

BECKER COUNTY
DETROIT LAKES, MINNESOTA
YEAR ENDED DECEMBER 31, 2014



**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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COUNTY OF BECKER

Office of Auditor-Treasurer

915 Lake Ave. • Detroit Lakes, MN 56501-3403

Phone: 218-846-7311 • Fax: 218-846-7257

E-Mail: auditor@co.becker.mn.us

Honorable Chairman and Commissioners
Becker County Board of Commissioners
915 Lake Avenue
Detroit Lakes, MN 56501

Gentlemen,

The Annual Financial Report of Becker County is submitted for the fiscal year ended December 31, 2014. This report was prepared by the County Auditor-Treasurer's Office. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position of the County and results of operation of the County, as measured by the financial activity of its various funds, and all disclosures necessary to enable maximum understanding of the County's financial affairs.

The Annual Financial Report is presented in two sections: Introductory and Financial. The Introductory Section includes this transmittal letter and the County's organizational chart. The Financial Section includes the Management's Discussion and Analysis, the Basic Financial Statements, the Required Supplementary Information, and the Supplementary Information.

This report includes all of the funds and entities, which are considered to be under the direction and control of the County Board. The County provides a full range of services including public safety and law enforcement; courts and probation services; tax assessment and collection; vital statistics and public records; human services; highways, planning, inspection, and environmental health; and recreation and cultural services.

Copies of this report will be sent to elected officials, County management, bond rating agencies, and governmental agencies, which have expressed an interest in Becker County's financial affairs.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements, presented with the basic financial statements, are an integral part of this Annual Financial Report and should be read for a full understanding of the statements and information presented herein.

INDEPENDENT AUDIT

Minnesota State Law requires an audit to be made of the books of accounts, financial records, and transactions of the County by the State Auditor. This requirement has been complied with, and the Auditor's opinion is included in this report.

The State Auditor will issue a management and compliance letter covering the review, made as part of their examination of Becker County's system of internal control and compliance with applicable legal provisions. The management and compliance letter will not modify or affect, in any way, this report on the financial statements.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the professional and dedicated services of the entire staff of the Auditor's Office.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Darin O Halvorson', followed by a horizontal line.

Darin O Halvorson
Becker County Accountant

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2014**

Office	Name	Term Expires
Commissioners		
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
Officers		
Elected		
Attorney	Gretchen Thilmony×	January 2015
Auditor-Treasurer	Mary Hendrickson***	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
Appointed		
Administrator	Jack Ingstad	Indefinite
Assessor	Steve Carlson	January 2017
Highway Engineer	Jim Olson	Indefinite
Human Services Director	Vacant	Indefinite
Natural Resource Manager	Vacant	Indefinite
Personnel Director	Nancy Grabanski	Indefinite
Solid Waste Officer	Steve Skoog	January 2017

*2014 Chair

**2014 Vice Chair

***Deputy Auditor-Treasurer, Mary Hendrickson filled the position 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

×Appointed on February 18, 2014 to fill the elected term

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Becker County
Detroit Lakes, Minnesota

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, 2014, including the Sunnyside Care Center as of and for the year ended September 30, 2014, 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 represents 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, 2014, including the Sunnyside Care Center as of September 30, 2014, 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.

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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 and Other 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 introductory section and the supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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.

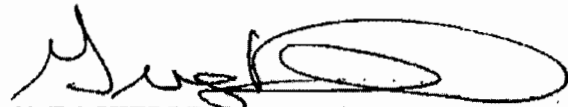
The introductory section has not been subjected to the auditing procedures in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, 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. It does not include the Sunnyside Care Center, which was audited by other auditors.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 28, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(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, 2014. 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 \$82,244,461, of which \$58,325,891 is net investment in capital assets, \$3,866,132 is restricted for specific purposes, and \$20,052,438 is unrestricted. The total net position of governmental activities increased by \$1,742,420 for the year ended December 31, 2014.

The total net position of business-type activities is \$1,429,032, of which \$488,762 is net investment in capital assets, \$9,909 is restricted for capital projects, and \$930,361 is unrestricted. The total net position of business-type activities increased by \$16,544 for the year ended September 30, 2014.

At the close of 2014, the County's governmental funds reported combined ending fund balances of \$24,532,442, an increase of \$2,355,955 from the prior year. Of the total fund balance amount, \$1,448,379 is nonspendable, \$2,982,353 is legally or contractually restricted, \$6,857,047 is formally committed for specific purposes, \$6,600,567 is assigned for specific purposes, and \$6,644,096 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 \$83,673,493 at the close of 2014. The largest portion of the County's net position (approximately 70.3 percent) reflects its net investment in capital assets (land, right-of-way, 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 4.6 percent of the County's net position is restricted, and 25.1 percent of the County's net position is unrestricted. The unrestricted net position amount of \$20,982,799 as of December 31, 2014, may be used to meet the County's ongoing obligations to citizens.

