064</b> | <b>\$ 44,252,690</b>     | <b>\$ 42,527,904</b> |
| Increase (decrease) in net position                          | \$ 560,209              | \$ 2,952,592         | \$ (5,952)               | \$ 84,264           | \$ 554,257               | \$ 3,036,856         |
| Net Position, January 1                                      | 79,941,832              | 76,989,240           | 1,418,440                | 1,334,176           | 81,360,272               | 78,323,416           |
| <b>Net Position, December 31</b>                             | <b>\$ 80,502,041</b>    | <b>\$ 79,941,832</b> | <b>\$ 1,412,488</b>      | <b>\$ 1,418,440</b> | <b>\$ 81,914,529</b>     | <b>\$ 81,360,272</b> |



### Program Revenues and Expenses



### Expenditures Per Capita 33,167 Population from 2013 State Demographic Center



## **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, unrestricted 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 2013, the County's governmental funds reported combined ending fund balances of \$22,176,487. Of this amount, approximately 6.9 percent constitutes nonspendable fund balance, 13.8 percent constitutes legally or contractually restricted fund balance, 27.4 percent constitutes formally committed fund balance, 26.6 percent constitutes specifically assigned fund balance, and 25.3 percent constitutes unassigned 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 \$7,735,289. The General Fund's nonspendable fund balance was \$1,067,272, restricted fund balance was \$987,930, committed fund balance was \$60,000, and unassigned fund balance was \$5,620,087. As a measure of the General Fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures for 2013. Unrestricted fund balance represents 80.3 percent of total General Fund expenditures, while total fund balance represents 109.4 percent of that same amount.

In 2013, the fund balance amount in the General Fund increased by \$266,670. The increase is due to conservative budget practices in revenues and expenditures.

The fund balance of the Public Safety Special Revenue Fund decreased \$330,088 from the prior year, due primarily to the increase in jail inmates that reflected the decrease in state inmate's revenue.

The fund balance of the Road and Bridge Special Revenue Fund decreased \$1,665,759 in 2013, due to road construction projects that exceeded our road construction aid and a decrease in inventory.

The fund balance of the Human Services Special Revenue Fund decreased \$671,687 from the prior year, due mainly to delays in federal revenue.

The fund balance of the Environmental Affairs Special Revenue Fund decreased \$509,948 from preliminary construction costs for the new Transfer Station Building.

## Proprietary Fund

The Sunnyside Care Center Enterprise Fund's total operating revenues decreased \$85,077, or approximately 2.9 percent. Net resident services revenues decreased 2.9 percent from \$2,825,614 in fiscal year 2012 to \$2,742,732 in fiscal year 2013. Nursing facility occupancy for fiscal year 2013 was 84.2 percent compared to 84 percent in fiscal year 2012. Operating expenses increased \$30,170, or 1.1 percent, which primarily resulted from increased expenses in Nursing, Administration, and Employee Benefits. This combination of a decrease in operating revenues and an increase in operating expenses yielded operating income of \$22,910. When the nonoperating revenues and expenses and capital contributions are added to our analysis, the total change in net position was a negative \$5,952.

## GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget as approved for 2013.

Actual revenues were more than overall final budgeted revenues by \$167,500, with the largest positive variance in intergovernmental due to conservative budgeting.

Actual expenditures were less than overall final budgeted expenditures by \$94,105, mainly as a result of vacancies not being filled and accurate budgeting practices.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2013, and business-type activities as of September 30, 2013, amounted to \$65,176,523 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately four percent. This was primarily due to the completion of various highway projects and acquisition of recycling and highway equipment.

|                            | Governmental Activities |                      | Business-Type Activities |                     | Total Primary Government |                      |
|----------------------------|-------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|
|                            | 2013                    | 2012                 | 2013                     | 2012                | 2013                     | 2012                 |
| Land                       | \$ 1,627,382            | \$ 1,622,982         | \$ 118,625               | \$ 118,625          | \$ 1,746,007             | \$ 1,741,607         |
| Right-of-way               | 685,130                 | 681,211              | -                        | -                   | 685,130                  | 681,211              |
| Construction in progress   | 251,586                 | 69,199               | -                        | -                   | 251,586                  | 69,199               |
| Infrastructure             | 47,138,611              | 44,518,476           | -                        | -                   | 47,138,611               | 44,518,476           |
| Buildings and improvements | 10,718,685              | 11,168,210           | 1,373,611                | 1,455,476           | 12,092,296               | 12,623,686           |
| Land improvements          | 818,197                 | 880,714              | 60,014                   | 24,489              | 878,211                  | 905,203              |
| Machinery and equipment    | 2,272,621               | 1,740,427            | 112,061                  | 136,790             | 2,384,682                | 1,877,217            |
| Total Capital Assets       | <u>\$ 63,512,212</u>    | <u>\$ 60,681,219</u> | <u>\$ 1,664,311</u>      | <u>\$ 1,735,380</u> | <u>\$ 65,176,523</u>     | <u>\$ 62,416,599</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 \$6,271,543, which is backed by the full faith and credit of the government.

|                                  | Governmental Activities |                     | Business-Type Activities |                     | Total Primary Government |                     |
|----------------------------------|-------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|
|                                  | 2013                    | 2012                | 2013                     | 2012                | 2013                     | 2012                |
| General obligation bonds         | \$ 5,131,646            | \$ 5,501,646        | \$ -                     | \$ -                | \$ 5,131,646             | \$ 5,501,646        |
| General obligation revenue notes | -                       | -                   | -                        | -                   | -                        | -                   |
| Note payable                     | -                       | -                   | 70,000                   | 77,000              | 70,000                   | 77,000              |
| Capital leases                   | 2,625                   | 25,554              | 1,067,272                | 1,102,184           | 1,069,897                | 1,127,738           |
| <b>Total Long-Term Debt</b>      | <b>\$ 5,134,271</b>     | <b>\$ 5,527,200</b> | <b>\$ 1,137,272</b>      | <b>\$ 1,179,184</b> | <b>\$ 6,271,543</b>      | <b>\$ 6,706,384</b> |

The County's net decrease in debt of \$434,841 during the fiscal year was primarily due to principal payments.

Minnesota statutes limit the amount of debt that a county may have to three percent of its total market value, excluding revenue bonds. At the end of 2013, overall debt of the County is below the three percent debt limit.

Becker County's bond rating is "AA" from Standard and Poor'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 County depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.
- The unemployment rate for Becker County was 5.7 percent as of December 31, 2013. This is higher than the statewide rate of 4.7 percent and lower than the national average rate of 6.5 percent.
- Becker County's 2013 population estimation was 33,167, an increase of 663 since the 2010 census of 32,504.
- On December 17, 2013, Becker County set its 2014 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 the Becker County Auditor-Treasurer's Office, 915 Lake Avenue, Detroit Lakes, Minnesota 56501.



## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

|   | <b>Primary Government</b>          |                                     |                      | <b>Discretely<br/>Presented<br/>Component<br/>Unit</b> |
|---|------------------------------------|-------------------------------------|----------------------|--|
|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>         |  |
| <b><u>Assets</u></b>                          |                                    |                                     |                      |  |
| Cash and pooled investments                   | \$ 21,841,689                      | \$ 772,339                          | \$ 22,614,028        | \$ 1,006,917   |
| Restricted cash                               | -                                  | -                                   | -                    | 636,946  |
| Petty cash and change funds                   | 9,650                              | -                                   | 9,650                | -  |
| Taxes receivable                              |                                    |                                     |                      |  |
| Current                                       | 436,549                            | -                                   | 436,549              | 3,526  |
| Prior   | 344,970                            | -                                   | 344,970              | 8,082  |
| Special assessments receivable                |                                    |                                     |                      |  |
| Current                                       | 6,193                              | -                                   | 6,193                | -  |
| Prior   | 4,529                              | -                                   | 4,529                | -  |
| Accounts receivable                           | 1,156,208                          | 317,699                             | 1,473,907            | 3,629  |
| Accrued interest receivable                   | 44,745                             | -                                   | 44,745               | -  |
| Loans receivable                              | -                                  | -                                   | -                    | 35,000   |
| Property held for resale                      | -                                  | -                                   | -                    | 123,806  |
| Internal balances                             | 1,067,272                          | (1,067,272)                         | -                    | -  |
| Due from other governments                    | 2,100,831                          | -                                   | 2,100,831            | 31,784   |
| Loans receivable - noncurrent                 | -                                  | -                                   | -                    | 1,183,623  |
| Investment in joint venture                   | -                                  | -                                   | -                    | 2,700  |
| Inventories                                   | 456,393                            | -                                   | 456,393              | -  |
| Prepaid items                                 | -                                  | 20,053                              | 20,053               | -  |
| Restricted assets                             |                                    |                                     |                      |  |
| Donor restricted assets                       | -                                  | 10,861                              | 10,861               | -  |
| Resident trust funds                          | -                                  | 10,854                              | 10,854               | -  |
| Capital assets                                |                                    |                                     |                      |  |
| Non-depreciable                               | 2,564,098                          | 118,625                             | 2,682,723            | 326,354  |
| Depreciable - net of accumulated depreciation | 60,948,114                         | 1,545,686                           | 62,493,800           | 3,552,015  |
| <b>Total Assets</b>                           | <b>\$ 90,981,241</b>               | <b>\$ 1,728,845</b>                 | <b>\$ 92,710,086</b> | <b>\$ 6,914,382</b>                                    |
| <b><u>Deferred Outflows of Resources</u></b>  |                                    |                                     |                      |  |
| Refunding deferred charges on bonds           | <b>\$ 377,071</b>                  | <b>\$ -</b>                         | <b>\$ 377,071</b>    | <b>\$ -</b>  |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

|                                   | <b>Primary Government</b>          |                                     |                      | <b>Discretely<br/>Presented<br/>Component<br/>Unit</b> |
|-----------------------------------|------------------------------------|-------------------------------------|----------------------|--|
|                                   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>         |  |
| <b><u>Liabilities</u></b>         |                                    |                                     |                      |  |
| Accounts payable                  | \$ 689,871                         | \$ 95,943                           | \$ 785,814           | \$ 4,215   |
| Salaries payable                  | 1,105,250                          | 46,744                              | 1,151,994            | -  |
| Compensated absences              | -                                  | 69,124                              | 69,124               | -  |
| Contracts payable                 | 302,612                            | -                                   | 302,612              | -  |
| Due to other governments          | 648,600                            | -                                   | 648,600              | 12,009   |
| Other liabilities                 | -                                  | -                                   | -                    | 25,010   |
| Accrued interest payable          | 50,148                             | 2,668                               | 52,816               | -  |
| Unearned revenue                  | -                                  | 21,024                              | 21,024               | -  |
| Security deposits                 | -                                  | -                                   | -                    | 13,622   |
| Prepaid rent                      | -                                  | -                                   | -                    | 1,041  |
| Customer deposits                 | -                                  | 10,854                              | 10,854               | -  |
| Long-term liabilities             |                                    |                                     |                      |  |
| Due within one year               | 1,670,582                          | 7,000                               | 1,677,582            | -  |
| Due in more than one year         | 6,389,208                          | 63,000                              | 6,452,208            | 2,417,300  |
| <b>Total Liabilities</b>          | <b>\$ 10,856,271</b>               | <b>\$ 316,357</b>                   | <b>\$ 11,172,628</b> | <b>\$ 2,473,197</b>                                    |
| <b><u>Net Position</u></b>        |                                    |                                     |                      |  |
| Net investment in capital assets  | \$ 58,380,566                      | \$ 527,039                          | \$ 58,907,605        | \$ 1,461,069   |
| Restricted for                    |                                    |                                     |                      |  |
| General government                | 982,140                            | -                                   | 982,140              | -  |
| Public safety                     | 430,754                            | -                                   | 430,754              | -  |
| Highways and streets              | 565,097                            | -                                   | 565,097              | -  |
| Capital projects                  | -                                  | 10,861                              | 10,861               | -  |
| Conservation of natural resources | 1,085,968                          | -                                   | 1,085,968            | -  |
| Debt service                      | 544,524                            | -                                   | 544,524              | -  |
| Housing                           | -                                  | -                                   | -                    | 1,787,642  |
| Held in trust for other purposes  | 5,790                              | -                                   | 5,790                | -  |
| Unrestricted                      | 18,507,202                         | 874,588                             | 19,381,790           | 1,192,474  |
| <b>Total Net Position</b>         | <b>\$ 80,502,041</b>               | <b>\$ 1,412,488</b>                 | <b>\$ 81,914,529</b> | <b>\$ 4,441,185</b>                                    |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                      | <u>Expenses</u>      | <u>Fees<br/>Charges, Fines,<br/>and Other</u> | <u>Program Revenues<br/>Operating<br/>Grants and<br/>Contributions</u> |
|--------------------------------------|----------------------|---|--|
| <b><u>Functions/Programs</u></b>     |                      |   |  |
| <b>Governmental activities</b>       |                      |   |  |
| General government                   | \$ 5,814,885         | \$ 1,254,020                                  | \$ 196,381   |
| Public safety                        | 7,262,520            | 337,244                                       | 674,721  |
| Public transportation                | 557,028              | 246,029                                       | 278,905  |
| Highways and streets                 | 8,717,077            | 888,220                                       | 5,410,934  |
| Sanitation                           | 2,272,459            | 2,093,367                                     | 72,910   |
| Human services                       | 13,168,499           | 1,039,971                                     | 5,690,392  |
| Health                               | 1,647,335            | 166,439                                       | 1,183,663  |
| Culture and recreation               | 725,548              | 93,321  | 110,620  |
| Conservation of natural resources    | 909,430              | 660,101                                       | 44,822   |
| Economic development                 | 176,052              | 175,633                                       | -  |
| Interest                             | 121,840              | -   | -  |
| <b>Total governmental activities</b> | <b>\$ 41,372,673</b> | <b>\$ 6,954,345</b>                           | <b>\$ 13,663,348</b>   |
| <b>Business-type activities</b>      |                      |   |  |
| Sunnyside Care Center                | 2,880,017            | 2,819,156                                     | 51,595   |
| <b>Total Primary Government</b>      | <b>\$ 44,252,690</b> | <b>\$ 9,773,501</b>                           | <b>\$ 13,714,943</b>   |
| <b>Component unit</b>                |                      |   |  |
| Economic Development Authority       | \$ 949,928           | \$ 283,216                                    | \$ 364,815   |

**General Revenues**

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

**Total general revenues**

**Change in Net Position**

**Net Position - Beginning**

**Net Position - Ending**

**EXHIBIT 2**

| Capital<br>Grants and<br>Contributions | Net (Expense) Revenue and Change in Net Position |   |                        | Discretely<br>Presented<br>Component Unit |
|--|--|---|------------------------|---|
|  | Governmental<br>Activities                       | Primary Government<br>Business-Type<br>Activities | Total                  |   |
| \$ -                                   | \$ (4,364,484)                                   | \$ -  | \$ (4,364,484)         |   |
| -                                      | (6,250,555)                                      | -   | (6,250,555)            |   |
| -                                      | (32,094)   | -   | (32,094)               |   |
| 343,930                                | (2,073,993)                                      | -   | (2,073,993)            |   |
| -                                      | (106,182)  | -   | (106,182)              |   |
| -                                      | (6,438,136)                                      | -   | (6,438,136)            |   |
| -                                      | (297,233)  | -   | (297,233)              |   |
| -                                      | (521,607)  | -   | (521,607)              |   |
| -                                      | (204,507)  | -   | (204,507)              |   |
| -                                      | (419)  | -   | (419)                  |   |
| -                                      | (121,840)  | -   | (121,840)              |   |
| <b>\$ 343,930</b>                      | <b>\$ (20,411,050)</b>                           | <b>\$ -</b>                                       | <b>\$ (20,411,050)</b> |   |
| 1,587                                  | -  | (7,679)   | (7,679)                |   |
| <b>\$ 345,517</b>                      | <b>\$ (20,411,050)</b>                           | <b>\$ (7,679)</b>                                 | <b>\$ (20,418,729)</b> |   |
| <b>\$ -</b>                            |  |   |                        | <b>\$ (301,897)</b>                       |
|  | \$ 18,642,566                                    | \$ -  | \$ 18,642,566          | \$ 175,046                                |
|  | 137,338  | -   | 137,338                | -   |
|  | 38,784   | -   | 38,784                 | -   |
|  | 1,351,754  | 1,108   | 1,352,862              | 1,841                                     |
|  | 424,274  | -   | 424,274                | -   |
|  | (19,453)   | 619   | (18,834)               | 8,018                                     |
|  | 395,996  | -   | 395,996                | -   |
|  | <b>\$ 20,971,259</b>                             | <b>\$ 1,727</b>                                   | <b>\$ 20,972,986</b>   | <b>\$ 184,905</b>                         |
|  | \$ 560,209                                       | \$ (5,952)  | \$ 554,257             | \$ (116,992)                              |
|  | <b>79,941,832</b>                                | <b>1,418,440</b>                                  | <b>81,360,272</b>      | <b>4,558,177</b>                          |
|  | <b>\$ 80,502,041</b>                             | <b>\$ 1,412,488</b>                               | <b>\$ 81,914,529</b>   | <b>\$ 4,441,185</b>                       |

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

|   | <b>General</b>      | <b>Public<br/>Safety</b> |
|---|---------------------|--------------------------|
| <b><u>Assets</u></b>  |                     |                          |
| Cash and pooled investments   | \$ 6,856,163        | \$ 3,606,108             |
| Petty cash and change funds   | 7,850               | 450                      |
| Undistributed cash in agency funds (taxes and other)                            | 2,847               | -                        |
| Taxes receivable  |                     |                          |
| Current   | 70,265              | 138,343                  |
| Prior   | 56,750              | 111,442                  |
| Special assessments receivable  |                     |                          |
| Current   | -                   | -                        |
| Prior   | -                   | -                        |
| Accounts receivable   | 20,414              | 6,506                    |
| Accrued interest receivable   | 44,745              | -                        |
| Due from other funds  | 16,446              | -                        |
| Due from other governments  | 43,524              | 47,549                   |
| Advance to other funds  | 1,067,272           | -                        |
| Inventories   | -                   | -                        |
|   | <b>\$ 8,186,276</b> | <b>\$ 3,910,398</b>      |
| <b><u>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</u></b> |                     |                          |
| <b>Liabilities</b>  |                     |                          |
| Accounts payable  | \$ 63,900           | \$ 106,933               |
| Salaries payable  | 252,026             | 282,933                  |
| Contracts payable   | -                   | -                        |
| Due to other funds  | 7,901               | 7,245                    |
| Due to other governments  | 27,250              | 113,292                  |
|   | <b>\$ 351,077</b>   | <b>\$ 510,403</b>        |
| <b>Deferred Inflows of Resources</b>  |                     |                          |
| Unavailable revenue   | <b>\$ 99,910</b>    | <b>\$ 197,015</b>        |

**EXHIBIT 3**

| <u>Road and<br/>Bridge</u> | <u>Human<br/>Services</u>  | <u>Environmental<br/>Affairs</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|----------------------------|----------------------------|----------------------------------|---|---|
| \$ 2,162,389               | \$ 3,336,190               | \$ 3,765,327                     | \$ 2,112,665                            | \$ 21,838,842                           |
| 300                        | 200                        | 850                              | -                                       | 9,650                                   |
| -                          | -                          | -                                | -                                       | 2,847                                   |
| 69,512                     | 143,427                    | -                                | 15,002                                  | 436,549                                 |
| 50,582                     | 115,732                    | -                                | 10,464                                  | 344,970                                 |
| -                          | -                          | 6,193                            | -                                       | 6,193                                   |
| -                          | -                          | 4,529                            | -                                       | 4,529                                   |
| 571                        | 967,520                    | 93,225                           | 67,972                                  | 1,156,208                               |
| -                          | -                          | -                                | -                                       | 44,745                                  |
| 42,425                     | -                          | 242                              | -                                       | 59,113                                  |
| 1,251,694                  | 756,252                    | 1,812                            | -                                       | 2,100,831                               |
| -                          | -                          | -                                | -                                       | 1,067,272                               |
| 456,393                    | -                          | -                                | -                                       | 456,393                                 |
| <b><u>\$ 4,033,866</u></b> | <b><u>\$ 5,319,321</u></b> | <b><u>\$ 3,872,178</u></b>       | <b><u>\$ 2,206,103</u></b>              | <b><u>\$ 27,528,142</u></b>             |
| <br>                       |                            |                                  |   |   |
| \$ 152,840                 | \$ 326,003                 | \$ 38,244                        | \$ 1,951                                | \$ 689,871                              |
| 110,599                    | 404,926                    | 38,805                           | 15,961                                  | 1,105,250                               |
| 302,612                    | -                          | -                                | -                                       | 302,612                                 |
| 44                         | 14,562                     | 2,963                            | 26,398                                  | 59,113                                  |
| 9,313                      | 253,859                    | 1,958                            | 242,928                                 | 648,600                                 |
| <b><u>\$ 575,408</u></b>   | <b><u>\$ 999,350</u></b>   | <b><u>\$ 81,970</u></b>          | <b><u>\$ 287,238</u></b>                | <b><u>\$ 2,805,446</u></b>              |
| <br>                       |                            |                                  |   |   |
| <b><u>\$ 1,162,472</u></b> | <b><u>\$ 1,057,662</u></b> | <b><u>\$ 9,329</u></b>           | <b><u>\$ 19,821</u></b>                 | <b><u>\$ 2,546,209</u></b>              |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

|   | <b>General</b>      | <b>Public<br/>Safety</b> |
|---|---------------------|--------------------------|
| <b><u>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</u></b> |                     |                          |
| <b>(Continued)</b>  |                     |                          |
| <b>Fund Balances</b>  |                     |                          |
| Nonspendable  |                     |                          |
| Inventories   | \$ -                | \$ -                     |
| Advances to other funds   | 1,067,272           | -                        |
| Restricted  |                     |                          |
| Debt service  | -                   | -                        |
| Law library   | 48,181              | -                        |
| Recorder's technology equipment   | 507,430             | -                        |
| Enhancements  | 426,529             | -                        |
| E-911   | -                   | 430,754                  |
| Gravel pit closure  | -                   | -                        |
| Conservation of natural resources   | -                   | -                        |
| Missing heirs   | 5,790               | -                        |
| Committed   |                     |                          |
| Capital improvements  | 60,000              | 400,000                  |
| Recreation plan   | -                   | -                        |
| Assigned  |                     |                          |
| Environmental affairs   | -                   | -                        |
| Public safety   | -                   | 2,372,226                |
| Human services  | -                   | -                        |
| Culture and recreation  | -                   | -                        |
| Unassigned  | 5,620,087           | -                        |
|   | <b>\$ 7,735,289</b> | <b>\$ 3,202,980</b>      |
| <b>Total Fund Balances</b>  |                     |                          |
|   | <b>\$ 7,735,289</b> | <b>\$ 3,202,980</b>      |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b>  | <b>\$ 8,186,276</b> | <b>\$ 3,910,398</b>      |

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

| <u>Road and<br/>Bridge</u> | <u>Human<br/>Services</u> | <u>Environmental<br/>Affairs</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|----------------------------|---------------------------|----------------------------------|---|---|
| \$ 456,393                 | \$ -                      | \$ -                             | \$ -                                    | \$ 456,393                              |
| -                          | -                         | -                                | -                                       | 1,067,272                               |
| -                          | -                         | -                                | 544,524                                 | 544,524                                 |
| -                          | -                         | -                                | -                                       | 48,181                                  |
| -                          | -                         | -                                | -                                       | 507,430                                 |
| -                          | -                         | -                                | -                                       | 426,529                                 |
| -                          | -                         | -                                | -                                       | 430,754                                 |
| -                          | -                         | -                                | 372,941                                 | 372,941                                 |
| -                          | -                         | -                                | 713,027                                 | 713,027                                 |
| -                          | -                         | -                                | -                                       | 5,790                                   |
| 1,839,593                  | -                         | 3,750,000                        | -                                       | 6,049,593                               |
| -                          | -                         | -                                | 35,000                                  | 35,000                                  |
| -                          | -                         | 30,879                           | -                                       | 30,879                                  |
| -                          | -                         | -                                | -                                       | 2,372,226                               |
| -                          | 3,262,309                 | -                                | -                                       | 3,262,309                               |
| -                          | -                         | -                                | 233,552                                 | 233,552                                 |
| -                          | -                         | -                                | -                                       | 5,620,087                               |
| <u>\$ 2,295,986</u>        | <u>\$ 3,262,309</u>       | <u>\$ 3,780,879</u>              | <u>\$ 1,899,044</u>                     | <u>\$ 22,176,487</u>                    |
| <u>\$ 4,033,866</u>        | <u>\$ 5,319,321</u>       | <u>\$ 3,872,178</u>              | <u>\$ 2,206,103</u>                     | <u>\$ 27,528,142</u>                    |

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2013**

|  |                             |
|--|-----------------------------|
| <b>Fund balances - total governmental funds (Exhibit 3)</b>  | <b>\$ 22,176,487</b>        |
| Amounts reported for governmental activities in the statement of net position are different because:   |                             |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 63,512,212                  |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. | 2,546,209                   |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.                |                             |
| General obligation bonds   | \$ (5,131,646)              |
| Other postemployment benefits  | (669,088)                   |
| Refunding deferred charges on bonds  | 377,071                     |
| Accrued interest payable   | (50,148)                    |
| Compensated absences   | (2,256,431)                 |
| Capital leases payable   | (2,625)                     |
|  | <u>(7,732,867)</u>          |
| <b>Net Position of Governmental Activities (Exhibit 1)</b>   | <b><u>\$ 80,502,041</u></b> |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <u>General</u>      | <u>Public<br/>Safety</u> |
|---|---------------------|--------------------------|
| <b>Revenues</b>                                     |                     |                          |
| Taxes   | \$ 3,204,134        | \$ 5,846,546             |
| Special assessments                                 | -                   | -                        |
| Licenses and permits                                | 272,233             | 32,705                   |
| Intergovernmental                                   | 1,963,764           | 769,119                  |
| Charges for services                                | 1,166,438           | 177,404                  |
| Fines and forfeits                                  | 49,441              | 14,441                   |
| Gifts and contributions                             | -                   | 75                       |
| Investment earnings                                 | (19,453)            | 1,611                    |
| Miscellaneous                                       | 674,582             | 112,694                  |
|   | <u>7,311,139</u>    | <u>6,954,595</u>         |
| <b>Total Revenues</b>                               | <b>\$ 7,311,139</b> | <b>\$ 6,954,595</b>      |
| <b>Expenditures</b>                                 |                     |                          |
| <b>Current</b>                                      |                     |                          |
| General government                                  | \$ 5,537,800        | \$ -                     |
| Public safety                                       | -                   | 7,284,683                |
| Public transportation                               | 518,726             | -                        |
| Highways and streets                                | -                   | -                        |
| Sanitation  | -                   | -                        |
| Human services                                      | -                   | -                        |
| Health  | 28,283              | -                        |
| Culture and recreation                              | 394,587             | -                        |
| Conservation of natural resources                   | 411,800             | -                        |
| Economic development                                | 176,052             | -                        |
| <b>Intergovernmental</b>                            |                     |                          |
| Highways and streets                                | -                   | -                        |
| <b>Debt service</b>                                 |                     |                          |
| Principal   | 1,910               | -                        |
| Interest  | 311                 | -                        |
| Administrative (fiscal) charges                     | -                   | -                        |
|   | <u>7,069,469</u>    | <u>7,284,683</u>         |
| <b>Total Expenditures</b>                           | <b>\$ 7,069,469</b> | <b>\$ 7,284,683</b>      |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>\$ 241,670</b>   | <b>\$ (330,088)</b>      |
| <b>Other Financing Sources (Uses)</b>               |                     |                          |
| Transfers in  | \$ 25,000           | \$ -                     |
| Transfers out                                       | -                   | -                        |
|   | <u>25,000</u>       | <u>-</u>                 |
| <b>Total Other Financing Sources (Uses)</b>         | <b>\$ 25,000</b>    | <b>\$ -</b>              |

**EXHIBIT 5**

| <u>Road and<br/>Bridge</u> | <u>Human<br/>Services</u> | <u>Environmental<br/>Affairs</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>          |
|----------------------------|---------------------------|----------------------------------|---|-----------------------|
| \$ 3,025,726               | \$ 6,062,365              | \$ -                             | \$ 666,769                              | \$ 18,805,540         |
| -                          | -                         | 220,631                          | -                                       | 220,631               |
| 15,284                     | -                         | -                                | -                                       | 320,222               |
| 5,699,823                  | 6,971,434                 | 72,910                           | 203,649                                 | 15,680,699            |
| 352,872                    | -                         | 1,552,237                        | 2,305                                   | 3,251,256             |
| -                          | -                         | -                                | -                                       | 63,882                |
| -                          | -                         | -                                | -                                       | 75                    |
| -                          | -                         | -                                | -                                       | (17,842)              |
| 520,064                    | 1,204,268                 | 320,499                          | 660,101                                 | 3,492,208             |
| <b>\$ 9,613,769</b>        | <b>\$ 14,238,067</b>      | <b>\$ 2,166,277</b>              | <b>\$ 1,532,824</b>                     | <b>\$ 41,816,671</b>  |
| \$ -                       | \$ -                      | \$ -                             | \$ -                                    | \$ 5,537,800          |
| -                          | -                         | -                                | -                                       | 7,284,683             |
| -                          | -                         | -                                | -                                       | 518,726               |
| 10,491,362                 | -                         | -                                | -                                       | 10,491,362            |
| -                          | -                         | 2,651,225                        | -                                       | 2,651,225             |
| -                          | 13,290,702                | -                                | -                                       | 13,290,702            |
| -                          | 1,619,052                 | -                                | -                                       | 1,647,335             |
| -                          | -                         | -                                | 317,393                                 | 711,980               |
| -                          | -                         | -                                | 495,916                                 | 907,716               |
| -                          | -                         | -                                | -                                       | 176,052               |
| 550,192                    | -                         | -                                | -                                       | 550,192               |
| 21,019                     | -                         | -                                | 370,000                                 | 392,929               |
| 1,156                      | -                         | -                                | 128,992                                 | 130,459               |
| -                          | -                         | -                                | 450                                     | 450                   |
| <b>\$ 11,063,729</b>       | <b>\$ 14,909,754</b>      | <b>\$ 2,651,225</b>              | <b>\$ 1,312,751</b>                     | <b>\$ 44,291,611</b>  |
| <b>\$ (1,449,960)</b>      | <b>\$ (671,687)</b>       | <b>\$ (484,948)</b>              | <b>\$ 220,073</b>                       | <b>\$ (2,474,940)</b> |
| \$ -                       | \$ -                      | \$ -                             | \$ -                                    | \$ 25,000             |
| -                          | -                         | (25,000)                         | -                                       | (25,000)              |
| <b>\$ -</b>                | <b>\$ -</b>               | <b>\$ (25,000)</b>               | <b>\$ -</b>                             | <b>\$ -</b>           |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <b>General</b> | <b>Public<br/>Safety</b> |
|---|----------------|--------------------------|
| <b>Net Change in Fund Balance</b>         | \$ 266,670     | \$ (330,088)             |
| <b>Fund Balance - January 1</b>           | 7,468,619      | 3,533,068                |
| <b>Increase (decrease) in inventories</b> | -              | -                        |
| <b>Fund Balance - December 31</b>         | \$ 7,735,289   | \$ 3,202,980             |

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

| <u>Road and<br/>Bridge</u> | <u>Human<br/>Services</u> | <u>Environmental<br/>Affairs</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>            |
|----------------------------|---------------------------|----------------------------------|---|-------------------------|
| \$ (1,449,960)             | \$ (671,687)              | \$ (509,948)                     | \$ 220,073                              | \$ (2,474,940)          |
| 3,961,745<br>(215,799)     | 3,933,996<br>-            | 4,290,827<br>-                   | 1,678,971<br>-                          | 24,867,226<br>(215,799) |
| <u>\$ 2,295,986</u>        | <u>\$ 3,262,309</u>       | <u>\$ 3,780,879</u>              | <u>\$ 1,899,044</u>                     | <u>\$ 22,176,487</u>    |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT 6*

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (2,474,940)**

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.

|                                   |                    |         |
|-----------------------------------|--------------------|---------|
| Unavailable revenue - December 31 | \$ 2,546,209       |         |
| Unavailable revenue - January 1   | <u>(2,429,998)</u> | 116,211 |

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 | \$ 6,975,875       |           |
| Current year depreciation                                  | <u>(4,144,882)</u> | 2,830,993 |

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.

|                          |               |         |
|--------------------------|---------------|---------|
| Principal repayments     |               |         |
| General obligation bonds | \$ 370,000    |         |
| Capital lease            | <u>22,929</u> | 392,929 |

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.

|   |                  |                  |
|---|------------------|------------------|
| Amortization of refunding deferred charges on bonds | \$ (28,820)      |                  |
| Change in accrued interest payable                  | 9,069            |                  |
| Change in compensated absences                      | (29,724)         |                  |
| Change in other postemployment benefits             | (39,710)         |                  |
| Change in inventories                               | <u>(215,799)</u> | <u>(304,984)</u> |

**Change in Net Position of Governmental Activities (Exhibit 2) \$ 560,209**

**PROPRIETARY FUND**

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FUND NET POSITION  
SUNNYSIDE CARE CENTER ENTERPRISE FUND  
SEPTEMBER 30, 2013**

| <u>Assets</u>                  |                            |
|--------------------------------|----------------------------|
| <b>Current assets</b>          |                            |
| Cash and pooled investments    | \$ 772,339                 |
| Accounts receivable            | 317,699                    |
| Prepaid items                  | <u>20,053</u>              |
| <b>Total current assets</b>    | <b><u>\$ 1,110,091</u></b> |
| <b>Restricted assets</b>       |                            |
| Donor restricted assets        | \$ 10,861                  |
| Resident trust funds           | <u>10,854</u>              |
| <b>Total restricted assets</b> | <b><u>\$ 21,715</u></b>    |
| <b>Noncurrent assets</b>       |                            |
| capital assets                 |                            |
| Nondepreciable                 | \$ 118,625                 |
| Depreciable - net              | <u>1,545,686</u>           |
| <b>Total noncurrent assets</b> | <b><u>\$ 1,664,311</u></b> |
| <b>Total Assets</b>            | <b><u>\$ 2,796,117</u></b> |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**STATEMENT OF FUND NET POSITION  
SUNNYSIDE CARE CENTER ENTERPRISE FUND  
SEPTEMBER 30, 2013**

**Liabilities**

**Current liabilities**

|  |           |
|--|-----------|
| Accounts payable                                   | \$ 95,943 |
| Salaries payable                                   | 46,744    |
| Compensated absences payable                       | 69,124    |
| Advance from other funds                           | 35,968    |
| Accrued interest payable                           | 2,668     |
| Unearned revenue                                   | 21,024    |
| General obligation revenue notes payable - current | 7,000     |
|  | <hr/>     |

**Total current liabilities** **\$ 278,471**

**Current liabilities payable from restricted assets**

|                              |           |
|------------------------------|-----------|
| Resident trust funds payable | \$ 10,854 |
|                              | <hr/>     |

**Noncurrent liabilities**

|  |              |
|--|--------------|
| Advance from other funds                 | \$ 1,031,304 |
| General obligation revenue notes payable | 63,000       |
|  | <hr/>        |

**Total noncurrent liabilities** **\$ 1,094,304**

**Total Liabilities** **\$ 1,383,629**

**Net Position**

|                                     |            |
|-------------------------------------|------------|
| Net investment in capital assets    | \$ 527,039 |
| Restricted for capital acquisitions | 10,861     |
| Unrestricted                        | 874,588    |
|                                     | <hr/>      |

**Total Net Position** **\$ 1,412,488**

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
SUNNYSIDE CARE CENTER ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

|   |                                   |
|---|-----------------------------------|
| <b>Operating Revenues</b>                               |                                   |
| Charges for services                                    | \$ 2,742,732                      |
| Grant revenue   | 51,595                            |
| Other operating revenue                                 | <u>76,424</u>                     |
| <b>Total Operating Revenues</b>                         | <b><u>\$ 2,870,751</u></b>        |
| <b>Operating Expenses</b>                               |                                   |
| Employee benefits                                       | \$ 486,867                        |
| Ancillary services                                      | 114,666                           |
| Nursing   | 1,057,292                         |
| Social services and activities                          | 72,880                            |
| Plant operations  | 156,928                           |
| Administrative  | 353,197                           |
| Medical care surcharge                                  | 126,685                           |
| Laundry and linen                                       | 52,751                            |
| Dietary   | 259,875                           |
| Housekeeping  | 55,042                            |
| Depreciation  | <u>111,658</u>                    |
| <b>Total Operating Expenses</b>                         | <b><u>\$ 2,847,841</u></b>        |
| <b>Operating Income (Loss)</b>                          | <b><u>\$ 22,910</u></b>           |
| <b>Nonoperating Revenues (Expenses)</b>                 |                                   |
| Noncapital grants and contributions                     | \$ 1,108                          |
| Interest income   | 619                               |
| Interest expense  | <u>(32,176)</u>                   |
| <b>Total Nonoperating Revenues (Expenses)</b>           | <b><u>\$ (30,449)</u></b>         |
| <b>Income (loss) before contributions and transfers</b> | <b>\$ (7,539)</b>                 |
| Capital grants and contributions                        | <u>1,587</u>                      |
| <b>Change in Net Position</b>                           | <b>\$ (5,952)</b>                 |
| <b>Net Position - October 1</b>                         | <b><u>1,418,440</u></b>           |
| <b>Net Position - September 30</b>                      | <b><u><u>\$ 1,412,488</u></u></b> |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT 9*