The County's overall financial position increased from last year. Total assets increased by \$2,150,000 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 \$1,758,964 from the prior year.

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 30,164,454	\$ 27,469,029	\$ 136,128	\$ 64,534	\$ 30,300,582	\$ 27,533,563
Capital assets	62,976,438	63,512,212	1,583,066	1,664,311	64,559,504	65,176,523
Total Assets	\$ 93,140,892	\$ 90,981,241	\$ 1,719,194	\$ 1,728,845	\$ 94,860,086	\$ 92,710,086
Deferred Outflows of Resources	\$ -	\$ 377,071	\$ -	\$ -	\$ -	\$ 377,071
Liabilities						
Other liabilities	\$ 3,260,569	\$ 2,796,481	\$ 227,162	\$ 246,357	\$ 3,487,731	\$ 3,042,838
Long-term liabilities outstanding	7,635,862	8,059,790	63,000	70,000	7,698,862	8,129,790
Total Liabilities	\$ 10,896,431	\$ 10,856,271	\$ 290,162	\$ 316,357	\$ 11,186,593	\$ 11,172,628
Net Position						
Net investment in capital assets	\$ 58,325,891	\$ 58,380,566	\$ 488,762	\$ 527,039	\$ 58,814,653	\$ 58,907,605
Restricted	3,866,132	3,614,273	9,909	10,861	3,876,041	3,625,134
Unrestricted	20,052,438	18,507,202	930,361	874,588	20,982,799	19,381,790
Total Net Position	\$ 82,244,461	\$ 80,502,041	\$ 1,429,032	\$ 1,412,488	\$ 83,673,493	\$ 81,914,529

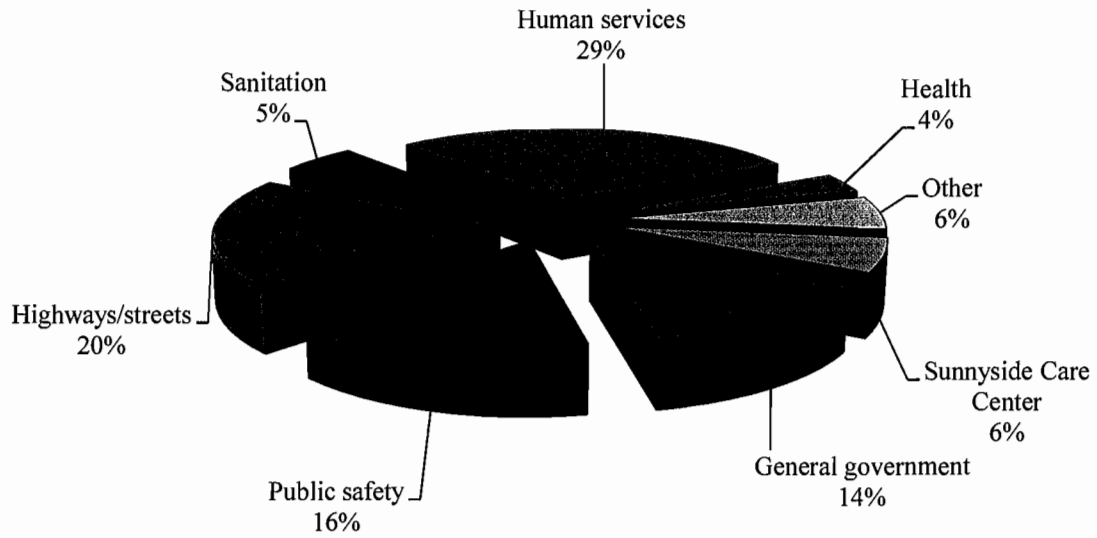
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Fees, charges, fines, and other	\$ 6,973,992	\$ 6,954,345	\$ 2,910,011	\$ 2,819,156	\$ 9,884,003	\$ 9,773,501
Operating grants and contributions	15,835,591	13,663,348	36,240	51,595	15,871,831	13,714,943
Capital grants and contributions	162,832	343,930	646	1,587	163,478	345,517
General Revenues						
Property taxes	18,575,610	18,642,566	-	-	18,575,610	18,642,566
Local sales tax	1,011,035	-	-	-	1,011,035	-
Other taxes	204,929	176,122	-	-	204,929	176,122
Grants and contributions not restricted to specific programs	1,723,417	1,351,754	250	1,108	1,723,667	1,352,862
Other general revenues	1,097,399	800,817	(276)	619	1,097,123	801,436
Total Revenues	\$ 45,584,805	\$ 41,932,882	\$ 2,946,871	\$ 2,874,065	\$ 48,531,676	\$ 44,806,947
Expenses						
General government	\$ 6,328,592	\$ 5,814,885	\$ -	\$ -	\$ 6,328,592	\$ 5,814,885
Public safety	7,546,431	7,262,520	-	-	7,546,431	7,262,520
Public transportation	604,148	557,028	-	-	604,148	557,028
Highways and streets	9,496,179	8,717,077	-	-	9,496,179	8,717,077
Sanitation	2,488,095	2,272,459	-	-	2,488,095	2,272,459
Human services	13,419,309	13,168,499	-	-	13,419,309	13,168,499
Health	1,690,128	1,647,335	-	-	1,690,128	1,647,335
Culture and recreation	846,834	725,548	-	-	846,834	725,548
Conservation of natural resources	1,162,510	909,430	-	-	1,162,510	909,430
Economic development	145,020	176,052	-	-	145,020	176,052
Interest	115,139	121,840	-	-	115,139	121,840
Sunnyside Care Center	-	-	2,930,327	2,880,017	2,930,327	2,880,017
Total Expenses	\$ 43,842,385	\$ 41,372,673	\$ 2,930,327	\$ 2,880,017	\$ 46,772,712	\$ 44,252,690
Increase (decrease) in net position	\$ 1,742,420	\$ 560,209	\$ 16,544	\$ (5,952)	\$ 1,758,964	\$ 554,257
Net Position, January 1	80,502,041	79,941,832	1,412,488	1,418,440	81,914,529	81,360,272
Net Position, December 31	\$ 82,244,461	\$ 80,502,041	\$ 1,429,032	\$ 1,412,488	\$ 83,673,493	\$ 81,914,529