**STATEMENT OF CASH FLOWS  
SUNNYSIDE CARE CENTER ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
Increase (Decrease) in Cash and Cash Equivalents**

|  |                                 |
|--|---------------------------------|
| <b>Cash Flows from Operating Activities</b>                                    |                                 |
| Receipts from residents  | \$ 2,947,184                    |
| Payments to suppliers  | (770,596)                       |
| Payments to employees  | <u>(1,915,647)</u>              |
| <b>Net cash provided by (used in) operating activities</b>                     | <b><u>\$ 260,941</u></b>        |
| <b>Cash Flows from Noncapital Financing Activities</b>                         |                                 |
| Noncapital grants and contributions  | <b><u>\$ 1,108</u></b>          |
| <b>Cash Flows from Capital and Related Financing Activities</b>                |                                 |
| Capital contributions  | \$ 1,587                        |
| Principal paid on long-term debt   | (41,912)                        |
| Interest paid on long-term debt  | (34,099)                        |
| Purchases of capital assets  | <u>(40,589)</u>                 |
| <b>Net cash provided by (used in) capital and related financing activities</b> | <b><u>\$ (115,013)</u></b>      |
| <b>Cash Flows from Investing Activities</b>                                    |                                 |
| Investment earnings received   | \$ 619                          |
| Increase in restricted assets  | <u>(1,587)</u>                  |
| <b>Net cash provided by (used in) Investing Activities</b>                     | <b><u>\$ (968)</u></b>          |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                    | <b>\$ 146,068</b>               |
| <b>Cash and Cash Equivalents at October 1</b>                                  | <b><u>626,271</u></b>           |
| <b>Cash and Cash Equivalents at September 30</b>                               | <b><u><u>\$ 772,339</u></u></b> |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

***EXHIBIT 9  
(Continued)***

**STATEMENT OF CASH FLOWS  
SUNNYSIDE CARE CENTER ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
Increase (Decrease) in Cash and Cash Equivalents**

**Reconciliation of Operating Income (Loss) to Net Cash**

**Provided by (Used in) Operating Activities**

|                                |                         |
|--------------------------------|-------------------------|
| <b>Operating income (loss)</b> | <b>\$ <u>22,910</u></b> |
|--------------------------------|-------------------------|

**Adjustments to reconcile operating income (loss) to net cash  
provided by (used in) operating activities**

|  |              |
|--|--------------|
| Depreciation expense                       | \$ 111,658   |
| Provision for bad debts                    | 17,652       |
| (Increase) decrease in accounts receivable | 59,424       |
| (Increase) decrease in prepaid items       | 9,194        |
| Increase (decrease) in accounts payable    | 36,433       |
| Increase (decrease) in liabilities         | 4,313        |
| Increase (decrease) in unearned revenue    | <u>(643)</u> |

|                          |                          |
|--------------------------|--------------------------|
| <b>Total adjustments</b> | <b>\$ <u>238,031</u></b> |
|--------------------------|--------------------------|

|  |                                 |
|--|---------------------------------|
| <b>Net Cash Provided by (Used in) Operating Activities</b> | <b>\$ <u><u>260,941</u></u></b> |
|--|---------------------------------|

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**FIDUCIARY FUNDS**

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT 10*

**STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2013**

| <u><b>Assets</b></u>          |                            |
|-------------------------------|----------------------------|
| Cash and pooled investments   | <u><u>\$ 1,339,847</u></u> |
| <br><u><b>Liabilities</b></u> |                            |
| Accounts payable              | \$ 226,755                 |
| Due to other governments      | 1,024,258                  |
| Deferred credits              | <u>88,834</u>              |
| <b>Total Liabilities</b>      | <u><u>\$ 1,339,847</u></u> |

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of GASB Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.8. for additional information regarding the County's deferred outflows/inflows of resources.

Restatements of December 31, 2012, net position or fund balance were not required as a result of adopting these changes in accounting principles.

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 Minn. Stat. ch. 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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Becker County is discretely presented:

| <u>Component Unit</u>  | <u>Component Unit is Included in Reporting Entity Because</u>                         | <u>Separate Financial Statements</u>  |
|--|---|---|
| The Becker County Economic Development Authority (EDA) provides services pursuant to Minn. Stat. §§ 469.090 to 469.1081 and Minn. Stat. §§ 469.001 to 469.047. | County appoints members and the Economic Development Authority is a financial burden. | Becker County Auditor-Treasurer's Office<br>915 Lake Avenue<br>Detroit Lakes, Minnesota 56501 |

Joint Ventures

The County participates in several joint ventures described in Note 6.B. The County also participates in the jointly-governed organizations described in Note 6.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. 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.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net position, 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 position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. 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 clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. 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**

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1. 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 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 an annual property tax levy and special appropriations from the State of Minnesota.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Revenues include property taxes, intergovernmental assistance and charges for services.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs. Revenues include property taxes, intergovernmental assistance, and charges for services.

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, 2013.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources for specified purposes other than debt service or capital projects.

Debt service funds account for resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

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 agent 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. Shared revenues are generally recognized in the period the appropriation goes into effect. 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. Becker County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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.

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

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at fair value at December 31, 2013, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds 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 2013 were a negative \$19,453.

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 Minn. Stat. § 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 May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.



**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

3. Receivables and Payables (Continued)

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” 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.

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 assets on the statement of net position 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 (roads, bridges, and similar items), buildings and improvements, and machinery and equipment are reported in the applicable governmental or

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

6. Capital Assets (Continued)

business-type activities column in the 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 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.

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       |

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the current period, the County did not have any capitalized interest.

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

7. Compensated Absences (Continued)

government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds for up to the annual accrual of vacation and vested sick leave if matured, for example, as a result of employee resignations and retirements.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County only has one item that qualifies for reporting in this category, which is the deferred charge on refunding bonds reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its re-acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

9. Long-Term Obligations (Continued)

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

10. Classification of Net Position

Net position in the government-wide financial statements are classified in the following categories:

Net investment in capital assets - the portion of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted - the portion of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - the portion of net position that is not included in the net investment in capital assets or restricted components.

11. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

11. Classification of Fund Balances (Continued)

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

Committed - amounts that can be used for the specific purposes imposed by formal action (ordinance or resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor-Treasurer who has been delegated that authority by Board resolution.

Unassigned - the residual classification for the General Fund includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

12. Minimum Fund Balance

The County will maintain an unrestricted fund balance in the General Fund of an amount not less than 35 to 50 percent of next year's budgeted expenditures of the General Fund. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall in excess of \$150,000. If spending unrestricted funds in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the County Administrator shall create a plan to restore fund balance to an appropriate level and provide this to the County Board for action. The plan for replenishment should not be longer than three years.

13. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget

The following is a table of the individual funds with expenditures in excess of budget for the year ended December 31, 2013:

|                       | <u>Expenditures</u> | <u>Final Budget</u> | <u>Excess</u> |
|-----------------------|---------------------|---------------------|---------------|
| Special Revenue Funds |                     |                     |               |
| Public Safety         | \$ 7,284,683        | \$ 6,911,657        | \$ 373,026    |
| Road and Bridge       | 11,063,729          | 9,075,002           | 1,988,727     |
| Human Services        | 14,909,754          | 14,719,428          | 190,326       |
| Environmental Affairs | 2,651,225           | 2,040,382           | 610,843       |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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2. Stewardship, Compliance, and Accountability (Continued)

B. Land Management

The County manages approximately 74,239 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.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

|                             |                      |
|-----------------------------|----------------------|
| Governmental Activities     |                      |
| Cash and pooled investments | \$ 21,841,689        |
| Petty cash and change funds | 9,650                |
| Business-Type Activities    |                      |
| Cash and pooled investments | 772,339              |
| Restricted cash             |                      |
| Donor-restricted cash       | 10,861               |
| Resident trust funds        | 10,854               |
| Fiduciary assets            |                      |
| Cash and pooled investments | <u>1,339,847</u>     |
| Total Cash and Investments  | <u>\$ 23,985,240</u> |

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. It is the County’s policy to obtain collateral or surety bond for all uninsured amounts on deposit, and obtain necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2013, the County’s deposits were not exposed to custodial credit risk.

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;



**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (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 to meet cash requirements for ongoing operations as a means of managing its exposure to fair value losses arising from increasing interest rates or the need to sell securities on the open market prior to maturity.

Credit Risk

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

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. It is the County's policy to allow brokers to hold County investments to the extent there is SIPC and excess SIPC coverage available. At December 31, 2013, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County minimizes concentration of credit risk by diversifying the investment portfolio.

The following table represents the County's deposit and investment balances at December 31, 2013, and information relating to potential investment risks:

| Investment Type                             | Credit Risk      |                  | Concentration                  | Interest Rate         | Carrying<br>(Fair)<br>Value |
|---|------------------|------------------|--------------------------------|-----------------------|-----------------------------|
|   | Credit<br>Rating | Rating<br>Agency | Over 5 Percent<br>of Portfolio | Risk<br>Maturity Date |                             |
| U.S. government agency securities           |                  |                  |                                |                       |                             |
| Federal National Mortgage Association       | N/R              | N/A              | <5.0%                          | 04/01/2021            | \$ 6,939                    |
| Federal Home Loan Bank                      | AAA              | Moody            |                                | 12/28/2022            | \$ 1,335,908                |
| Federal Home Loan Bank                      | AAA              | Moody            |                                | 01/30/2023            | 473,300                     |
| Federal Home Loan Bank                      | AAA              | Moody            |                                | 03/28/2023            | 474,505                     |
| Total Federal Home Loan Bank                |                  |                  | 15.23%                         |                       | \$ 2,283,713                |
| Total U.S. government agency securities     |                  |                  |                                |                       |                             |
|   |                  |                  |                                |                       | \$ 2,290,652                |
| Local securities                            |                  |                  |                                |                       |                             |
| San Francisco City General Obligation Bonds | N/R              | N/A              |                                | 06/15/2014            | \$ 50,864                   |
| Bayonne N J, General Improvement            | N/R              | N/A              |                                | 07/01/2014            | 101,963                     |
| Chicago Ill Revenue Bonds                   | N/R              | N/A              |                                | 12/01/2015            | 81,695                      |
| Parmer County TX Hospital District GO Bonds | N/R              | N/A              |                                | 02/15/2016            | 266,073                     |
| Parmer County TX Hospital District GO Bonds | N/R              | N/A              |                                | 02/15/2017            | 135,188                     |
| New Orleans LA General Obligation Bonds     | N/R              | N/A              |                                | 09/01/2020            | 619,931                     |
| Lake Park-Audubon General Obligation Bonds  | N/R              | N/A              |                                | 02/01/2026            | 537,505                     |
| Total local securities                      |                  |                  | 11.96%                         |                       | \$ 1,793,219                |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

| Investment Type  | Credit Risk      |                  | Concentration                          | Interest Rate         | Carrying<br>(Fair)<br>Value |
|--|------------------|------------------|--|-----------------------|-----------------------------|
|  | Credit<br>Rating | Rating<br>Agency | Risk<br>Over 5 Percent<br>of Portfolio | Risk<br>Maturity Date |                             |
| Negotiable certificates of deposit                                       | N/R              |                  |  |                       | \$ 736,008                  |
| MAGIC Fund   | N/R              |                  |  |                       | \$ 10,181,903               |
| Total investments  |                  |                  |  |                       | \$ 15,001,782               |
| Deposits   |                  |                  |  |                       | 8,978,795                   |
| Change funds   |                  |                  |  |                       | 10,450                      |
| Restricted cash at Sunnyside Care Center                                 |                  |                  |  |                       | 21,715                      |
| Change in Enterprise Fund cash from September 30 to<br>December 31, 2013 |                  |                  |  |                       | (27,502)                    |
| Total Cash and Investments   |                  |                  |  |                       | <u>\$ 23,985,240</u>        |

N/R - Not Rated; N/A - Not Applicable

2. Receivables

Receivables as of December 31, 2013, for the County's governmental activities and as of September 30, 2013, for the County's business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

|                               | Total<br>Receivables | Amounts Not<br>Scheduled for<br>Collection During<br>the Subsequent Year |
|-------------------------------|----------------------|--|
| Governmental Activities       |                      |  |
| Taxes                         | \$ 781,519           | \$ -   |
| Special assessments           | 10,722               | -  |
| Accounts                      | 1,156,208            | -  |
| Interest                      | 44,745               | -  |
| Due from other governments    | 2,100,831            | -  |
| Advance to other funds        | 1,067,272            | 1,031,304  |
| Total Governmental Activities | <u>\$ 5,161,297</u>  | <u>\$ 1,031,304</u>  |
| Business-Type Activities      |                      |  |
| Accounts                      | <u>\$ 317,699</u>    | <u>\$ -</u>  |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2013, and for the business-type activities for the year ended September 30, 2013, was as follows:

Governmental Activities

|  | Beginning<br>Balance  | Increase            | Decrease          | Ending<br>Balance     |
|--|-----------------------|---------------------|-------------------|-----------------------|
| Capital assets not depreciated                 |                       |                     |                   |                       |
| Land   | \$ 1,622,982          | \$ 4,400            | \$ -              | \$ 1,627,382          |
| Right-of-way                                   | 681,211               | 3,919               | -                 | 685,130               |
| Construction in progress                       | 69,199                | 182,387             | -                 | 251,586               |
| Total capital assets not depreciated           | <u>\$ 2,373,392</u>   | <u>\$ 190,706</u>   | <u>\$ -</u>       | <u>\$ 2,564,098</u>   |
| Capital assets depreciated                     |                       |                     |                   |                       |
| Buildings                                      | \$ 19,043,963         | \$ 81,320           | \$ -              | \$ 19,125,283         |
| Land improvements                              | 1,277,831             | -                   | -                 | 1,277,831             |
| Machinery, furniture, and equipment            | 6,159,870             | 998,946             | 163,209           | 6,995,607             |
| Infrastructure                                 | 85,821,849            | 5,704,903           | -                 | 91,526,752            |
| Total capital assets depreciated               | <u>\$ 112,303,513</u> | <u>\$ 6,785,169</u> | <u>\$ 163,209</u> | <u>\$ 118,925,473</u> |
| Less: accumulated depreciation for             |                       |                     |                   |                       |
| Buildings                                      | \$ 7,875,753          | \$ 530,845          | \$ -              | \$ 8,406,598          |
| Land improvements                              | 397,117               | 62,517              | -                 | 459,634               |
| Machinery, furniture, and equipment            | 4,419,443             | 466,752             | 163,209           | 4,722,986             |
| Infrastructure                                 | 41,303,373            | 3,084,768           | -                 | 44,388,141            |
| Total accumulated depreciation                 | <u>\$ 53,995,686</u>  | <u>\$ 4,144,882</u> | <u>\$ 163,209</u> | <u>\$ 57,977,359</u>  |
| Total capital assets depreciated, net          | <u>\$ 58,307,827</u>  | <u>\$ 2,640,287</u> | <u>\$ -</u>       | <u>\$ 60,948,114</u>  |
| Governmental Activities<br>Capital Assets, Net | <u>\$ 60,681,219</u>  | <u>\$ 2,830,993</u> | <u>\$ -</u>       | <u>\$ 63,512,212</u>  |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

|  | Beginning<br>Balance | Increase           | Decrease    | Ending<br>Balance   |
|--|----------------------|--------------------|-------------|---------------------|
| Capital assets not depreciated               |                      |                    |             |                     |
| Land   | \$ 118,625           | \$ -               | \$ -        | \$ 118,625          |
| Capital assets depreciated                   |                      |                    |             |                     |
| Land improvements                            | \$ 165,090           | \$ 38,100          | \$ -        | \$ 203,190          |
| Buildings                                    | 2,634,041            | -                  | -           | 2,634,041           |
| Equipment                                    | 580,194              | 2,489              | -           | 582,683             |
| Vehicles                                     | 14,438               | -                  | -           | 14,438              |
| <b>Total capital assets depreciated</b>      | <b>\$ 3,393,763</b>  | <b>\$ 40,589</b>   | <b>\$ -</b> | <b>\$ 3,434,352</b> |
| Less: accumulated depreciation for           |                      |                    |             |                     |
| Land improvements                            | \$ 140,601           | \$ 2,575           | \$ -        | \$ 143,176          |
| Buildings                                    | 1,178,565            | 81,865             | -           | 1,260,430           |
| Equipment                                    | 443,404              | 27,218             | -           | 470,622             |
| Vehicles                                     | 14,438               | -                  | -           | 14,438              |
| <b>Total accumulated depreciation</b>        | <b>\$ 1,777,008</b>  | <b>\$ 111,658</b>  | <b>\$ -</b> | <b>\$ 1,888,666</b> |
| <b>Total capital assets depreciated, net</b> | <b>\$ 1,616,755</b>  | <b>\$ (71,069)</b> | <b>\$ -</b> | <b>\$ 1,545,686</b> |
| <b>Business-Type Activities</b>              |                      |                    |             |                     |
| <b>Capital Assets, Net</b>                   | <b>\$ 1,735,380</b>  | <b>\$ (71,069)</b> | <b>\$ -</b> | <b>\$ 1,664,311</b> |

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

|   |              |
|---|--------------|
| Governmental Activities   |              |
| General government  | \$ 500,341   |
| Public safety   | 123,428      |
| Highways and streets, including depreciation of infrastructure assets | 3,357,894    |
| Human services  | 17,369       |
| Sanitation  | 88,921       |
| Public transportation   | 38,302       |
| Culture and recreation  | 17,968       |
| Conservation  | 659          |
|   | \$ 4,144,882 |
| Total Depreciation Expense - Governmental Activities                  |              |
|   | \$ 4,144,882 |
| <br>Business-Type Activities  |              |
| Sunnyside Care Center   | \$ 111,658   |
|   | \$ 111,658   |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2013, is as follows:

1. Due To/From Other Funds

| Receivable Fund   | Payable Fund                                     | Amount    |
|---|--|-----------|
| General Fund  | Human Services Special Revenue Fund              | \$ 13,651 |
|   | Gravel Tax Special Revenue Fund                  | 2,795     |
|   |  | 16,446    |
| Total due to General Fund                               |  | \$ 16,446 |
| Road and Bridge Special Revenue Fund                    | General Fund                                     | \$ 7,769  |
|   | Public Safety Special Revenue Fund               | 7,201     |
|   | Human Services Special Revenue Fund              | 911       |
|   | Parks and Recreation Special Revenue Fund        | 659       |
|   | Environmental Affairs Special Revenue Fund       | 2,963     |
|   | Natural Resource Management Special Revenue Fund | 354       |
|   | Gravel Tax Special Revenue Fund                  | 22,568    |
|   |  | 42,425    |
| Total due to Road and Bridge Special Revenue Fund       |  | \$ 42,425 |
| Environmental Affairs Special Revenue Fund              | General Fund                                     | \$ 132    |
|   | Public Safety Special Revenue Fund               | 44        |
|   | Road and Bridge Special Revenue Fund             | 44        |
|   | Parks and Recreation Special Revenue Fund        | 22        |
|   |  | 242       |
| Total due to Environmental Affairs Special Revenue Fund |  | \$ 242    |
| Total Due To/From Other Funds                           |  | \$ 59,113 |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advances From/To Other Funds

| Receivable Fund | Payable Fund                          | Amount       |
|-----------------|---------------------------------------|--------------|
| General Fund    | Sunnyside Care Center Enterprise Fund | \$ 1,067,272 |