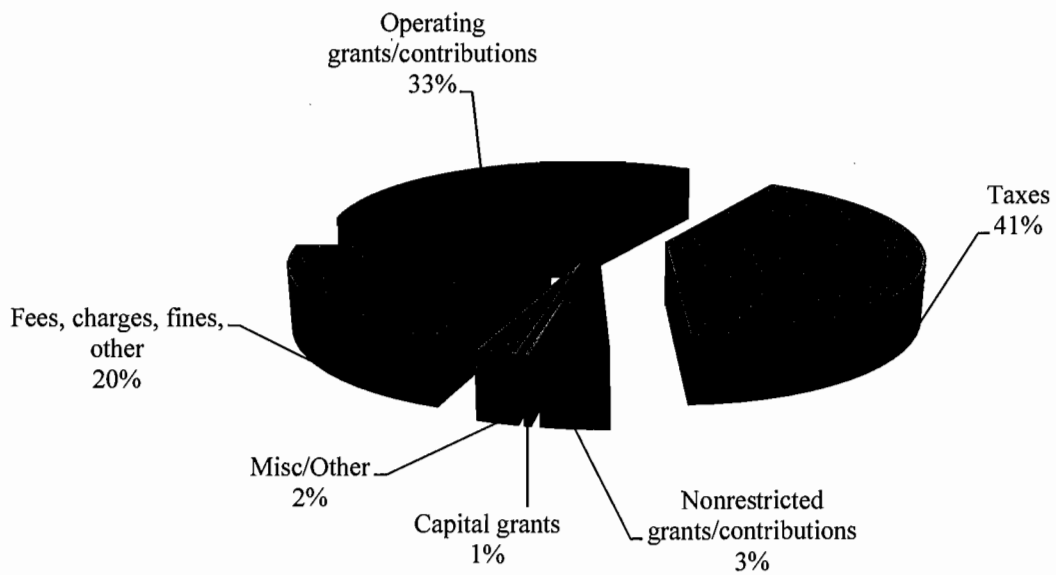
(Unaudited)