The Sunnyside Care Center Enterprise Fund advance is a result of Becker County calling and redeeming the Care Center's Series 2004 General Obligation Nursing Home bonds with an outstanding balance of \$1,190,000 in February 2010. The County then advanced \$1,165,000 to the Care Center which bears interest of 5 percent and is to be paid back by March 2035 with semi-annual principal and interest payments.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

|  |           |   |
|--|-----------|---|
| Transfer to General Fund from Environmental Affairs Special Revenue Fund | \$ 25,000 | To meet the short-term and long-term priorities of the Board. |
|--|-----------|---|

C. Liabilities

1. Payables

Payables at December 31, 2013, were as follows:

|                          | Governmental<br>Activities | Business-Type<br>Activities |
|--------------------------|----------------------------|-----------------------------|
| Accounts                 | \$ 689,871                 | \$ 95,943                   |
| Salaries                 | 1,105,250                  | 46,744                      |
| Contracts                | 302,612                    | -                           |
| Due to other governments | 648,600                    | -                           |
| Compensated absences     | -                          | 69,124                      |
| Resident trust funds     | -                          | 10,854                      |
| Interest                 | 50,148                     | 2,668                       |
| Total Payables           | \$ 2,796,481               | \$ 225,333                  |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Unearned Revenue

Unearned revenue as of December 31, 2013, was as follows:

|                        | Governmental<br>Activities | Business-Type<br>Activities |
|------------------------|----------------------------|-----------------------------|
| Total Unearned Revenue | \$ -                       | \$ 21,024                   |

3. Construction Commitments

The government has active construction projects as of December 31, 2013.

|                                   | Spent-to-Date | Remaining<br>Commitment |
|-----------------------------------|---------------|-------------------------|
| Governmental Activities           |               |                         |
| Solid Waste Transfer Station      | \$ 214,886    | \$ 102,519              |
| Gravel Crushing Contract          | 31,746        | 73,254                  |
| 2015 International Tandem Plow    | -             | 77,701                  |
| Dump Body                         | -             | 98,732                  |
| 2014 John Deere 644K Wheel Loader | -             | 132,560                 |
| Total Construction Commitments    | \$ 246,632    | \$ 484,766              |

4. Capital Leases

The County has entered into lease agreements as a 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 payment as of the inception date. The capital leases consist of the following at December 31, 2013:

| Lease   | Maturity | Installment | Payment<br>Amount | Original<br>Amount | Balance  |
|---|----------|-------------|-------------------|--------------------|----------|
| Governmental Activities<br>2010 Postage machine | 2015     | Annual      | \$2,221           | \$ 9,029           | \$ 2,625 |



**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

4. Capital Lease (Continued)

The future minimum lease obligations as of December 31, 2013, were as follows:

| Year Ending<br>December 31         | Governmental<br>Activities |
|------------------------------------|----------------------------|
| 2014                               | \$ 2,221                   |
| 2015                               | 555                        |
| Total minimum lease payments       | \$ 2,776                   |
| Less: amount representing interest | (151)                      |
| Total Payments                     | \$ 2,625                   |

5. Long-Term Debt

Governmental Activities

| Type of Indebtedness                | Final<br>Maturity | Installment<br>Amounts   | Interest<br>Rates<br>(%) | Original<br>Issue<br>Amount | Outstanding<br>Balance<br>December 31,<br>2013 |
|-------------------------------------|-------------------|--------------------------|--------------------------|-----------------------------|--|
| General obligation bonds            |                   |                          |                          |                             |  |
| 2012 Capital Improvement Bonds      | 2027              | \$195,000 -<br>\$425,000 | 2.00 -<br>3.00           | \$ 5,340,000                | \$ 4,970,000                                   |
| Add: unamortized premium            |                   |                          |                          |                             | 161,646  |
| Total General Obligation Bonds, Net |                   |                          |                          |                             | \$ 5,131,646                                   |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt (Continued)

Business-Type Activities

| Type of Indebtedness   | Final<br>Maturity | Installment<br>Amounts | Interest<br>Rates<br>(%) | Original<br>Issue<br>Amount | Outstanding<br>Balance<br>September 30,<br>2013 |
|------------------------|-------------------|------------------------|--------------------------|-----------------------------|---|
| 2004 G.O. Revenue Note | 2022              | \$7,000 -<br>\$8,000   | 1.68                     | \$ 135,430                  | \$ 70,000                                       |
| Notes Payable*         | 2035              | \$24,805 -<br>\$77,239 | 5.00                     | 1,165,000                   | 1,067,272                                       |
|                        |                   |                        |                          |                             | <u>\$ 1,137,272</u>                             |

\*See Note 3.B.2., this note is payable to the General Fund and is reported on the government-wide statement of net position as internal balances.

6. Debt Service Requirements

Debt service requirements at December 31, 2013, for governmental activities and September 30, 2013, for business-type activities were as follows:

Governmental Activities

| Year Ending<br>December 31 | General Obligation Bonds |                   |
|----------------------------|--------------------------|-------------------|
|                            | Principal                | Interest          |
| 2014                       | \$ 320,000               | \$ 117,125        |
| 2015                       | 325,000                  | 110,675           |
| 2016                       | 330,000                  | 104,125           |
| 2017                       | 335,000                  | 97,475            |
| 2018                       | 345,000                  | 90,675            |
| 2019 - 2023                | 1,870,000                | 300,903           |
| 2024 - 2027                | 1,445,000                | 63,022            |
| Total                      | <u>\$ 4,970,000</u>      | <u>\$ 884,000</u> |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Debt Service Requirements (Continued)

Business-Type Activities

| Year Ending<br>September 30 | Notes               |                   |
|-----------------------------|---------------------|-------------------|
|                             | Principal           | Interest          |
| 2014                        | \$ 42,968           | \$ 32,926         |
| 2015                        | 44,054              | 31,722            |
| 2016                        | 46,174              | 30,485            |
| 2017                        | 47,329              | 29,195            |
| 2018                        | 48,517              | 27,873            |
| 2019 - 2023                 | 253,714             | 118,220           |
| 2024 - 2028                 | 257,307             | 81,283            |
| 2029 - 2033                 | 298,621             | 39,975            |
| 2034 - 2035                 | 98,588              | 2,972             |
| Total                       | <u>\$ 1,137,272</u> | <u>\$ 394,651</u> |

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, for governmental activities and September 30, 2013, for business-type activities was as follows:

Governmental Activities

|  | Beginning<br>Balance | Additions           | Reductions          | Ending<br>Balance   | Due Within<br>One Year |
|--|----------------------|---------------------|---------------------|---------------------|------------------------|
| Bonds payable                                    |                      |                     |                     |                     |                        |
| General obligation bonds                         | \$ 5,340,000         | \$ -                | \$ 370,000          | \$ 4,970,000        | \$ 320,000             |
| Add: unamortized premium                         | 161,646              | -                   | -                   | 161,646             | -                      |
| Total bonds payable                              | \$ 5,501,646         | \$ -                | \$ 370,000          | \$ 5,131,646        | \$ 320,000             |
| Capital leases                                   | 25,554               | -                   | 22,929              | 2,625               | 2,078                  |
| Compensated absences                             | 2,226,707            | 1,403,760           | 1,374,036           | 2,256,431           | 1,348,504              |
| OPEB liability                                   | 629,378              | 39,710              | -                   | 669,088             | -                      |
| Governmental Activities<br>Long-Term Liabilities | <u>\$ 8,383,285</u>  | <u>\$ 1,443,470</u> | <u>\$ 1,766,965</u> | <u>\$ 8,059,790</u> | <u>\$ 1,670,582</u>    |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

7. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

|                            | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|----------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| General obligation revenue |                              |                  |                   |                           |                                |
| Notes                      | \$ 77,000                    | \$ -             | \$ 7,000          | \$ 70,000                 | \$ 7,000                       |
| Note payable*              | 1,102,184                    | -                | 34,912            | 1,067,272                 | 35,968                         |
| Business-Type Activities   |                              |                  |                   |                           |                                |
| Long-Term Liabilities      | <u>\$ 1,179,184</u>          | <u>\$ -</u>      | <u>\$ 41,912</u>  | <u>\$ 1,137,272</u>       | <u>\$ 42,968</u>               |

\*Reported in the government-wide statements as internal balance and in the Enterprise Fund statements as advance from other funds.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Becker County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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

Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. 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 remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2013:

|                                       |        |
|---------------------------------------|--------|
| General Employees Retirement Fund     |        |
| Basic Plan members                    | 11.78% |
| Coordinated Plan members              | 7.25   |
| Public Employees Police and Fire Fund | 14.40  |
| Public Employees Correctional Fund    | 8.75   |

The County's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

|                                       | 2013       | 2012       | 2011       |
|---------------------------------------|------------|------------|------------|
| General Employees Retirement Fund     | \$ 872,071 | \$ 854,729 | \$ 829,633 |
| Public Employees Police and Fire Fund | 201,273    | 217,294    | 217,709    |
| Public Employees Correctional Fund    | 114,618    | 115,396    | 112,319    |

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2013, were:

|                               | <u>Employee</u> | <u>Employer</u> |
|-------------------------------|-----------------|-----------------|
| Contribution amount           | \$ 8,120        | \$ 8,120        |
| Percentage of covered payroll | 5%              | 5%              |

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

Becker County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Becker County Board of Commissioners. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This post-employment benefit is funded on a pay-as-you-go basis usually paying retiree benefits out of the General Fund. As of the January 1, 2010, actuarial valuation, there were approximately 230 participants in the plan, including six retirees.



**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

|   |            |
|---|------------|
| Net OPEB Obligation - Beginning of Year | \$ 629,378 |
| Increase in net OPEB obligation         | 39,710     |
| Net OPEB Obligation - End of Year       | \$ 669,088 |

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

| Fiscal Year<br>Ending | Annual<br>OPEB<br>Cost | Annual<br>Employer<br>Contribution | Percentage<br>of Annual<br>OPEB Cost<br>Contributed<br>(%) | Net OPEB<br>Obligation |
|-----------------------|------------------------|------------------------------------|--|------------------------|
| December 31, 2010     | \$ 148,085             | \$ 27,223                          | 18.4%  | \$ 430,688             |
| December 31, 2011     | 145,952                | 46,607                             | 31.9   | 530,033                |

The County has not had an actuarial valuation since January 1, 2010. The net OPEB obligation for the beginning of the year was based on an actuarial valuation; however, the increase in the obligation for 2013 and the resulting net OPEB obligation at year-end are based upon an estimate made by the County.

Funded Status and Funding Progress

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the January 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Becker County's implicit rate of return on the General Fund. The annual health care cost trend is 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 7 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2013, was 24 years.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For 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 the past three fiscal years.

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5. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$470,000 per claim in 2013 and \$480,000 per claim in 2014. 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. 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.

6. 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, is involved in various judgments, claims, and litigation. The County Attorney identified no potential claims against the County that would materially affect the financial statements.

B. 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 Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The BCCI includes Becker County, Detroit Lakes ISD 22, Frazee ISD 23, Lake Park Audubon ISD 2889, Pine Point ISD 25, and Mahube-OTWA Community Action Partnership. 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.

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Becker County Children's Initiative (Continued)

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 Minn. Stat. § 124D.23 as a family service collaborative.

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

The BCCI has no long-term debt. Financing is provided by state and federal grants, appropriations from joint powers members, and miscellaneous revenues. In 2013, Becker County contributed \$303,609 to the BCCI.

Separate financial information can be obtained from:

Becker County Children's Initiative  
P. O. Box 24  
Detroit Lakes, Minnesota 56502-0024

Land of the Dancing Sky Area Agency on Aging

The Land of the Dancing Sky Area Agency on Aging provides services to a 21-county service area. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. This combined area on aging was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards of the two areas on aging continue to meet monthly to make decisions affecting their local counties.

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board convening meeting was held February 6, 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead and the Counties of Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau.

The purpose of the Northwest Minnesota Regional Radio Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

Control of the Northwest Minnesota Regional Radio Board is vested in the Northwest Minnesota Regional Radio Board, which is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Northwest Minnesota Regional Radio Board's bylaws.

In the event of dissolution of the Northwest Minnesota Regional Radio Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants.

Complete financial information can be obtained from:

Northwest Minnesota Regional Radio Board  
c/o Greater Northwest EMS  
2301 Johanneson Avenue N.W.  
Suite 103  
Bemidji, Minnesota 56601

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwestern Counties Data Processing Security Association

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

Control of the NCDPSA is vested in the NCDPSA Joint Powers Board, which is composed of one County Commissioner from each member county. In the event of dissolution, the net position of the NCDPSA at that time shall be distributed to the respective member counties in proportion to their contributions.

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties.

Separate financial information can be obtained from:

Clearwater County Auditor  
213 North Main Avenue  
Bagley, Minnesota 56621

Prairie Lakes Municipal Solid Waste Authority

The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board was established in 2010, under the authority conferred upon the member parties by Minn. Stat. § 471.59 and chs. 115A and 400, and includes the Counties of Becker, Otter Tail, Todd, and Wadena.

The purpose of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is to jointly exercise powers common to each participating party dealing with the ownership and operation of the Perham Resource Recovery Facility, as well as cooperation with efforts in other solid waste management activities that affect the operations of the Perham Resource Recovery Facility. The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is composed of one Commissioner each

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Prairie Lakes Municipal Solid Waste Authority (Continued)

from Becker, Todd, and Wadena Counties and two members from Otter Tail County. Each party may appoint alternate Board members and shall represent one vote on the Board.

In the event of dissolution of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board, all assets and liabilities of the Board shall be distributed and/or retired based on the contracted debt obligation of each of the parties of the agreement providing such entity is a party to the agreement at the time of the discharge of assets and liabilities.

Financial information can be obtained from:

Otter Tail County Solid Waste  
1115 Tower Road N.  
Fergus Falls, Minnesota 56537

Rural Minnesota Concentrated Employment Programs, Inc. (WIA - Rural Minnesota Workforce Service Area 2)

Rural Minnesota Concentrated Employment Programs, Inc., was established to create job training and employment opportunities for economically disadvantaged, under-employed and unemployed persons, and youthful persons in both the private the public sector.

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, Pope, Wadena, and Wilkin 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.

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

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.

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Becker County provided \$1,000 to this organization in 2013.

Separate financial information can be obtained from:

Douglas County Courthouse  
305 8th Avenue W.  
Alexandria, Minnesota 56308

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1992, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. In 2005, the Area Agency on Aging became part of a larger planning and service area covering 21 counties. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. The combined area on aging, known as the Land of the Dancing Sky Area on Aging, was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out 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.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards continue to meet monthly to make decisions affecting their local counties.



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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Area Agency on Aging (Continued)

Control is vested in the West Central Board on Aging. The Board consists of one Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

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.

Complete financial information can be obtained from:

West Central Area Agency on Aging  
P. O. Box 726  
Fergus Falls, Minnesota 56537

C. Jointly-Governed Organizations

Becker County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

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 the City of Detroit Lakes. The County appropriated \$40,500 for airport operations in 2013.

Buffalo-Red River Watershed District

The Buffalo-Red River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective June 17, 1963, and includes land within Becker, Clay, Otter Tail and Wilkin Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, and other conservation projects by using

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6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Buffalo-Red River Watershed District (Continued)

sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. Control of the District is vested in the Buffalo-Red River Watershed District Board of Managers, which is composed of seven members having staggered terms of three years each, with one appointed by the Becker County Board, three appointed by the Clay County Board, one appointed by the Otter Tail County Board, and two appointed by the Wilkin County Board.

Communities Caring for Children

The Communities Caring for Children (CCC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the CCC during 2013.

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 Minn. Stat. § 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.

Region Three - Northwest Minnesota Homeland Security Emergency Management Organization

The Region Three - Northwest Minnesota Security Emergency Management Organization (NWRHSEM) was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59 and Minn. Stat. ch. 12. Members include Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the NWRHSEM region.

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6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Region Three - Northwest Minnesota Homeland Security Emergency Management Organization (Continued)

Control is vested in the Board, which is composed of 14 representatives appointed by each Board of County Commissioners. Becker County's responsibility does not extend beyond making this appointment.

Lake Agassiz Regional Library

The Lake Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1961, and includes Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, with 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. In 2013, Becker County provided \$322,015 in the form of an appropriation.

Lakeland Mental Health Center

Lakeland Mental Health Center was formed pursuant to Minn. Stat. ch. 317A as a 501-(c)3 nonprofit corporation on February 10, 1961, and includes Becker, Clay, Douglas, Grant, Otter Tail, and Pope Counties. The purpose of Lakeland Mental Health Center is to promote healthy individuals, families, and communities by providing high quality accessible mental health services.

The management of Lakeland Mental Health Center is vested in a Board of Directors consisting of one Commissioner and one community-at-large representative from each member county, plus one human service director, or equivalent position, rotated between the member counties.

Services are provided to the member counties through purchase of service agreements. A member county may lose its membership, by action of the Board of Directors, if it fails to have a signed contract with Lakeland Mental Health Center. Becker County paid \$380,321 in 2013 for services purchased through Lakeland Mental Health Center.

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6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County made no payments to the joint powers.

Minnesota Red River Basin of the North Joint Powers Agreement

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Becker County and 17 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget.

Control is vested in a Joint Powers Board comprised of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2013, the County did not contribute any funding to the Joint Powers Board.

Complete financial statements can be obtained from the offices of the International Coalition.

Western Area City/County Co-Op

Becker County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-Op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. Stat. § 471.59. The purpose of WACCO is to establish a resource network that identifies common needs of the individual governmental units and reduces the financial burden on each of its members through the cooperative sharing of existing resources. The management and control of WACCO shall be vested in a Board of Directors composed of a representative appointed by each member city and county. The County did not contribute to WACCO during 2013.

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6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969, pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnomen, Norman, and Polk Counties. The purpose of the Watershed District is to oversee watershed projects, conduct studies for future project planning, administration of legal drainage systems, issuance of applications and permits, public education on conservation issues, and dispute resolution.

Control of the Watershed District is vested in the Board of Managers, which is composed of seven members appointed by the County Commissioners of Becker, Clay, Mahnomen, and Norman Counties. Becker County appoints one member, Clay County appoints one member, Mahnomen County appoints two members, and Norman County appoints three members.

Complete financial information can be obtained from:

Wild Rice Watershed District Office  
11 East 5th Avenue  
Ada, Minnesota 56510

7. Becker County Economic Development Authority (EDA)

A. Summary of Significant Accounting Policies

The Becker County Economic Development Authority's (EDA) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2013. In addition to those identified in Note 1, the EDA has the following significant accounting policies.

1. Financial Reporting Entity

The EDA was established May 27, 1997, having all of the powers and duties of an economic development authority under Minn. Stat. §§ 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 Minn. Stat. §§ 469.001 to 469.047. The EDA is governed by a seven-member Board appointed by the Becker County Board of Commissioners.

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7. Becker County Economic Development Authority (EDA)

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity (Continued)

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. Measurement Focus and Basis of Accounting

The EDA is reported in the County's government-wide financial statements 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.

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

3. Assets, Liabilities, and Net Position

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 nonspendable account in the General Fund.

Capital Assets

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 value at the date of donation.

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7. Becker County Economic Development Authority (EDA)

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Net Position

Capital Assets (Continued)

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. During the current period, the EDA did not have any capitalized interest.

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        |

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.

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7. Becker County Economic Development Authority (EDA) (Continued)

B. Detailed Notes

1. Assets

Deposits and Investments

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

|                             |    |           |
|-----------------------------|----|-----------|
| Governmental activities     | \$ | 542,711   |
| Cash and pooled investments |    |           |
| Business-type activities    |    |           |
| Cash and pooled investments |    | 464,206   |
| Restricted cash             |    | 636,946   |
| Total Cash and Investments  | \$ | 1,643,863 |

Receivables

No allowance for uncollectable accounts has been made.

Loans Receivable

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

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



**BECKER COUNTY  
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7. Becker County Economic Development Authority (EDA)

B. Detailed Notes

1. Assets (Continued)

Contract for Deed

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 December 31, 2013.

|                                 |                         |
|---------------------------------|-------------------------|
| Balance - January 1, 2013       | \$ 1,142,682            |
| New loans                       | 77,000                  |
| Payments                        | <u>(36,059)</u>         |
| <br>Balance - December 31, 2013 | <br>\$ 1,183,623        |
| <br>Less: current portion       | <br><u>(44,827)</u>     |
| <br>Long-Term Portion           | <br><u>\$ 1,138,796</u> |

| <u>Contract for Deed</u>          | <u>Date</u>       | <u>Interest<br/>Rate<br/>(%)</u> | <u>Due Date</u>   | <u>Monthly<br/>Payment</u> | <u>Balance<br/>December 31</u> |
|-----------------------------------|-------------------|----------------------------------|-------------------|----------------------------|--------------------------------|
| <b>Federal Home Funds</b>         |                   |                                  |                   |                            |                                |
| MURL #02                          | October 1, 1999   | 0.00                             | October 1, 2014   | \$ 487                     | \$ 39,282                      |
| MURL #01                          | February 1, 2000  | 0.00                             | January 1, 2015   | 310                        | 51,830                         |
| MURL #03                          | March 1, 2001     | 0.00                             | March 1, 2021     | 323                        | 66,008                         |
| MURL #05                          | September 1, 2002 | 0.00                             | September 1, 2017 | 718                        | 28,985                         |
| MURL #10                          | May 1, 2003       | 0.00                             | May 1, 2028       | 407                        | 68,358                         |
| MURL #07                          | June 1, 2004      | 0.00                             | June 1, 2024      | 105                        | 64,898                         |
| MURL #12                          | July 1, 2004      | 0.00                             | July 1, 2029      | 188                        | 79,566                         |
| MURL #13                          | August 1, 2004    | 0.00                             | August 1, 2022    | 324                        | 55,761                         |
| MURL #14                          | December 1, 2005  | 0.00                             | December 1, 2035  | 200                        | 72,184                         |
| MURL #09                          | February 1, 2006  | 0.00                             | February 1, 2033  | 431                        | 71,774                         |
| MURL #06                          | February 1, 2007  | 0.00                             | February 1, 2032  | 398                        | 107,309                        |
| MURL #08                          | May 1, 2010       | 0.00                             | May 1, 2026       | 499                        | 65,248                         |
| MURL #15                          | November 1, 2009  | 0.00                             | November 1, 2029  | 521                        | 125,508                        |
| MURL #11                          | October 1, 2013   | 0.00                             | October 1, 2034   | 150                        | <u>77,000</u>                  |
| <b>Total Federal Home Funds</b>   |                   |                                  |                   |                            | <b>\$ 973,711</b>              |
| <b>State Non-Home Funds</b>       |                   |                                  |                   |                            |                                |
| MURL #16                          | May 1, 2009       | 0.00                             | May 1, 2039       | 230                        | \$ 65,031                      |
| MURL #17                          | May 1, 2009       | 0.00                             | May 1, 2039       | 190                        | <u>144,881</u>                 |
| <b>Total State Non-Home Funds</b> |                   |                                  |                   |                            | <b>\$ 209,912</b>              |
| <b>Total Contracts for Deed</b>   |                   |                                  |                   |                            | <b>\$ 1,183,623</b>            |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

B. Detailed Notes

1. Assets (Continued)

Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

|                                       | Beginning<br>Balance | Increases    | Decreases | Ending<br>Balance |
|---------------------------------------|----------------------|--------------|-----------|-------------------|
| Capital assets not depreciated        |                      |              |           |                   |
| Land                                  | \$ 326,354           | \$ -         | \$ -      | \$ 326,354        |
| Capital assets depreciated            |                      |              |           |                   |
| Buildings                             | \$ 4,814,022         | \$ -         | \$ -      | \$ 4,814,022      |
| Equipment                             | 155,914              | -            | -         | 155,914           |
| Total capital assets depreciated      | \$ 4,969,936         | \$ -         | \$ -      | \$ 4,969,936      |
| Less: accumulated depreciation for    |                      |              |           |                   |
| Buildings                             | \$ 1,174,273         | \$ 109,272   | \$ -      | \$ 1,283,545      |
| Equipment                             | 123,299              | 11,077       | -         | 134,376           |
| Total accumulated depreciation        | \$ 1,297,572         | \$ 120,349   | \$ -      | \$ 1,417,921      |
| Total capital assets depreciated, net | \$ 3,672,364         | \$ (120,349) | \$ -      | \$ 3,552,015      |
| Capital Assets, Net                   | \$ 3,998,718         | \$ (120,349) | \$ -      | \$ 3,878,369      |

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

|                          |            |
|--------------------------|------------|
| Business-Type Activities |            |
| Housing                  | \$ 120,349 |

2. Related Party Accruals

Due To/From Becker County

| Receivable Entity            | Payable Entity        | Amount    |
|------------------------------|-----------------------|-----------|
| Becker County - General Fund | EDA - Enterprise Fund | \$ 27,056 |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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7. Becker County Economic Development Authority (EDA)

B. Detailed Notes (Continued)

3. Liabilities

Payables

Payables at December 31, 2013, were as follows:

|                          | <u>Business-Type<br/>Activities</u> |
|--------------------------|-------------------------------------|
| Accounts                 | \$ 4,215                            |
| Other liabilities        | 25,010                              |
| Due to other governments | 12,009                              |
| Prepaid rent             | 1,041                               |
| Tenant security deposits | <u>13,622</u>                       |
| Total Payables           | <u>\$ 55,897</u>                    |

Long-Term Debt

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 so long as the U.S. Department of Housing and Urban Development allows renewals of the ACC.

The EDA entered into a loan with the Greater Minnesota Housing Fund in the amount of \$217,300 on December 20, 2007, to start construction for a 12-unit supportive housing project. This loan is payable in full on December 20, 2037.

Throughout the year ending December 31, 2008, the EDA received a deferred loan in the principal amount of \$1,400,000 from the Minnesota Housing Finance Agency (Publicly Owned Housing Program), which will be forgiven in 20 years if the EDA is in compliance with all covenants. This loan will remain a liability until January 1, 2028, at which time it will be recorded as revenue or repaid.

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

B. Detailed Notes

3. Liabilities

Long-Term Debt (Continued)

The following is a schedule of long-term debt at December 31, 2013:

| Type of Indebtedness    | Final Maturity | Installment Amount | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2013 |
|-------------------------|----------------|--------------------|-------------------|-----------------------|---------------------------------------|
| MHFA mortgage loan      | N/A            | N/A                | 0.00              | \$ 800,000            | \$ 800,000                            |
| Greater MN Housing Fund | 2037           | N/A                | 0.00              | 217,300               | 217,300                               |
| MN Housing Finance      | 2038           | N/A                | 0.00              | 1,400,000             | 1,400,000                             |
| Total Long-Term Debt    |                |                    |                   |                       | <u>\$ 2,417,300</u>                   |

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

|                           | Beginning Balance   | Additions   | Reductions       | Ending Balance      | Due Within One Year |
|---------------------------|---------------------|-------------|------------------|---------------------|---------------------|
| Wild Rice promissory note | \$ 10,500           | \$ -        | \$ 10,500        | \$ -                | \$ -                |
| MHFA mortgage loan        | 800,000             | -           | -                | 800,000             | -                   |
| Greater MN Housing Fund   | 217,300             | -           | -                | 217,300             | -                   |
| MN Housing Finance        | 1,400,000           | -           | -                | 1,400,000           | -                   |
| Long-Term Liabilities     | <u>\$ 2,427,800</u> | <u>\$ -</u> | <u>\$ 10,500</u> | <u>\$ 2,417,300</u> | <u>\$ -</u>         |

C. Summary of Significant Contingencies and Other Items

1. Risk Management

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

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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7. Becker County Economic Development Authority (EDA)

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

2. 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 EDA expects such amounts, if any, to be immaterial.

3. 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.

4. 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 10 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           | \$ 6,555         |
| Loan dated December 30, 1994, with a final maturity of December 30, 2024 | 32,188           |
| Loan dated May 29, 2003, with a final maturity of May 29, 2033           | <u>28,995</u>    |
| Total  | <u>\$ 67,738</u> |

5. Minnesota Housing Revolving Fund Programs

The EDA received grants from the Minnesota Housing Finance Agency to be used to construct homes for low-income residents of Becker County. When the houses are sold, the grant amounts become revolving funds to build additional housing. The EDA chose to discontinue these programs, and the revolving funds were returned to the Minnesota Housing Finance Agency. The amounts received and balances on hand at December 31, 2013, are as follows:

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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7. Becker County Economic Development Authority (EDA)

C. Summary of Significant Contingencies and Other Items

5. Minnesota Housing Revolving Fund Programs (Continued)

|   | Original<br>Grant | Revolving<br>Fund Cash | Contract for<br>Deed Receivable |
|---|-------------------|------------------------|---------------------------------|
| Federal Home Minnesota Urban<br>and Rural Homestead Loan  | \$ 1,810,100      | \$ 184,534             | \$ 973,711                      |
| State Home Minnesota Urban and<br>Rural Homesteading Loan | 196,185           | 20,600                 | 209,912                         |
| Total   | \$ 2,006,285      | \$ 205,134             | \$ 1,183,623                    |

6. 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 \$38,248) 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 January 2010. The lease automatically renews on a month-to-month basis after the five-year agreement has expired and no new lease is signed.

Becker County entered into a five-year operating lease with the EDA for property the EDA owns (carrying value of \$254,191 and accumulated depreciation of \$45,973) to be used for the Becker County Workshop. According to the lease terms, the EDA began receiving monthly installments of \$1,750 beginning August 2005. The lease automatically renews on a month-to-month basis after the five-year agreement has expired and no new lease is signed.

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**

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                 | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
|                                 | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>                 |                         |                     |                           |                                       |
| Taxes                           | \$ 3,099,184            | \$ 3,099,184        | \$ 3,204,134              | \$ 104,950                            |
| Licenses and permits            | 199,700                 | 199,700             | 272,233                   | 72,533                                |
| Intergovernmental               | 1,820,257               | 1,820,257           | 1,963,764                 | 143,507                               |
| Charges for services            | 1,095,350               | 1,095,350           | 1,166,438                 | 71,088                                |
| Fines and forfeits              | 44,500                  | 44,500              | 49,441                    | 4,941                                 |
| Investment earnings             | 275,000                 | 275,000             | (19,453)                  | (294,453)                             |
| Miscellaneous                   | 609,648                 | 609,648             | 674,582                   | 64,934                                |
| <b>Total Revenues</b>           | <b>\$ 7,143,639</b>     | <b>\$ 7,143,639</b> | <b>\$ 7,311,139</b>       | <b>\$ 167,500</b>                     |
| <b>Expenditures</b>             |                         |                     |                           |                                       |
| <b>Current</b>                  |                         |                     |                           |                                       |
| <b>General government</b>       |                         |                     |                           |                                       |
| Commissioners                   | \$ 271,231              | \$ 271,231          | \$ 272,099                | \$ (868)                              |
| Courts                          | 50,000                  | 50,000              | 60,272                    | (10,272)                              |
| County administrator            | 172,706                 | 172,706             | 175,563                   | (2,857)                               |
| County auditor                  | 698,990                 | 698,990             | 721,536                   | (22,546)                              |
| License bureau                  | 201,438                 | 201,438             | 198,276                   | 3,162                                 |
| County assessor                 | 481,191                 | 481,191             | 454,991                   | 26,200                                |
| Elections                       | 89,113                  | 89,113              | 37,126                    | 51,987                                |
| Data processing                 | 536,236                 | 536,236             | 501,006                   | 35,230                                |
| Central administration          | 21,900                  | 21,900              | 27,082                    | (5,182)                               |
| Personnel                       | 155,943                 | 155,943             | 158,343                   | (2,400)                               |
| Attorney                        | 867,561                 | 867,561             | 884,332                   | (16,771)                              |
| Contracted legal services       | 70,800                  | 70,800              | 60,780                    | 10,020                                |
| Law library                     | 39,870                  | 39,870              | 32,672                    | 7,198                                 |
| Recorder                        | 667,551                 | 667,551             | 615,443                   | 52,108                                |
| Surveyor                        | 8,900                   | 8,900               | 8,900                     | -                                     |
| Planning and zoning             | 363,107                 | 363,107             | 366,853                   | (3,746)                               |
| Buildings and plant             | 573,107                 | 573,107             | 618,819                   | (45,712)                              |
| Annex                           | 172,174                 | 172,174             | 193,364                   | (21,190)                              |
| Veterans service officer        | 141,708                 | 141,708             | 145,568                   | (3,860)                               |
| Unallocated                     | 10,000                  | 10,000              | 4,775                     | 5,225                                 |
| <b>Total general government</b> | <b>\$ 5,593,526</b>     | <b>\$ 5,593,526</b> | <b>\$ 5,537,800</b>       | <b>\$ 55,726</b>                      |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Expenditures</b>                            |                         |                   |                           |                                       |
| <b>Current (Continued)</b>                     |                         |                   |                           |                                       |
| <b>Public transportation</b>                   |                         |                   |                           |                                       |
| Transit  | \$ 423,765              | \$ 423,765        | \$ 478,226                | \$ (54,461)                           |
| Airport  | 41,000                  | 41,000            | 40,500                    | 500                                   |
| <b>Total public transportation</b>             | <b>\$ 464,765</b>       | <b>\$ 464,765</b> | <b>\$ 518,726</b>         | <b>\$ (53,961)</b>                    |
| <b>Health</b>                                  |                         |                   |                           |                                       |
| Nursing service                                | <b>\$ 26,000</b>        | <b>\$ 26,000</b>  | <b>\$ 28,283</b>          | <b>\$ (2,283)</b>                     |
| <b>Culture and recreation</b>                  |                         |                   |                           |                                       |
| Historical society                             | \$ 67,500               | \$ 67,500         | \$ 67,500                 | \$ -                                  |
| Humane society                                 | 4,965                   | 4,965             | 5,072                     | (107)                                 |
| Viking Library                                 | 322,015                 | 322,015           | 322,015                   | -                                     |
| <b>Total culture and recreation</b>            | <b>\$ 394,480</b>       | <b>\$ 394,480</b> | <b>\$ 394,587</b>         | <b>\$ (107)</b>                       |
| <b>Conservation of natural resources</b>       |                         |                   |                           |                                       |
| County extension                               | \$ 140,960              | \$ 140,960        | \$ 141,433                | \$ (473)                              |
| Soil and water conservation                    | 205,600                 | 205,600           | 205,600                   | -                                     |
| Agricultural society/County fair               | 15,000                  | 15,000            | 15,000                    | -                                     |
| Water planning                                 | 24,420                  | 24,420            | 24,420                    | -                                     |
| Wetland challenge                              | 24,238                  | 24,238            | 24,237                    | 1                                     |
| Other conservation                             | 1,325                   | 1,325             | 1,110                     | 215                                   |
| <b>Total conservation of natural resources</b> | <b>\$ 411,543</b>       | <b>\$ 411,543</b> | <b>\$ 411,800</b>         | <b>\$ (257)</b>                       |
| <b>Economic development</b>                    |                         |                   |                           |                                       |
| Community development                          | <b>\$ 273,260</b>       | <b>\$ 273,260</b> | <b>\$ 176,052</b>         | <b>\$ 97,208</b>                      |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Expenditures (Continued)</b>        |                         |                     |                           |                                       |
| <b>Debt service</b>                    |                         |                     |                           |                                       |
| Principal                              | \$ -                    | \$ -                | \$ 1,910                  | \$ (1,910)                            |
| Interest                               | -                       | -                   | 311                       | (311)                                 |
| <b>Total debt service</b>              | <u>\$ -</u>             | <u>\$ -</u>         | <u>\$ 2,221</u>           | <u>\$ (2,221)</u>                     |
| <b>Total Expenditures</b>              | <u>\$ 7,163,574</u>     | <u>\$ 7,163,574</u> | <u>\$ 7,069,469</u>       | <u>\$ 94,105</u>                      |
| <b>Excess of Revenues Over (Under)</b> |                         |                     |                           |                                       |
| <b>Expenditures</b>                    | \$ (19,935)             | \$ (19,935)         | \$ 241,670                | \$ 261,605                            |
| <b>Other Financing Sources (Uses)</b>  |                         |                     |                           |                                       |
| Transfers in                           | 25,000                  | 25,000              | 25,000                    | -                                     |
| <b>Net Change in Fund Balance</b>      | \$ 5,065                | \$ 5,065            | \$ 266,670                | \$ 261,605                            |
| <b>Fund Balance - January 1</b>        | <u>7,468,619</u>        | <u>7,468,619</u>    | <u>7,468,619</u>          | <u>-</u>                              |
| <b>Fund Balance - December 31</b>      | <u>\$ 7,473,684</u>     | <u>\$ 7,473,684</u> | <u>\$ 7,735,289</u>       | <u>\$ 261,605</u>                     |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC SAFETY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                   | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>                   |                         |                     |                           |                                       |
| Taxes                             | \$ 5,849,930            | \$ 5,849,930        | \$ 5,846,546              | \$ (3,384)                            |
| Licenses and permits              | 18,000                  | 18,000              | 32,705                    | 14,705                                |
| Intergovernmental                 | 791,115                 | 791,115             | 769,119                   | (21,996)                              |
| Charges for services              | 211,000                 | 211,000             | 177,404                   | (33,596)                              |
| Fines and forfeits                | 22,250                  | 22,250              | 14,441                    | (7,809)                               |
| Investment earnings               | 500                     | 500                 | 1,611                     | 1,111                                 |
| Gifts and contributions           | 1,000                   | 1,000               | 75                        | (925)                                 |
| Miscellaneous                     | 98,000                  | 98,000              | 112,694                   | 14,694                                |
| <b>Total Revenues</b>             | <b>\$ 6,991,795</b>     | <b>\$ 6,991,795</b> | <b>\$ 6,954,595</b>       | <b>\$ (37,200)</b>                    |
| <b>Expenditures</b>               |                         |                     |                           |                                       |
| <b>Current</b>                    |                         |                     |                           |                                       |
| <b>Public safety</b>              |                         |                     |                           |                                       |
| Sheriff                           | \$ 3,582,875            | \$ 3,582,875        | \$ 3,810,188              | \$ (227,313)                          |
| Boat and water safety             | 62,839                  | 62,839              | 119,395                   | (56,556)                              |
| Emergency services                | 28,362                  | 28,362              | 64,467                    | (36,105)                              |
| Coroner                           | 61,937                  | 61,937              | 62,634                    | (697)                                 |
| Jail                              | 2,779,997               | 2,779,997           | 2,803,923                 | (23,926)                              |
| Probation and parole              | 326,263                 | 326,263             | 345,218                   | (18,955)                              |
| Sentence to serve                 | 69,384                  | 69,384              | 78,858                    | (9,474)                               |
| <b>Total Expenses</b>             | <b>\$ 6,911,657</b>     | <b>\$ 6,911,657</b> | <b>\$ 7,284,683</b>       | <b>\$ (373,026)</b>                   |
| <b>Net Change in Fund Balance</b> | <b>\$ 80,138</b>        | <b>\$ 80,138</b>    | <b>\$ (330,088)</b>       | <b>\$ (410,226)</b>                   |
| <b>Fund Balance - January 1</b>   | <b>3,533,068</b>        | <b>3,533,068</b>    | <b>3,533,068</b>          | <b>-</b>                              |
| <b>Fund Balance - December 31</b> | <b>\$ 3,613,206</b>     | <b>\$ 3,613,206</b> | <b>\$ 3,202,980</b>       | <b>\$ (410,226)</b>                   |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>                           |                         |                     |                           |                                       |
| Taxes                                     | \$ 3,029,914            | \$ 3,029,914        | \$ 3,025,726              | \$ (4,188)                            |
| Special assessments                       | 500                     | 500                 | -                         | (500)                                 |
| Licenses and permits                      | 15,000                  | 15,000              | 15,284                    | 284                                   |
| Intergovernmental                         | 5,157,588               | 5,157,588           | 5,699,823                 | 542,235                               |
| Charges for services                      | 120,000                 | 120,000             | 352,872                   | 232,872                               |
| Miscellaneous                             | 752,000                 | 752,000             | 520,064                   | (231,936)                             |
| <b>Total Revenues</b>                     | <b>\$ 9,075,002</b>     | <b>\$ 9,075,002</b> | <b>\$ 9,613,769</b>       | <b>\$ 538,767</b>                     |
| <b>Expenditures</b>                       |                         |                     |                           |                                       |
| <b>Current</b>                            |                         |                     |                           |                                       |
| <b>Highways and streets</b>               |                         |                     |                           |                                       |
| Administration                            | \$ 340,263              | \$ 340,263          | \$ 315,552                | \$ 24,711                             |
| Maintenance                               | 2,756,644               | 2,756,644           | 3,099,431                 | (342,787)                             |
| Construction                              | 4,579,009               | 4,579,009           | 5,614,545                 | (1,035,536)                           |
| Equipment maintenance and shops           | 1,304,797               | 1,304,797           | 1,360,796                 | (55,999)                              |
| Other highways and streets                | 94,289                  | 94,289              | 101,038                   | (6,749)                               |
| <b>Total highways and streets</b>         | <b>\$ 9,075,002</b>     | <b>\$ 9,075,002</b> | <b>\$ 10,491,362</b>      | <b>\$ (1,416,360)</b>                 |
| <b>Intergovernmental</b>                  |                         |                     |                           |                                       |
| Highways and streets                      | \$ -                    | \$ -                | \$ 550,192                | \$ (550,192)                          |
| <b>Debt service</b>                       |                         |                     |                           |                                       |
| Principal                                 | \$ -                    | \$ -                | \$ 21,019                 | \$ (21,019)                           |
| Interest                                  | -                       | -                   | 1,156                     | (1,156)                               |
| <b>Total debt service</b>                 | <b>\$ -</b>             | <b>\$ -</b>         | <b>\$ 22,175</b>          | <b>\$ (22,175)</b>                    |
| <b>Total Expenditures</b>                 | <b>\$ 9,075,002</b>     | <b>\$ 9,075,002</b> | <b>\$ 11,063,729</b>      | <b>\$ (1,988,727)</b>                 |
| <b>Net Change in Fund Balance</b>         | <b>\$ -</b>             | <b>\$ -</b>         | <b>\$ (1,449,960)</b>     | <b>\$ (1,449,960)</b>                 |
| <b>Fund Balance - January 1</b>           | <b>3,961,745</b>        | <b>3,961,745</b>    | <b>3,961,745</b>          | <b>-</b>                              |
| <b>Increase (decrease) in inventories</b> | <b>-</b>                | <b>-</b>            | <b>(215,799)</b>          | <b>(215,799)</b>                      |
| <b>Fund Balance - December 31</b>         | <b>\$ 3,961,745</b>     | <b>\$ 3,961,745</b> | <b>\$ 2,295,986</b>       | <b>\$ (1,665,759)</b>                 |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                   | <u>Budgeted Amounts</u> |                      | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>         |                           |                                       |
| <b>Revenues</b>                   |                         |                      |                           |                                       |
| Taxes                             | \$ 6,067,866            | \$ 6,067,866         | \$ 6,062,365              | \$ (5,501)                            |
| Intergovernmental                 | 7,267,962               | 7,267,962            | 6,971,434                 | (296,528)                             |
| Miscellaneous                     | 1,383,600               | 1,383,600            | 1,204,268                 | (179,332)                             |
| <b>Total Revenues</b>             | <b>\$ 14,719,428</b>    | <b>\$ 14,719,428</b> | <b>\$ 14,238,067</b>      | <b>\$ (481,361)</b>                   |
| <b>Expenditures</b>               |                         |                      |                           |                                       |
| <b>Current</b>                    |                         |                      |                           |                                       |
| <b>Human services</b>             |                         |                      |                           |                                       |
| Income maintenance                | \$ 3,186,333            | \$ 3,186,333         | \$ 3,044,537              | \$ 141,796                            |
| Social services                   | 9,778,746               | 9,778,746            | 9,942,557                 | (163,811)                             |
| Collaborative                     | -                       | -                    | 303,608                   | (303,608)                             |
| <b>Total human services</b>       | <b>\$ 12,965,079</b>    | <b>\$ 12,965,079</b> | <b>\$ 13,290,702</b>      | <b>\$ (325,623)</b>                   |
| <b>Health</b>                     |                         |                      |                           |                                       |
| Nursing service                   | 1,754,349               | 1,754,349            | 1,619,052                 | 135,297                               |
| <b>Total Expenditures</b>         | <b>\$ 14,719,428</b>    | <b>\$ 14,719,428</b> | <b>\$ 14,909,754</b>      | <b>\$ (190,326)</b>                   |
| <b>Net Change in Fund Balance</b> | <b>\$ -</b>             | <b>\$ -</b>          | <b>\$ (671,687)</b>       | <b>\$ (671,687)</b>                   |
| <b>Fund Balance - January 1</b>   | <b>3,933,996</b>        | <b>3,933,996</b>     | <b>3,933,996</b>          | <b>-</b>                              |
| <b>Fund Balance - December 31</b> | <b>\$ 3,933,996</b>     | <b>\$ 3,933,996</b>  | <b>\$ 3,262,309</b>       | <b>\$ (671,687)</b>                   |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT A-5*