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Expenses by Function

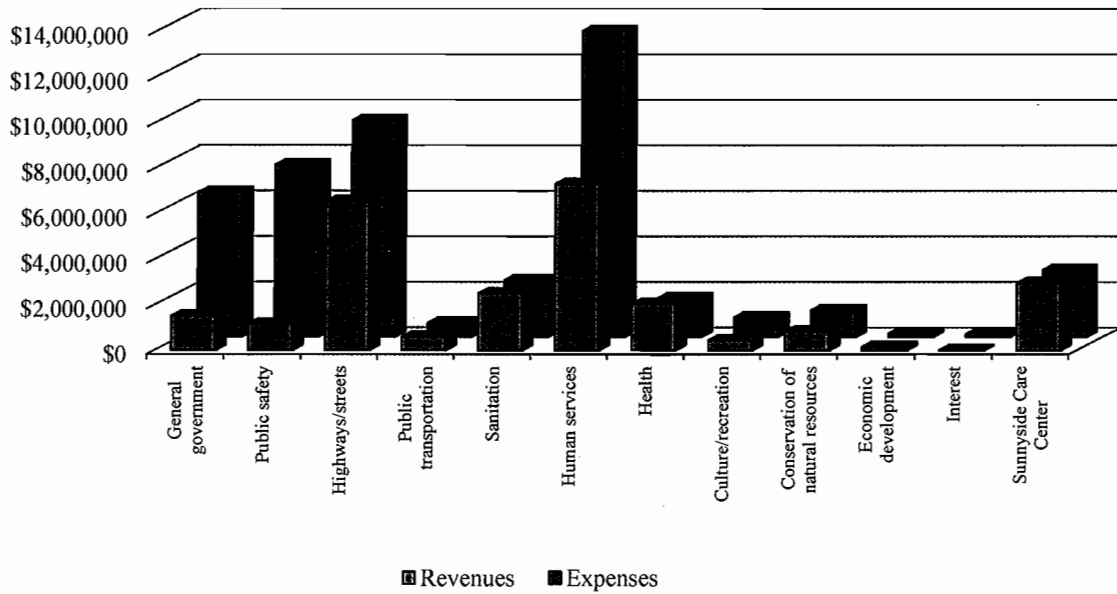


Revenues by Source

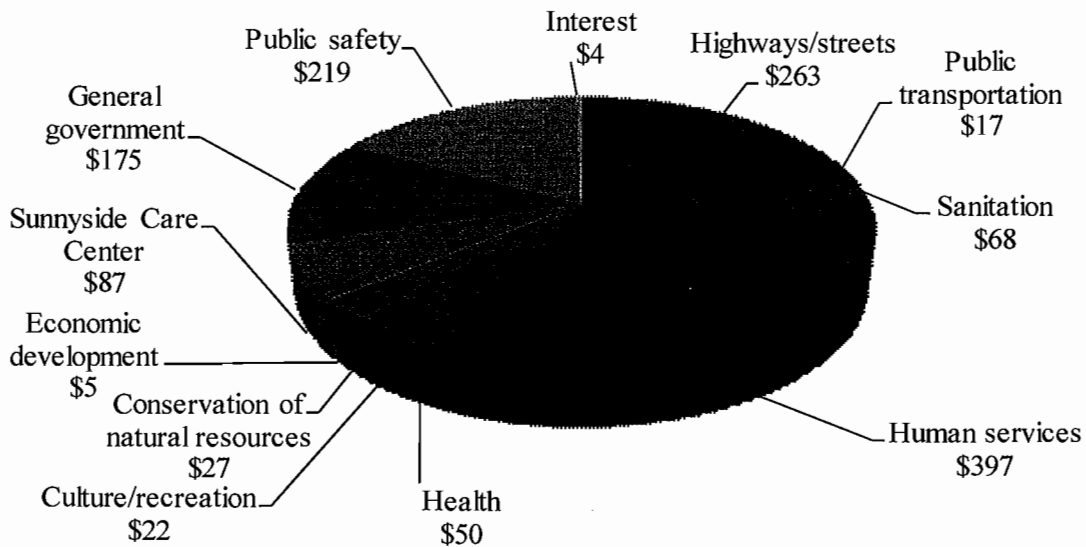


(Unaudited)

Program Revenues and Expenses



Expenditures Per Capita 33,272 Population from 2014 State Demographic Center



(Unaudited)

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 2014, the County's governmental funds reported combined ending fund balances of \$24,532,442. Of this amount, approximately 5.9 percent constitutes nonspendable fund balance, 12.2 percent constitutes legally or contractually restricted fund balance, 28 percent constitutes formally committed fund balance, 26.9 percent constitutes specifically assigned fund balance, and 27 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 \$8,727,830. The General Fund's nonspendable fund balance was \$1,031,304, restricted fund balance was \$1,043,609, committed fund balance was \$8,821, and unassigned fund balance was \$6,644,096. 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 2014. Unrestricted fund balance represents 92.3 percent of total General Fund expenditures, while total fund balance represents 121.1 percent of that same amount.

In 2014, the fund balance amount in the General Fund increased by \$992,541. The increase is due to conservative budget practices in revenues and expenditures.

The fund balance of the Public Safety Special Revenue Fund decreased \$916,349 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 increased \$1,872,653 in 2014, due to the implementation of adding local state sales tax of ½%.

The fund balance of the Human Services Special Revenue Fund increased \$469,009 from the prior year, due mainly to additional revenue in new grants.

The fund balance of the Environmental Affairs Special Revenue Fund decreased \$332,653 from preliminary construction costs for the new Transfer Station Building.

Proprietary Fund

The Sunnyside Care Center Enterprise Fund's total operating revenues increased \$75,500, or approximately 2.6 percent. Net resident services revenues increased 3.3 percent from \$2,742,732 in fiscal year 2013 to \$2,833,564 in fiscal year 2014. Nursing facility occupancy for fiscal year 2014 was 87.8 percent compared to 84.2 percent in fiscal year 2013. Operating expenses increased \$49,650, or 1.7 percent, which primarily resulted from increased expenses in Nursing, Administration, and Employee Benefits. This combination of an increase in operating revenues and an increase in operating expenses yielded operating income of \$48,760. When the nonoperating revenues and expenses and capital contributions are added to our analysis, the total change in net position was a positive \$16,544.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget as approved for 2014.

Actual revenues were more than overall final budgeted revenues by \$431,465, with the largest positive variance due to conservative budgeting.

Actual expenditures were less than overall final budgeted expenditures by \$74,327, 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, 2014, and business-type activities as of September 30, 2014, amounted to \$64,559,504 (net of accumulated depreciation). The total decrease in the County's investment in capital assets for the current fiscal year was approximately one percent. This was primarily due to the depreciation of infrastructure greater than what was capitalized.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,627,382	\$ 1,627,382	\$ 118,625	\$ 118,625	\$ 1,746,007	\$ 1,746,007
Right-of-way	701,665	685,130	-	-	701,665	685,130
Construction in progress	453,879	251,586	-	-	453,879	251,586
Infrastructure	46,151,234	47,138,611	-	-	46,151,234	47,138,611
Buildings and improvements	10,227,934	10,718,685	1,317,500	1,373,611	11,545,434	12,092,296
Land improvements	755,680	818,197	55,111	60,014	810,791	878,211
Machinery, furniture, and equipment	3,058,664	2,272,621	91,830	112,061	3,150,494	2,384,682
Total Capital Assets	<u>\$ 62,976,438</u>	<u>\$ 63,512,212</u>	<u>\$ 1,583,066</u>	<u>\$ 1,664,311</u>	<u>\$ 64,559,504</u>	<u>\$ 65,176,523</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 \$5,744,851, which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 4,650,000	\$ 5,131,646	\$ -	\$ -	\$ 4,650,000	\$ 5,131,646
General obligation revenue notes	-	-	-	-	-	-
Note payable	-	-	63,000	70,000	63,000	70,000
Capital leases	547	2,625	1,031,304	1,067,272	1,031,851	1,069,897
Total Long-Term Debt	\$ 4,650,547	\$ 5,134,271	\$ 1,094,304	\$ 1,137,272	\$ 5,744,851	\$ 6,271,543

The County's net decrease in debt of \$526,692 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 2014, 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 4.9 percent as of December 31, 2014. This is higher than the statewide rate of 3.6 percent and lower than the national average rate of 5.4 percent.
- Becker County's 2014 population estimation was 33,272, an increase of 768 since the 2010 census of 32,504.
- On December 16, 2014, Becker County set its 2015 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, 2014**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and pooled investments	\$ 24,050,164	\$ 916,273	\$ 24,966,437	\$ 891,124
Restricted cash	-	-	-	623,396
Petty cash and change funds	9,100	-	9,100	-
Taxes receivable				
Current	377,760	-	377,760	3,413
Prior	325,013	-	325,013	6,959
Special assessments receivable				
Current	5,917	-	5,917	-
Prior	7,355	-	7,355	-
Accounts receivable	1,146,704	207,302	1,354,006	9,184
Accrued interest receivable	33,758	-	33,758	-
Loans receivable	-	-	-	64,483
Property held for resale	-	-	-	123,806
Internal balances	1,031,304	(1,031,304)	-	-
Due from other governments	2,760,304	-	2,760,304	49,348
Loans receivable - noncurrent	-	-	-	1,238,865
Investment in joint venture	-	-	-	2,700
Inventories	417,075	-	417,075	-
Prepaid items	-	18,604	18,604	-
Restricted assets				
Donor restricted assets	-	9,909	9,909	-
Resident trust funds	-	15,344	15,344	-
Capital assets				
Non-depreciable	2,782,926	118,625	2,901,551	326,354
Depreciable - net of accumulated depreciation	60,193,512	1,464,441	61,657,953	3,431,872
Total Assets	\$ 93,140,892	\$ 1,719,194	\$ 94,860,086	\$ 6,771,504