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
ENVIRONMENTAL AFFAIRS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>   |                         |                     |                           |                                       |
| Special assessments                                     | \$ 231,600              | \$ 231,600          | \$ 220,631                | \$ (10,969)                           |
| Intergovernmental                                       | 95,500                  | 95,500              | 72,910                    | (22,590)                              |
| Charges for services                                    | 1,476,165               | 1,476,165           | 1,552,237                 | 76,072                                |
| Miscellaneous   | 300,350                 | 300,350             | 320,499                   | 20,149                                |
| <b>Total Revenues</b>                                   | <b>\$ 2,103,615</b>     | <b>\$ 2,103,615</b> | <b>\$ 2,166,277</b>       | <b>\$ 62,662</b>                      |
| <b>Expenditures</b>                                     |                         |                     |                           |                                       |
| <b>Current</b>  |                         |                     |                           |                                       |
| <b>Sanitation</b>                                       |                         |                     |                           |                                       |
| Solid waste   | \$ 1,448,853            | \$ 1,448,853        | \$ 1,685,740              | \$ (236,887)                          |
| Recycling   | 512,032                 | 512,032             | 867,304                   | (355,272)                             |
| Hazardous waste   | 79,497                  | 79,497              | 98,181                    | (18,684)                              |
| <b>Total Expenditures</b>                               | <b>\$ 2,040,382</b>     | <b>\$ 2,040,382</b> | <b>\$ 2,651,225</b>       | <b>\$ (610,843)</b>                   |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ 63,233</b>        | <b>\$ 63,233</b>    | <b>\$ (484,948)</b>       | <b>\$ (548,181)</b>                   |
| <b>Other Financing Sources (Uses)</b>                   |                         |                     |                           |                                       |
| Transfers out   | (25,000)                | (25,000)            | (25,000)                  | -                                     |
| <b>Net Change in Fund Balance</b>                       | <b>\$ 38,233</b>        | <b>\$ 38,233</b>    | <b>\$ (509,948)</b>       | <b>\$ (548,181)</b>                   |
| <b>Fund Balance - January 1</b>                         | <b>4,290,827</b>        | <b>4,290,827</b>    | <b>4,290,827</b>          | <b>-</b>                              |
| <b>Fund Balance - December 31</b>                       | <b>\$ 4,329,060</b>     | <b>\$ 4,329,060</b> | <b>\$ 3,780,879</b>       | <b>\$ (548,181)</b>                   |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**EXHIBIT A-6**

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2013

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|---|--|--------------------------|---------------------------|---|
| January 1, 2008                | \$ -                                   | \$1,571,170                                       | \$1,571,170  | 0.0%                     | \$10,744,917              | 14.6%   |
| January 1, 2010                | -                                      | 1,159,017   | 1,159,017  | 0.0                      | 11,016,972                | 10.5  |



**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**1. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the County Ditch Special Revenue Fund. 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 public hearings, and 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 (the level at which expenditures may not legally exceed appropriations) is the department level. During the year, the Board made no budgetary amendments.

**2. Excess of Expenditures Over Budget**

The following major fund departments had expenditures in excess of budget for the year ended December 31, 2013.

|                                   | <u>Expenditures</u> | <u>Final Budget</u> | <u>Excess</u> |
|-----------------------------------|---------------------|---------------------|---------------|
| General Fund                      |                     |                     |               |
| General government                |                     |                     |               |
| Commissioners                     | \$ 272,099          | \$ 271,231          | \$ 868        |
| Courts                            | 60,272              | 50,000              | 10,272        |
| County administrator              | 175,563             | 172,706             | 2,857         |
| County auditor                    | 721,536             | 698,990             | 22,546        |
| Central administration            | 27,082              | 21,900              | 5,182         |
| Personnel                         | 158,343             | 155,943             | 2,400         |
| Attorney                          | 884,332             | 867,561             | 16,771        |
| Planning and zoning               | 366,853             | 363,107             | 3,746         |
| Building and plant                | 618,819             | 573,107             | 45,712        |
| Annex                             | 193,364             | 172,174             | 21,190        |
| Veterans service officer          | 145,568             | 141,708             | 3,860         |
| Public transportation             |                     |                     |               |
| Transit                           | 478,226             | 423,765             | 54,461        |
| Health                            |                     |                     |               |
| Nursing service                   | 28,283              | 26,000              | 2,283         |
| Culture and recreation            |                     |                     |               |
| Humane society                    | 5,072               | 4,965               | 107           |
| Conservation of natural resources |                     |                     |               |
| County extension                  | 141,433             | 140,960             | 473           |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

2. Excess of Expenditures Over Budget (Continued)

|  | <u>Expenditures</u> | <u>Final Budget</u> | <u>Excess</u> |
|--|---------------------|---------------------|---------------|
| General Fund (Continued)                   |                     |                     |               |
| Debt                                       |                     |                     |               |
| Principal                                  | 1,910               | -                   | 1,910         |
| Interest                                   | 311                 | -                   | 311           |
| Public Safety Special Revenue Fund         |                     |                     |               |
| Public Safety                              |                     |                     |               |
| Sheriff                                    | 3,810,188           | 3,582,875           | 227,313       |
| Boat and water safety                      | 119,395             | 62,839              | 56,556        |
| Emergency services                         | 64,467              | 28,362              | 36,105        |
| Coroner                                    | 62,634              | 61,937              | 697           |
| Jail                                       | 2,803,923           | 2,779,997           | 23,926        |
| Probation and parole                       | 345,218             | 326,263             | 18,955        |
| Sentence to serve                          | 78,858              | 69,384              | 9,474         |
| Road and Bridge Special Revenue Fund       |                     |                     |               |
| Highways and streets                       |                     |                     |               |
| Maintenance                                | 3,099,431           | 2,756,644           | 342,787       |
| Construction                               | 5,614,545           | 4,579,009           | 1,035,536     |
| Equipment maintenance and shops            | 1,360,796           | 1,304,797           | 55,999        |
| Other highways and streets                 | 101,038             | 94,289              | 6,749         |
| Intergovernmental                          |                     |                     |               |
| Highways and streets                       | 550,192             | -                   | 550,192       |
| Debt Service                               |                     |                     |               |
| Principal                                  | 21,019              | -                   | 21,019        |
| Interest                                   | 1,156               | -                   | 1,156         |
| Human Services Special Revenue Fund        |                     |                     |               |
| Human Services                             |                     |                     |               |
| Social service                             | 9,942,557           | 9,778,746           | 163,811       |
| Collaborative                              | 303,608             | -                   | 303,608       |
| Environmental Affairs Special Revenue Fund |                     |                     |               |
| Sanitation                                 |                     |                     |               |
| Solid waste                                | 1,685,740           | 1,448,853           | 236,887       |
| Recycling                                  | 867,304             | 512,032             | 355,272       |
| Hazardous waste                            | 98,181              | 79,497              | 18,684        |

3. Other Postemployment Benefits

Becker County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. See Note 4.C. to the financial statements for more information.

GASB Statement 45 requires a Schedule of Funding Progress - Other Postemployment Benefits for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported.

Currently, only two actuarial valuations are available.

**SUPPLEMENTARY INFORMATION**

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Resource Development - to account for the receipt and expenditure of certain state grants restricted for conservation of natural resources. 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.

County Ditch - to account for and report financing of the construction and repair of the ditch system restricted for conservation of natural resources.

Natural Resource Management - to account for and report the sale or lease of land and sales of timber and wood restricted for conservation of natural resources. The salary and expenditures of the County Land Commissioner and clerical wages are paid from this fund. The net balance in this fund is apportioned at the end of the year.

Gravel Tax - to account for and report restricted revenues from a ten-cent-per-cubic-yard production tax on gravel removed from pits in Becker County under the provisions of Minn. Stat. § 298.75.

DEBT SERVICE FUND

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

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT B-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

|   | <b>Special<br/>Revenue<br/>(Exhibit B-3)</b> | <b>Debt<br/>Service</b> | <b>Total<br/>(Exhibit 3)</b> |
|---|--|-------------------------|------------------------------|
| <b><u>Assets</u></b>  |  |                         |                              |
| Cash and pooled investments   | \$ 1,572,468                                 | \$ 540,197              | \$ 2,112,665                 |
| Taxes receivable  |  |                         |                              |
| Current   | 3,754  | 11,248                  | 15,002                       |
| Prior   | 637  | 9,827                   | 10,464                       |
| Accounts receivable   | 67,972                                       | -                       | 67,972                       |
| <b>Total Assets</b>   | <b>\$ 1,644,831</b>                          | <b>\$ 561,272</b>       | <b>\$ 2,206,103</b>          |
| <br><b><u>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</u></b> |  |                         |                              |
| <b>Liabilities</b>  |  |                         |                              |
| Accounts payable  | \$ 1,951                                     | \$ -                    | \$ 1,951                     |
| Salaries payable  | 15,961                                       | -                       | 15,961                       |
| Due to other funds  | 26,398                                       | -                       | 26,398                       |
| Due to other governments  | 242,928                                      | -                       | 242,928                      |
| <b>Total Liabilities</b>  | <b>\$ 287,238</b>                            | <b>\$ -</b>             | <b>\$ 287,238</b>            |
| <b>Deferred Inflows of Resources</b>  |  |                         |                              |
| Unavailable revenues  | <b>\$ 3,073</b>                              | <b>\$ 16,748</b>        | <b>\$ 19,821</b>             |
| <b>Fund Balances</b>  |  |                         |                              |
| Restricted  |  |                         |                              |
| Debt service  | \$ -   | \$ 544,524              | \$ 544,524                   |
| Gravel pit closure  | 372,941                                      | -                       | 372,941                      |
| Conservation of natural resources   | 713,027                                      | -                       | 713,027                      |
| Committed   |  |                         |                              |
| Recreation plan   | 35,000                                       | -                       | 35,000                       |
| Assigned  |  |                         |                              |
| Culture and recreation  | 233,552                                      | -                       | 233,552                      |
| <b>Total Fund Balances</b>  | <b>\$ 1,354,520</b>                          | <b>\$ 544,524</b>       | <b>\$ 1,899,044</b>          |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b>      | <b>\$ 1,644,831</b>                          | <b>\$ 561,272</b>       | <b>\$ 2,206,103</b>          |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT B-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                   | <b>Special<br/>Revenue<br/>(Exhibit B-4)</b> | <b>Debt<br/>Service</b> | <b>Total<br/>(Exhibit 5)</b> |
|-----------------------------------|--|-------------------------|------------------------------|
| <b>Revenues</b>                   |  |                         |                              |
| Taxes                             | \$ 191,103                                   | \$ 475,666              | \$ 666,769                   |
| Intergovernmental                 | 195,952                                      | 7,697                   | 203,649                      |
| Charges for services              | 2,305  | -                       | 2,305                        |
| Miscellaneous                     | 660,101                                      | -                       | 660,101                      |
|                                   | <b>\$ 1,049,461</b>                          | <b>\$ 483,363</b>       | <b>\$ 1,532,824</b>          |
| <b>Expenditures</b>               |  |                         |                              |
| <b>Current</b>                    |  |                         |                              |
| Culture and recreation            | \$ 317,393                                   | \$ -                    | \$ 317,393                   |
| Conservation of natural resources | 495,916                                      | -                       | 495,916                      |
| <b>Debt service</b>               |  |                         |                              |
| Principal                         | -  | 370,000                 | 370,000                      |
| Interest                          | -  | 128,992                 | 128,992                      |
| Administrative (fiscal) charges   | -  | 450                     | 450                          |
|                                   | <b>\$ 813,309</b>                            | <b>\$ 499,442</b>       | <b>\$ 1,312,751</b>          |
| <b>Net Change in Fund Balance</b> | <b>\$ 236,152</b>                            | <b>\$ (16,079)</b>      | <b>\$ 220,073</b>            |
| <b>Fund Balance - January 1</b>   | <b>1,118,368</b>                             | <b>560,603</b>          | <b>1,678,971</b>             |
| <b>Fund Balance - December 31</b> | <b>\$ 1,354,520</b>                          | <b>\$ 544,524</b>       | <b>\$ 1,899,044</b>          |