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>Liabilities</u>				
Accounts payable	\$ 737,820	\$ 62,234	\$ 800,054	\$ 2,478
Salaries payable	1,477,031	50,392	1,527,423	-
Compensated absences	-	80,073	80,073	-
Contracts payable	118,369	-	118,369	-
Due to other governments	879,880	-	879,880	11,901
Other liabilities	-	-	-	27,591
Accrued interest payable	47,469	2,578	50,047	-
Unearned revenue	-	16,541	16,541	-
Security deposits	-	-	-	13,484
Prepaid rent	-	-	-	1,048
Customer deposits	-	15,344	15,344	-
Long-term liabilities				
Due within one year	2,005,103	7,000	2,012,103	-
Due in more than one year	5,630,759	56,000	5,686,759	2,417,300
Total Liabilities	\$ 10,896,431	\$ 290,162	\$ 11,186,593	\$ 2,473,802
<u>Net Position</u>				
Net Investment in capital assets	\$ 58,325,891	\$ 488,762	\$ 58,814,653	\$ 1,340,926
Restricted for				
General government	2,078,830	-	2,078,830	-
Public safety	211,018	-	211,018	-
Capital projects	-	9,909	9,909	-
Conservation of natural resources	1,154,305	-	1,154,305	-
Debt service	417,075	-	417,075	-
Housing	-	-	-	1,749,436
Held in trust for other purposes	4,904	-	4,904	-
Unrestricted	20,052,438	930,361	20,982,799	1,207,340
Total Net Position	\$ 82,244,461	\$ 1,429,032	\$ 83,673,493	\$ 4,297,702

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Expenses</u>	<u>Fees Charges, Fines, and Other</u>	<u>Program Reven Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Governmental activities			
General government	\$ 6,328,592	\$ 1,252,805	\$ 238,239
Public safety	7,546,431	349,248	796,560
Public transportation	604,148	228,192	355,009
Highways and streets	9,496,179	794,929	5,578,771
Sanitation	2,488,095	2,328,507	163,685
Human services	13,419,309	826,769	6,477,711
Health	1,690,128	246,998	1,786,480
Culture and recreation	846,834	53,306	373,806
Conservation of natural resources	1,162,510	750,526	65,330
Economic development	145,020	142,712	-
Interest	115,139	-	-
Total governmental activities	\$ 43,842,385	\$ 6,973,992	\$ 15,835,591
Business-type activities			
Sunnyside Care Center	2,930,327	2,910,011	36,240
Total Primary Government	\$ 46,772,712	\$ 9,884,003	\$ 15,871,831
Component unit			
Economic Development Authority	\$ 951,481	\$ 306,360	\$ 334,396
General Revenues			
Property taxes			
Gravel taxes			
Mortgage registry and deed tax			
Taxes - local sales 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			

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

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EXHIBIT 2

ues	Net (Expense) Revenue and Change in Net Position				Discretely Presented Component Unit
	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
\$	-	\$ (4,837,548)	\$ -	\$ (4,837,548)	
	-	(6,400,623)	-	(6,400,623)	
	-	(20,947)	-	(20,947)	
162,832	(2,959,647)	-	-	(2,959,647)	
-	4,097	-	-	4,097	
-	(6,114,829)	-	-	(6,114,829)	
-	343,350	-	-	343,350	
-	(419,722)	-	-	(419,722)	
-	(346,654)	-	-	(346,654)	
-	(2,308)	-	-	(2,308)	
-	(115,139)	-	-	(115,139)	
\$ 162,832	\$ (20,869,970)	\$ -	\$ (20,869,970)		
646	-	16,570	16,570		
\$ 163,478	\$ (20,869,970)	\$ 16,570	\$ (20,853,400)		
\$ -					\$ (310,725)
	\$ 18,575,610	\$ -	\$ 18,575,610	\$ 160,423	
	169,666	-	169,666	-	
	35,263	-	35,263	-	
	1,011,035	-	1,011,035	-	
	1,723,417	250	1,723,667	1,668	
	438,141	-	438,141	-	
	305,874	949	306,823	5,151	
	353,384	(1,225)	352,159	-	
\$ 22,612,390	\$ (26)	\$ 22,612,364	\$ 167,242		
\$ 1,742,420	\$ 16,544	\$ 1,758,964	\$ (143,483)		
80,502,041	1,412,488	81,914,529	4,441,185		
\$ 82,244,461	\$ 1,429,032	\$ 83,673,493	\$ 4,297,702		

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General</u>	<u>Public Safety</u>	<u>Road and Bridge</u>
<u>Assets</u>			
Cash and pooled investments	\$ 7,834,074	\$ 2,848,725	\$ 3,958,718
Petty cash and change funds	7,550	200	300
Undistributed cash in agency funds (taxes and other)	2,769	-	-
Taxes receivable			
Current	67,258	121,516	55,162
Prior	53,086	104,075	49,415
Special assessments receivable			
Current	-	-	-
Prior	-	-	-
Accounts receivable	45,314	34,117	-
Accrued interest receivable	33,758	-	-
Due from other funds	20,873	-	52,335
Due from other governments	111,749	63,459	1,424,598
Advance to other funds	1,031,304	-	-
Inventories	-	-	417,075
Total Assets	\$ 9,207,735	\$ 3,172,092	\$ 5,957,603
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 52,392	\$ 92,082	\$ 115,429
Salaries payable	298,482	453,403	136,900
Contracts payable	-	-	118,369
Due to other funds	2,321	11,414	-
Due to other governments	30,439	146,692	247,805
Total Liabilities	\$ 383,634	\$ 703,591	\$ 618,503
Deferred Inflows of Resources			
Unavailable revenues	\$ 96,271	\$ 181,870	\$ 1,170,461

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Environmental Affairs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,567,731	\$ 3,499,698	\$ 2,338,449	\$ 24,047,395
200	850	-	9,100
-	-	-	2,769
121,833	-	11,991	377,760
108,048	-	10,389	325,013
-	5,917	-	5,917
-	7,355	-	7,355
857,154	129,120	80,999	1,146,704
-	-	-	33,758
-	-	-	73,208
1,135,434	14,420	10,644	2,760,304
-	-	-	1,031,304
-	-	-	417,075
<u>\$ 5,790,400</u>	<u>\$ 3,657,360</u>	<u>\$ 2,452,472</u>	<u>\$ 30,237,662</u>
\$ 351,510	\$ 124,266	\$ 2,141	\$ 737,820
522,923	50,046	15,277	1,477,031
-	-	-	118,369
17,470	5,168	36,835	73,208
226,281	18,312	210,351	879,880
<u>\$ 1,118,184</u>	<u>\$ 197,792</u>	<u>\$ 264,604</u>	<u>\$ 3,286,308</u>
<u>\$ 940,898</u>	<u>\$ 11,342</u>	<u>\$ 18,070</u>	<u>\$ 2,418,912</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General</u>	<u>Public Safety</u>	<u>Road and Bridge</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (continued)			
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ -	\$ 417,075
Advances to other funds	1,031,304	-	-
Restricted			
Debt service	-	-	-
Law library	39,185	-	-
Recorder's technology equipment	550,729	-	-
Enhancements	448,791	-	-
E-911	-	211,018	-
Gravel pit closure	-	-	-
Conservation of natural resources	-	-	-
Missing heirs	4,904	-	-
Committed			
Capital improvements	-	400,000	3,000,000
Attorney contingencies	8,821	-	-
Assigned			
Public safety	-	1,675,613	-
Highways and streets	-	-	751,564
Human services	-	-	-
Culture and recreation	-	-	-
Unassigned	6,644,096	-	-
Total Fund Balances	\$ 8,727,830	\$ 2,286,631	\$ 4,168,639
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,207,735	\$ 3,172,092	\$ 5,957,603

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Environmental Affairs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 417,075
-	-	-	1,031,304
-	-	573,421	573,421
-	-	-	39,185
-	-	-	550,729
-	-	-	448,791
-	-	-	211,018
-	-	412,390	412,390
-	-	741,915	741,915
-	-	-	4,904
-	3,448,226	-	6,848,226
-	-	-	8,821
-	-	-	1,675,613
-	-	-	751,564
3,731,318	-	-	3,731,318
-	-	442,072	442,072
-	-	-	6,644,096
<u>\$ 3,731,318</u>	<u>\$ 3,448,226</u>	<u>\$ 2,169,798</u>	<u>\$ 24,532,442</u>
<u>\$ 5,790,400</u>	<u>\$ 3,657,360</u>	<u>\$ 2,452,472</u>	<u>\$ 30,237,662</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, 2014**