**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT B-3*

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2013**

|  | <u>Parks and<br/>Recreation</u> | <u>Resource<br/>Development</u> | <u>County<br/>Ditch</u> | <u>Natural<br/>Resource<br/>Management</u> | <u>Gravel<br/>Tax</u>    | <u>Total</u>               |
|--|---------------------------------|---------------------------------|-------------------------|--|--------------------------|----------------------------|
| <b><u>Assets</u></b>   |                                 |                                 |                         |  |                          |                            |
| Cash and pooled investments  | \$ 273,577                      | \$ 633,853                      | \$ 7,763                | \$ 209,077                                 | \$ 448,198               | \$ 1,572,468               |
| Taxes receivable   |                                 |                                 |                         |  |                          |                            |
| Current  | 3,754                           | -                               | -                       | -  | -                        | 3,754                      |
| Prior  | 637                             | -                               | -                       | -  | -                        | 637                        |
| Accounts receivable  | -                               | -                               | -                       | 12,076                                     | 55,896                   | 67,972                     |
| <b>Total Assets</b>  | <b><u>\$ 277,968</u></b>        | <b><u>\$ 633,853</u></b>        | <b><u>\$ 7,763</u></b>  | <b><u>\$ 221,153</u></b>                   | <b><u>\$ 504,094</u></b> | <b><u>\$ 1,644,831</u></b> |
| <b><u>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</u></b>    |                                 |                                 |                         |  |                          |                            |
| <b>Liabilities</b>   |                                 |                                 |                         |  |                          |                            |
| Accounts payable   | \$ 209                          | \$ 765                          | \$ -                    | \$ 977                                     | \$ -                     | \$ 1,951                   |
| Salaries payable   | 5,128                           | -                               | -                       | 10,833                                     | -                        | 15,961                     |
| Due to other funds   | 681                             | -                               | -                       | 354  | 25,363                   | 26,398                     |
| Due to other governments   | 325                             | -                               | -                       | 136,813                                    | 105,790                  | 242,928                    |
| <b>Total Liabilities</b>   | <b><u>\$ 6,343</u></b>          | <b><u>\$ 765</u></b>            | <b><u>\$ -</u></b>      | <b><u>\$ 148,977</u></b>                   | <b><u>\$ 131,153</u></b> | <b><u>\$ 287,238</u></b>   |
| <b>Deferred Inflows of Resources</b>   |                                 |                                 |                         |  |                          |                            |
| Unavailable revenues   | <b><u>\$ 3,073</u></b>          | <b><u>\$ -</u></b>              | <b><u>\$ -</u></b>      | <b><u>\$ -</u></b>                         | <b><u>\$ -</u></b>       | <b><u>\$ 3,073</u></b>     |
| <b>Fund Balances</b>   |                                 |                                 |                         |  |                          |                            |
| Restricted   |                                 |                                 |                         |  |                          |                            |
| Gravel pit closure   | \$ -                            | \$ -                            | \$ -                    | \$ -                                       | \$ 372,941               | \$ 372,941                 |
| Conservation of natural resources  | -                               | 633,088                         | 7,763                   | 72,176                                     | -                        | 713,027                    |
| Committed  |                                 |                                 |                         |  |                          |                            |
| Recreation plan  | 35,000                          | -                               | -                       | -  | -                        | 35,000                     |
| Assigned   |                                 |                                 |                         |  |                          |                            |
| Culture and recreation   | 233,552                         | -                               | -                       | -  | -                        | 233,552                    |
| <b>Total Fund Balances</b>   | <b><u>\$ 268,552</u></b>        | <b><u>\$ 633,088</u></b>        | <b><u>\$ 7,763</u></b>  | <b><u>\$ 72,176</u></b>                    | <b><u>\$ 372,941</u></b> | <b><u>\$ 1,354,520</u></b> |
| <b>Total Liabilities, Deferred<br/>Inflows of Resources, and<br/>Fund Balances</b> | <b><u>\$ 277,968</u></b>        | <b><u>\$ 633,853</u></b>        | <b><u>\$ 7,763</u></b>  | <b><u>\$ 221,153</u></b>                   | <b><u>\$ 504,094</u></b> | <b><u>\$ 1,644,831</u></b> |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT B-4*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                   | <u>Parks and<br/>Recreation</u> | <u>Resource<br/>Development</u> | <u>County<br/>Ditch</u> | <u>Natural<br/>Resource<br/>Management</u> | <u>Gravel<br/>Tax</u> | <u>Total</u>        |
|-----------------------------------|---------------------------------|---------------------------------|-------------------------|--|-----------------------|---------------------|
| <b>Revenues</b>                   |                                 |                                 |                         |  |                       |                     |
| Taxes                             | \$ 157,036                      | \$ -                            | \$ -                    | \$ -                                       | \$ 34,067             | \$ 191,103          |
| Intergovernmental                 | 140,776                         | 55,176                          | -                       | -  | -                     | 195,952             |
| Charges for services              | 2,305                           | -                               | -                       | -  | -                     | 2,305               |
| Miscellaneous                     | 91,016                          | 136,524                         | -                       | 432,561                                    | -                     | 660,101             |
| <b>Total Revenues</b>             | <b>\$ 391,133</b>               | <b>\$ 191,700</b>               | <b>\$ -</b>             | <b>\$ 432,561</b>                          | <b>\$ 34,067</b>      | <b>\$ 1,049,461</b> |
| <b>Expenditures</b>               |                                 |                                 |                         |  |                       |                     |
| <b>Current</b>                    |                                 |                                 |                         |  |                       |                     |
| Culture and recreation            | \$ 317,393                      | \$ -                            | \$ -                    | \$ -                                       | \$ -                  | \$ 317,393          |
| Conservation of natural resources | -                               | 84,924                          | 1,361                   | 409,631                                    | -                     | 495,916             |
| <b>Total Expenditures</b>         | <b>\$ 317,393</b>               | <b>\$ 84,924</b>                | <b>\$ 1,361</b>         | <b>\$ 409,631</b>                          | <b>\$ -</b>           | <b>\$ 813,309</b>   |
| <b>Net Change in Fund Balance</b> | <b>\$ 73,740</b>                | <b>\$ 106,776</b>               | <b>\$ (1,361)</b>       | <b>\$ 22,930</b>                           | <b>\$ 34,067</b>      | <b>\$ 236,152</b>   |
| <b>Fund Balance - January 1</b>   | <b>194,812</b>                  | <b>526,312</b>                  | <b>9,124</b>            | <b>49,246</b>                              | <b>338,874</b>        | <b>1,118,368</b>    |
| <b>Fund Balance - December 31</b> | <b>\$ 268,552</b>               | <b>\$ 633,088</b>               | <b>\$ 7,763</b>         | <b>\$ 72,176</b>                           | <b>\$ 372,941</b>     | <b>\$ 1,354,520</b> |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT B-5*

**BUDGETARY COMPARISON SCHEDULE  
PARKS AND RECREATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                   | <u>Budgeted Amounts</u> |                    | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|--------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>       |                           |                                       |
| <b>Revenues</b>                   |                         |                    |                           |                                       |
| Taxes                             | \$ 158,281              | \$ 158,281         | \$ 157,036                | \$ (1,245)                            |
| Intergovernmental                 | 172,219                 | 172,219            | 140,776                   | (31,443)                              |
| Charges for services              | 3,000                   | 3,000              | 2,305                     | (695)                                 |
| Miscellaneous                     | 35,000                  | 35,000             | 91,016                    | 56,016                                |
| <b>Total Revenues</b>             | <b>\$ 368,500</b>       | <b>\$ 368,500</b>  | <b>\$ 391,133</b>         | <b>\$ 22,633</b>                      |
| <b>Expenditures</b>               |                         |                    |                           |                                       |
| <b>Current</b>                    |                         |                    |                           |                                       |
| <b>Culture and recreation</b>     |                         |                    |                           |                                       |
| Snowmobile trails                 | 395,039                 | 395,039            | 317,393                   | 77,646                                |
| <b>Net Change in Fund Balance</b> | <b>\$ (26,539)</b>      | <b>\$ (26,539)</b> | <b>\$ 73,740</b>          | <b>\$ 100,279</b>                     |
| <b>Fund Balance - January 1</b>   | <b>194,812</b>          | <b>194,812</b>     | <b>194,812</b>            | <b>-</b>                              |
| <b>Fund Balance - December 31</b> | <b>\$ 168,273</b>       | <b>\$ 168,273</b>  | <b>\$ 268,552</b>         | <b>\$ 100,279</b>                     |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT B-6*

**BUDGETARY COMPARISON SCHEDULE  
RESOURCE DEVELOPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Revenues</b>                          |                         |                   |                           |                                       |
| Intergovernmental                        | \$ 45,500               | \$ 45,500         | \$ 55,176                 | \$ 9,676                              |
| Miscellaneous                            | 57,000                  | 57,000            | 136,524                   | 79,524                                |
| <b>Total Revenues</b>                    | <b>\$ 102,500</b>       | <b>\$ 102,500</b> | <b>\$ 191,700</b>         | <b>\$ 89,200</b>                      |
| <b>Expenditures</b>                      |                         |                   |                           |                                       |
| <b>Current</b>                           |                         |                   |                           |                                       |
| <b>Conservation of natural resources</b> |                         |                   |                           |                                       |
| Resource development                     | 104,700                 | 104,700           | 84,924                    | 19,776                                |
| <b>Net Change in Fund Balance</b>        | <b>\$ (2,200)</b>       | <b>\$ (2,200)</b> | <b>\$ 106,776</b>         | <b>\$ 108,976</b>                     |
| <b>Fund Balance - January 1</b>          | <b>526,312</b>          | <b>526,312</b>    | <b>526,312</b>            | <b>-</b>                              |
| <b>Fund Balance - December 31</b>        | <b>\$ 524,112</b>       | <b>\$ 524,112</b> | <b>\$ 633,088</b>         | <b>\$ 108,976</b>                     |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT B-7*

**BUDGETARY COMPARISON SCHEDULE  
NATURAL RESOURCE MANAGEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Revenues</b>                          |                         |                   |                           |                                       |
| Miscellaneous                            | \$ 513,900              | \$ 513,900        | \$ 432,561                | \$ (81,339)                           |
| <b>Expenditures</b>                      |                         |                   |                           |                                       |
| <b>Current</b>                           |                         |                   |                           |                                       |
| <b>Conservation of natural resources</b> |                         |                   |                           |                                       |
| Tax forfeited sales                      | 422,124                 | 422,124           | 409,631                   | 12,493                                |
| <b>Net Change in Fund Balance</b>        | <b>\$ 91,776</b>        | <b>\$ 91,776</b>  | <b>\$ 22,930</b>          | <b>\$ (68,846)</b>                    |
| <b>Fund Balance - January 1</b>          | <b>49,246</b>           | <b>49,246</b>     | <b>49,246</b>             | <b>-</b>                              |
| <b>Fund Balance - December 31</b>        | <b>\$ 141,022</b>       | <b>\$ 141,022</b> | <b>\$ 72,176</b>          | <b>\$ (68,846)</b>                    |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT B-8*

**BUDGETARY COMPARISON SCHEDULE  
GRAVEL TAX SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Revenues</b>                          |                         |                   |                           |                                       |
| Taxes                                    | \$ 150,000              | \$ 150,000        | \$ 34,067                 | \$ (115,933)                          |
| <b>Expenditures</b>                      |                         |                   |                           |                                       |
| <b>Current</b>                           |                         |                   |                           |                                       |
| <b>Conservation of natural resources</b> |                         |                   |                           |                                       |
| Other                                    | 150,000                 | 150,000           | -                         | 150,000                               |
| <b>Net Change in Fund Balance</b>        | <b>\$ -</b>             | <b>\$ -</b>       | <b>\$ 34,067</b>          | <b>\$ 34,067</b>                      |
| <b>Fund Balance - January 1</b>          | <b>338,874</b>          | <b>338,874</b>    | <b>338,874</b>            | <b>-</b>                              |
| <b>Fund Balance - December 31</b>        | <b>\$ 338,874</b>       | <b>\$ 338,874</b> | <b>\$ 372,941</b>         | <b>\$ 34,067</b>                      |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

FIDUCIARY FUNDS

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.

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT C-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | <b>Balance<br/>January 1</b> | <b>Additions</b>            | <b>Deductions</b>           | <b>Balance<br/>December 31</b> |
|--|------------------------------|-----------------------------|-----------------------------|--------------------------------|
| <b><u>CLEARING FUND</u></b>                  |                              |                             |                             |                                |
| <b><u>Assets</u></b>                         |                              |                             |                             |                                |
| Cash and pooled investments                  | <u>\$ 326,674</u>            | <u>\$ 3,430,800</u>         | <u>\$ 3,430,299</u>         | <u>\$ 327,175</u>              |
| <b><u>Liabilities</u></b>                    |                              |                             |                             |                                |
| Accounts payable                             | \$ 211,003                   | \$ 2,127,294                | \$ 2,111,542                | \$ 226,755                     |
| Due to other governments                     | <u>115,671</u>               | <u>1,303,506</u>            | <u>1,318,757</u>            | <u>100,420</u>                 |
| <b>Total Liabilities</b>                     | <u><b>\$ 326,674</b></u>     | <u><b>\$ 3,430,800</b></u>  | <u><b>\$ 3,430,299</b></u>  | <u><b>\$ 327,175</b></u>       |
| <br><b><u>TAXES AND PENALTIES FUND</u></b>   |                              |                             |                             |                                |
| <b><u>Assets</u></b>                         |                              |                             |                             |                                |
| Cash and pooled investments                  | <u>\$ 838,035</u>            | <u>\$ 46,904,144</u>        | <u>\$ 47,099,917</u>        | <u>\$ 642,262</u>              |
| <b><u>Liabilities</u></b>                    |                              |                             |                             |                                |
| Due to other governments                     | \$ 697,324                   | \$ 46,815,310               | \$ 46,959,206               | \$ 553,428                     |
| Deferred credits                             | <u>140,711</u>               | <u>88,834</u>               | <u>140,711</u>              | <u>88,834</u>                  |
| <b>Total Liabilities</b>                     | <u><b>\$ 838,035</b></u>     | <u><b>\$ 46,904,144</b></u> | <u><b>\$ 47,099,917</b></u> | <u><b>\$ 642,262</b></u>       |
| <br><b><u>CHILDREN'S INITIATIVE FUND</u></b> |                              |                             |                             |                                |
| <b><u>Assets</u></b>                         |                              |                             |                             |                                |
| Cash and pooled investments                  | <u>\$ 254,947</u>            | <u>\$ 316,020</u>           | <u>\$ 200,557</u>           | <u>\$ 370,410</u>              |
| <b><u>Liabilities</u></b>                    |                              |                             |                             |                                |
| Due to other governments                     | <u>\$ 254,947</u>            | <u>\$ 316,020</u>           | <u>\$ 200,557</u>           | <u>\$ 370,410</u>              |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT C-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                      | <b>Balance<br/>January 1</b> | <b>Additions</b>     | <b>Deductions</b>    | <b>Balance<br/>December 31</b> |
|--------------------------------------|------------------------------|----------------------|----------------------|--------------------------------|
| <b><u>TOTAL ALL AGENCY FUNDS</u></b> |                              |                      |                      |                                |
| <b><u>Assets</u></b>                 |                              |                      |                      |                                |
| Cash and pooled investments          | <u>\$ 1,419,656</u>          | <u>\$ 50,650,964</u> | <u>\$ 50,730,773</u> | <u>\$ 1,339,847</u>            |
| <b><u>Liabilities</u></b>            |                              |                      |                      |                                |
| Accounts payable                     | \$ 211,003                   | \$ 2,127,294         | \$ 2,111,542         | \$ 226,755                     |
| Due to other governments             | 1,067,942                    | 48,434,836           | 48,478,520           | 1,024,258                      |
| Deferred credits                     | <u>140,711</u>               | <u>88,834</u>        | <u>140,711</u>       | <u>88,834</u>                  |
| <b>Total Liabilities</b>             | <u>\$ 1,419,656</u>          | <u>\$ 50,650,964</u> | <u>\$ 50,730,773</u> | <u>\$ 1,339,847</u>            |

## **OTHER SCHEDULES**

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT D-1*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | <b>Governmental<br/>Funds</b> | <b>Discretely<br/>Presented<br/>Component<br/>Unit</b> | <b>All<br/>Funds</b> |
|--|-------------------------------|--|----------------------|
| <b>Shared Revenue</b>                  |                               |  |                      |
| <b>State</b>                           |                               |  |                      |
| Highway users tax                      | \$ 5,501,466                  | \$ -   | \$ 5,501,466         |
| County program aid                     | 1,085,802                     | -  | 1,085,802            |
| PERA rate reimbursement                | 38,181                        | -  | 38,181               |
| Police aid                             | 145,975                       | -  | 145,975              |
| Enhanced 911                           | 110,188                       | -  | 110,188              |
| Market value credit                    | 195,628                       | 1,841  | 197,469              |
| Disparity reduction aid                | 4,114                         | -  | 4,114                |
|  | <b>\$ 7,081,354</b>           | <b>\$ 1,841</b>  | <b>\$ 7,083,195</b>  |
| <b>Total shared revenue</b>            |                               |  |                      |
| <b>Reimbursement for Services</b>      |                               |  |                      |
| <b>State</b>                           |                               |  |                      |
| Minnesota Department of Human Services | \$ 1,280,621                  | \$ -   | \$ 1,280,621         |
|  | <b>\$ 1,280,621</b>           | <b>\$ -</b>  | <b>\$ 1,280,621</b>  |
| <b>Payments</b>                        |                               |  |                      |
| <b>Local</b>                           |                               |  |                      |
| Local contributions                    | \$ 28,029                     | \$ -   | \$ 28,029            |
| Payments in lieu of taxes              | 424,274                       | -  | 424,274              |
|  | <b>\$ 452,303</b>             | <b>\$ -</b>  | <b>\$ 452,303</b>    |
| <b>Total payments</b>                  |                               |  |                      |
| <b>Grants</b>                          |                               |  |                      |
| <b>State</b>                           |                               |  |                      |
| Minnesota Department/Board of          |                               |  |                      |
| Agriculture                            | \$ 1,610                      | \$ -   | \$ 1,610             |
| Corrections                            | 191,621                       | -  | 191,621              |
| Public Safety                          | 65,295                        | -  | 65,295               |
| Transportation                         | 350,630                       | -  | 350,630              |
| Health                                 | 213,695                       | -  | 213,695              |
| Veterans Affairs                       | 12,298                        | -  | 12,298               |
| Natural Resources                      | 159,453                       | -  | 159,453              |
| Human Services                         | 1,846,281                     | -  | 1,846,281            |
| Water and Soil Resources               | 66,988                        | -  | 66,988               |
| Housing Finance Agency                 | -                             | 745  | 745                  |
| Minnesota Pollution Control Agency     | 71,300                        | -  | 71,300               |
|  | <b>\$ 2,979,171</b>           | <b>\$ 745</b>  | <b>\$ 2,979,916</b>  |
| <b>Total state</b>                     |                               |  |                      |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT D-1  
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | <u>Governmental<br/>Funds</u> | <u>Discretely<br/>Presented<br/>Component<br/>Unit</u> | <u>All<br/>Funds</u> |
|--|-------------------------------|--|----------------------|
| <b>Grants (Continued)</b>              |                               |  |                      |
| <b>Federal</b>                         |                               |  |                      |
| Department of                          |                               |  |                      |
| Agriculture                            | \$ 412,029                    | \$ -   | \$ 412,029           |
| Housing and Urban Development          | -                             | 361,965  | 361,965              |
| Transportation                         | 121,357                       | -  | 121,357              |
| Health and Human Services              | 3,254,511                     | -  | 3,254,511            |
| Homeland Security                      | 99,353                        | -  | 99,353               |
| <b>Total federal</b>                   | <u>\$ 3,887,250</u>           | <u>\$ 361,965</u>                                      | <u>\$ 4,249,215</u>  |
| <b>Total state and federal grants</b>  | <u>\$ 6,866,421</u>           | <u>\$ 362,710</u>                                      | <u>\$ 7,229,131</u>  |
| <b>Total Intergovernmental Revenue</b> | <u>\$ 15,680,699</u>          | <u>\$ 364,551</u>                                      | <u>\$ 16,045,250</u> |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