Fund balances - total governmental funds (Exhibit 3)	\$ 24,532,442
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.	62,976,438
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	2,418,912
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	\$ (4,650,000)
Other postemployment benefits	(710,317)
Accrued interest payable	(47,469)
Compensated absences	(2,274,998)
Capital leases payable	(547)
	<u>(7,683,331)</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 82,244,461</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Public Safety</u>	<u>Road and Bridge</u>
Revenues			
Taxes	\$ 3,516,767	\$ 5,932,255	\$ 3,822,766
Special assessments	-	-	-
Licenses and permits	276,504	27,900	14,575
Intergovernmental	2,326,656	899,842	5,900,042
Charges for services	1,119,119	187,249	287,434
Fines and forfeits	46,327	9,711	-
Gifts and contributions	-	350	-
Investment earnings	305,874	-	-
Miscellaneous	582,930	124,388	492,920
Total Revenues	\$ 8,174,177	\$ 7,181,695	\$ 10,517,737
Expenditures			
Current			
General government	\$ 5,547,148	\$ -	\$ -
Public safety	-	8,098,044	-
Public transportation	643,929	-	-
Highways and streets	-	-	8,033,232
Sanitation	-	-	-
Human services	-	-	-
Health	31,152	-	-
Culture and recreation	417,437	-	-
Conservation of natural resources	419,729	-	-
Economic development	145,020	-	-
Intergovernmental			
Highways and streets	-	-	572,534
Debt service			
Principal	2,078	-	-
Interest	143	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	\$ 7,206,636	\$ 8,098,044	\$ 8,605,766
Excess of Revenues Over (Under) Expenditures	\$ 967,541	\$ (916,349)	\$ 1,911,971
Other Financing Sources (Uses)			
Transfers in	\$ 25,000	\$ -	\$ -
Transfers out	-	-	-
Total Other Financing Sources (Uses)	\$ 25,000	\$ -	\$ -

EXHIBIT 5
(Continued)

<u>Human Services</u>	<u>Environmental Affairs</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 5,952,204	\$ -	\$ 625,149	\$ 19,849,141
-	252,833	-	252,833
-	-	-	318,979
8,364,043	163,685	488,229	18,142,497
-	1,765,699	5,470	3,364,971
-	-	-	56,038
-	-	-	350
-	-	-	305,874
1,171,973	298,633	750,575	3,421,419
<u>\$ 15,488,220</u>	<u>\$ 2,480,850</u>	<u>\$ 1,869,423</u>	<u>\$ 45,712,102</u>
\$ -	\$ -	\$ -	\$ 5,547,148
-	-	-	8,098,044
-	-	-	643,929
-	-	-	8,033,232
-	2,788,503	-	2,788,503
13,360,235	-	-	13,360,235
1,658,976	-	-	1,690,128
-	-	411,429	828,866
-	-	749,565	1,169,294
-	-	-	145,020
-	-	-	572,534
-	-	320,000	322,078
-	-	117,125	117,268
-	-	550	550
<u>\$ 15,019,211</u>	<u>\$ 2,788,503</u>	<u>\$ 1,598,669</u>	<u>\$ 43,316,829</u>
<u>\$ 469,009</u>	<u>\$ (307,653)</u>	<u>\$ 270,754</u>	<u>\$ 2,395,273</u>
\$ -	\$ -	\$ -	\$ 25,000
-	(25,000)	-	(25,000)
<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ -</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Public Safety</u>	<u>Road and Bridge</u>
Change in Fund Balance	\$ 992,541	\$ (916,349)	\$ 1,911,971
Fund Balance - January 1	7,735,289	3,202,980	2,295,986
Increase (decrease) in reserved for inventories	<u>-</u>	<u>-</u>	<u>(39,318)</u>
Fund Balance - December 31	<u>\$ 8,727,830</u>	<u>\$ 2,286,631</u>	<u>\$ 4,168,639</u>

EXHIBIT 5
(Continued)

Human Services	Environmental Affairs	Other Governmental Funds	Total
\$ 469,009	\$ (332,653)	\$ 270,754	\$ 2,395,273
3,262,309	3,780,879	1,899,044	22,176,487
-	-	-	(39,318)
<u>\$ 3,731,318</u>	<u>\$ 3,448,226</u>	<u>\$ 2,169,798</u>	<u>\$ 24,532,442</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, 2014**

Net change in fund balances - total governmental funds (Exhibit 5) **\$ 2,395,273**

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 revenue deferred as unavailable.

Deferred revenue - December 31	\$ 2,418,912	
Deferred revenue - January 1	<u>(2,546,209)</u>	(127,297)

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	\$ 3,718,122	
Net book value of assets sold	(4,093)	
Current year depreciation	<u>(4,249,803)</u>	(535,774)

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	\$ 320,000	
Capital lease	<u>2,078</u>	322,078

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 deferred amount on refunding	\$ (215,425)	
Change in accrued interest payable	2,679	
Change in compensated absences	(18,567)	
Change in other postemployment benefits	(41,229)	
Change in inventories	<u>(39,318)</u>	(311,860)

Change in Net Position of Governmental Activities (Exhibit 2) **\$ 1,742,420**

PROPRIETARY FUND

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2014**

<u>Assets</u>	
Current assets	
Cash and pooled investments	\$ 916,273
Accounts receivable	207,302
Prepaid items	<u>18,604</u>
Total current assets	\$ 1,142,179
Restricted assets	
Donor restricted assets	\$ 9,909
Resident trust funds	<u>