*EXHIBIT D-2*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Grant Program Title</b>  | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> |
|---|------------------------------------|---------------------|
| <b>U.S. Department of Agriculture</b>   |                                    |                     |
| Passed Through Minnesota Department of Health<br>Special Supplemental Nutrition Program for Women, Infants, and Children  | 10.557                             | \$ 230,710          |
| Passed Through Minnesota Department of Human Services<br>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program                               | 10.561                             | 181,319             |
| <b>Total U.S. Department of Agriculture</b>   |                                    | <b>\$ 412,029</b>   |
| <b>U.S. Department of Housing and Urban Development</b>   |                                    |                     |
| Direct  |                                    |                     |
| Public and Indian Housing   | 14.850                             | \$ 60,875           |
| Section 8 Housing Choice Vouchers   | 14.871                             | 268,136             |
| Public Housing Capital Fund   | 14.872                             | 32,954              |
| <b>Total U.S. Department of Housing and Urban Development</b>   |                                    | <b>\$ 361,965</b>   |
| <b>U.S. Department of Transportation</b>  |                                    |                     |
| Passed Through Minnesota Department of Transportation<br>Highway Planning and Construction  | 20.205                             | \$ 269,959          |
| Formula Grants for Rural Areas  | 20.509                             | 80,752              |
| Passed Through Minnesota Department of Public Safety<br>State and Community Highway Safety  | 20.600                             | 19,873              |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated  | 20.608                             | 14,732              |
| Interagency Hazardous Materials Public Sector Training and Planning Grants  | 20.703                             | 6,000               |
| <b>Total U.S. Department of Transportation</b>  |                                    | <b>\$ 391,316</b>   |
| <b>U.S. Department of Health and Human Services</b>   |                                    |                     |
| Passed Through Minnesota Department of Health<br>Public Health Emergency Preparedness<br>Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.069                             | \$ 37,094           |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program   | 93.283                             | 825                 |
| Temporary Assistance for Needy Families   | 93.505                             | 240,339             |
| (Total Temporary Assistance for Needy Families 93.558 \$421,218)  | 93.558                             | 62,665              |
| Maternal and Child Health Services Block Grant to the States  | 93.994                             | 41,519              |

**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**EXHIBIT D-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Grant Program Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> |
|--|------------------------------------|---------------------|
| <b>U.S. Department of Health and Human Services (Continued)</b>        |                                    |                     |
| Passed Through Minnesota Department of Human Services                  |                                    |                     |
| Promoting Safe and Stable Families                                     | 93.556                             | 107,806             |
| Temporary Assistance for Needy Families                                | 93.558                             | 358,553             |
| (Total Temporary Assistance for Needy Families 93.558 \$421,218)       |                                    |                     |
| Child Support Enforcement  | 93.563                             | 779,702             |
| Refugee and Entrant Assistance - State Administered Programs           | 93.566                             | 604                 |
| Child Care and Development Block Grant                                 | 93.575                             | 15,670              |
| Community-Based Child Abuse Prevention Grants                          | 93.590                             | 13,078              |
| Stephanie Tubbs Jones Child Welfare Services Program                   | 93.645                             | 2,848               |
| Foster Care Title IV-E   | 93.658                             | 455,779             |
| Social Services Block Grant  | 93.667                             | 314,281             |
| Chafee Foster Care Independence Program                                | 93.674                             | 13,064              |
| Children's Health Insurance Program                                    | 93.767                             | 109                 |
| Medical Assistance Program   | 93.778                             | 775,791             |
| Block Grants for Community Mental Health Services                      | 93.958                             | 34,784              |
| <b>Total U.S. Department of Health and Human Services</b>              |                                    | <b>\$ 3,254,511</b> |
| <b>U.S. Department of Homeland Security</b>                            |                                    |                     |
| Passed Through Minnesota Department of Natural Resources               |                                    |                     |
| Boating Safety Financial Assistance                                    | 97.012                             | \$ 66,424           |
| Passed Through Minnesota Department of Public Safety                   |                                    |                     |
| Hazard Mitigation Grant  | 97.039                             | 2,187               |
| Emergency Management Performance Grants                                | 97.042                             | 10,825              |
| Passed Through Minnesota Department of Public Safety and Headwaters    |                                    |                     |
| Regional Development Commission  |                                    |                     |
| Homeland Security Grant Program  | 97.067                             | 19,917              |
| <b>Total U.S. Department of Homeland Security</b>                      |                                    | <b>\$ 99,353</b>    |
| <b>Total Federal Awards</b>  |                                    | <b>\$ 4,519,174</b> |



**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Becker County under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Becker County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Becker County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

|   |                     |
|---|---------------------|
| Federal grant revenue per Schedule of Intergovernmental Revenue       | \$ 4,249,215        |
| Grants received more than 60 days after year-end, unavailable in 2013 |                     |
| Highway Planning and Construction (CFDA #20.205)                      | <u>269,959</u>      |
| Expenditures Per Schedule of Expenditures of Federal Awards           | <u>\$ 4,519,174</u> |

5. Subrecipients

Becker County did not pass any federal awards through to subrecipients in 2013.

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**BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

|  |              |
|--|--------------|
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | CFDA #10.561 |
| Highway Planning and Construction  | CFDA #20.205 |
| Child Support Enforcement  | CFDA #93.563 |
| Social Services Block Grant  | CFDA #93.667 |
| Medical Assistance Program   | CFDA #93.778 |

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

Becker County qualified as a low-risk auditee? **No**

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-007

#### Segregation of Duties

**Criteria:** Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

**Condition:** Due to the limited number of personnel within several Becker County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

**Context:** 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 internal control point of view.

**Effect:** Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

**Cause:** The County informed us that the individual departments collecting fees have limited staff making the segregation of duties difficult.

**Recommendation:** We recommend Becker County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

#### Client's Response:

*Becker County is aware of the segregation of duty issue. Becker County has implemented comprehensive internal controls.*

Finding 2010-002

Accounts Receivable

**Criteria:** Becker County should have an accounts receivable policy to provide for a process for collecting receivables not paid timely. The policy should provide steps for rebilling receivables, a process for determining a reasonable allowance for doubtful accounts, and an approval process for writing off receivables determined uncollectible.

**Condition:** The Human Services Special Revenue Fund tracks accounts receivable for foster care placement fees, parental fees, daycare overpayments and fees, and other miscellaneous fees through the County Collection System Trial Balance. The County Collection System Trial Balance includes a significant balance forward from previous years. Although the balance continues to increase, and the likelihood of collection diminishes each year, the County has not estimated an uncollectible amount. These receivables are included in the total Human Services receivables reported in the County financial statements.

**Effect:** The County is reporting receivables in the Human Services Special Revenue Fund that likely may never be collected.

**Cause:** The County recognizes a receivable for the fee when the service is provided. While it is important for the agency to keep track of these receivables, the reporting of them in the financial statements may be misleading.

**Recommendation:** The County Board should establish a policy for the recognition of an uncollectible amount for financial reporting purposes.

Client's Response:

*The accounts receivable policy for Human Services Special Revenue Fund will be reviewed to ensure accuracy in the financial statements.*

Finding 2012-001

Audit Adjustments

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

**Condition:** During our audit, we identified adjustments that resulted in significant changes to the County's financial statements.

**Context:** The County prepares its own financial statements. The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

**Effect:** The following audit adjustments were reviewed and approved by the appropriate County staff and are reflected in the financial statements:

- An adjustment was necessary in the Public Safety Special Revenue Fund to reclassify \$400,000 of fund balance assigned for public safety to fund balance committed for capital improvements to reflect the commitment established by Board resolution.
- An adjustment was necessary in the Road and Bridge Special Revenue Fund to reclassify \$892,513 of deferred revenue to deferred inflows of resources to present unavailable revenue in accordance with Governmental Accounting Standards Board (GASB) Statement 65.
- An adjustment was necessary in the Human Services Special Revenue Fund to reclassify \$1,057,662 of deferred revenue to deferred inflows of resources to present unavailable revenue in accordance with GASB Statement 65.

**Cause:** The fund balance reclassification for the Public Safety Special Revenue Fund was an oversight during the preparation of the trial balance. Although the County was aware of the implementation date for GASB Statement 65, the trial balances and financial statements were not adjusted for the new accounts, resulting in the reclassifications.

**Recommendation:** We recommend the County review its policies and procedures related to the recording of transactions to ensure that the transactions are recorded in accordance with generally accepted accounting principles.

Client's Response:

*The commitment for public safety was an oversight and procedures will be updated to ensure future compliance for renaming deferred revenue as deferred inflows of resources.*

ITEM ARISING THIS YEAR

Finding 2013-001

Posting Revenues and Expenditures to Accrual Accounts

**Criteria:** The Minnesota County Financial & Accounting Reporting Standards (COFARS) provides guidance for accumulating uniform financial information for all counties. Section 4250 provides guidance for the proper classification of revenues and Section 5400 includes a uniform chart of accounts.



**Condition:** Becker County Human Services posts certain collections, as well as the corresponding disbursements, to asset or liability accrual accounts, instead of to revenue or expenditure accounts. The types of revenues and expenditures posted to accrual accounts include Medical Assistance (MA) recoveries, donations, and some intergovernmental reimbursements and grants.

**Effect:** By posting these collections and disbursements to accrual accounts, revenues and expenditures are understated and the accrual accounts are overstated.

**Cause:** In some cases, the County is unsure of the classification of revenue until a later date, so the collection is posted to an accrual account and later reclassified. For MA recoveries, a portion goes to the state. The County was unaware that the full collection amount should be recognized as revenue, and the portion that goes to the state should be expensed. Finally, some of the revenue is restricted for a specific purpose, and rather than recognizing the restriction, the County reports the balance as a liability.

**Recommendation:** We recommend Becker County Human Services discontinue posting certain revenues and corresponding expenditures to asset and liability accrual accounts and follow the guidance provided in COFARS to properly reflect these revenues and expenditures in the financial statements.

Client's Response:

*Becker County has had a practice of using balance sheet accounts to be accountable for donations that should not be part of Becker County expenditures. For MA recoveries, Becker County only recognizes revenues that pertain to Becker County. In the future, Becker County will ensure compliance to recognize revenues and expenditures.*

### III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding 2013-002

Eligibility Testing

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778)

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

**Condition:** The state maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During our review of the Medical Assistance Program, we noted the following:

- out of 40 cases tested, 5 individuals' citizenship were documented in MAXIS as verified by a birth certificate, but there were no birth certificates on file for the individuals;
- out of 40 cases tested, 2 cases did not have documentation to support income, or the amount reported for income was not accurately updated in MAXIS to the amount provided with the application;
- out of 40 cases tested, 1 case did not have documentation to support verification of cash assets listed in MAXIS;
- out of 40 cases tested, 1 case was listed in MAXIS as having the citizenship as not being verified, however, the case file contained a copy of the birth certificate which documents citizenship; and
- the County does not have a formal, documented review process for case files.

**Questioned Costs:** Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

**Context:** The State of Minnesota contracts with the County Human Services Department to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the state maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

**Effect:** The improper input of information into MAXIS and lack of a formal review process increases the risk that a client will receive benefits when they are not eligible.

**Cause:** Program personnel entering case information into MAXIS did not ensure all required information was input into MAXIS correctly and in the time frame allowed for eligibility determination. Also, the County has informed us that the Financial Supervisor did not have time to complete case file reviews.

**Recommendation:** We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly input into MAXIS and issues are followed up in a timely manner. In addition, we recommend a formal review process be documented and that documentation be maintained on which case files were reviewed and the results of the review.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Financial Assistance Supervisor*

Corrective Action Planned:

*State of Minnesota added new programs that required a vast amount of resources to comply with the influx of demands for MNSure. Becker County Commissioners took action by adding staff to the Income Maintenance Department. During that time review processes were at a minimum, and now that demands of MNSure has settled down, there will be more targeted case reviews along with check lists that are in place.*

Anticipated Completion Date:

*For the audit year of 2014*

Finding 2013-003

Identification of Federal Awards

**Programs:** U.S. Department of Agriculture's State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561), U.S. Department of Transportation's Highway Planning and Construction (CFDA No. 20.205), and U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778)

**Pass-Through Agencies:** Minnesota Department of Human Services and Minnesota Department of Transportation

**Criteria:** OMB Circular A-133, Subpart C, § .300, indicates auditee responsibilities include the identification of all federal awards received and expended, and the federal programs under which they were received.

**Condition:** The County did not adequately identify amounts expended for federal awards on the Schedule of Expenditures of Federal Awards (SEFA). During our audit of the SEFA, we identified the following additional expenditures:

- the County did not identify \$45,503 as State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561);
- the County did not identify \$269,959 as federal Highway Planning and Construction (CFDA No. 20.205); and
- the County did not identify \$167,510 as Medical Assistance Program (CFDA No. 93.778).

**Questioned Costs:** None.

**Context:** In 2013, Becker County reported federal expenditures in the amount of \$4,519,174 on its SEFA.

**Effect:** The inability to identify and track federal expenditures or to detect significant misstatements in the SEFA increases the likelihood that federal expenditures would not be fairly reported. An adjustment was made to the SEFA to include the additional \$269,959 for the Highway Planning and Construction program which had already been identified by County Highway staff and audited as a major federal program, but was not communicated to County staff who prepare the financial statements.

**Cause:** The County prepared its SEFA based on revenues, using a 60-day cutoff period, rather than using expenditures for the programs.

**Recommendation:** We recommend that County management develop a process, including written procedures that will allow staff to correctly identify all federal financial assistance received and expended and communicate that information to those responsible for preparing the financial statements, including the SEFA.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Becker County Accountant*

Corrective Action Planned:

*Becker County does have internal controls in identifying federal awards when received. However payments for these expenditures came late in the following year. Becker County will monitor SEFA revenues beyond the sixty days to comply with OMB Circular A-133.*

Anticipated Completion Date:

*For the audit year 2014*

Finding 2013-004

Approval of Claims

**Programs:** U.S. Department of Agriculture's State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561), U.S. Department of Health and Human Services' Child Support Enforcement (CFDA No. 93.563), and U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778)

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** Management is responsible for establishing and maintaining internal control. A basic internal control to ensure disbursements are made only for goods or services received, and accurate reporting of those transactions in the County's financial records includes a supervisor review and approval, attesting to the validity of the claim.

**Condition:** Five of the 13 non-payroll transactions tested had no documented supervisor review and approval of the claim.

**Questioned Costs:** None.

**Context:** The Board Chair signs the warrant register as approved; however, this review is not as detailed as a departmental supervisor review of original invoices.

**Effect:** The Human Services Department lacks proper internal controls over the disbursement process to ensure all claims paid represent goods and services received and that the expenditures are allowable.

**Cause:** The Human Services Director resigned in 2013. In the absence of a Director, the County does not have an assigned supervisor to approve all claims.

**Recommendation:** All claims should be signed by a supervisor with knowledge of the transaction prior to the claim being paid.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Becker County Supervisors*

Corrective Action Planned:

*During the 2013 year, Becker County Human Services Department has changed their organizational chart to help fulfill the requirements of a colossal department regarding approvals and oversights of claims. During this transition period, a few internal controls were missed and have now been corrected.*

Anticipated Completion Date:

*For the audit year 2014*

PREVIOUSLY REPORTED ITEM RESOLVED

**Income Maintenance DHS-2550 Reporting (CFDA Nos. 10.561 and 93.563)  
(2012-002)**

During our review of the Income Maintenance DHS-2550 reporting in our previous audit, we noted that three employees were not properly reported. These three employees were reported in the Income Maintenance Random Moment Time Study (IMRMS) Section A of the quarterly Income Maintenance DHS-2550 reports when they were not identified as participants in the random moment study by the IMRMS Coordinator.

**Resolution**

When notified of the issue, the IMRMS Coordinator immediately updated the list of participants in the random moment study provided to the Minnesota Department of Human Services. All employees reported in the IMRMS Section A of the 2013 quarter three and quarter four Income Maintenance DHS-2550 reports were identified as participants in the random moment study.

#### **IV. OTHER FINDINGS AND RECOMMENDATIONS**

##### MINNESOTA LEGAL COMPLIANCE

##### PREVIOUSLY REPORTED ITEM RESOLVED

###### **Phone System Bidding Process (2012-003)**

On February 14, 2012, the County Board approved the completion of an upgrade to the 911 phone system using 911-designated funds for the project. Although the \$225,451 contract with Independent Emergency Services was substantially above the bid threshold, the County could not provide documentation showing compliance with Minn. Stat. §§ 471.345, subd. 3, and 375.21, which requires contracts estimated to exceed \$100,000 be made using sealed bids.

###### **Resolution**

Documentation was on file for all contracts tested in 2013 to determine compliance with Minn. Stat. §§ 471.345, subd. 3, and 375.21.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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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***

#### Independent Auditor's Report

Board of County Commissioners  
Becker County

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of and for the year ended December 31, 2013, including the Sunnyside Care Center as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 26, 2014. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Sunnyside Care Center, as described in our report on Becker County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Becker County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-007, 2010-002, 2012-001, and 2013-001, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Becker County has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Becker County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

## **Becker County's Response to Findings**

Becker County's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 26, 2014

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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

### Independent Auditor's Report

Board of County Commissioners  
Becker County

### **Report on Compliance for Each Major Federal Program**

We have audited Becker County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. Becker County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

#### ***Auditor's Responsibility***

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

### ***Opinion on Each Major Federal Program***

In our opinion, Becker County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002, 2013-003, and 2013-004, that we consider to be significant deficiencies.

Becker County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Becker County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 26, 2014

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR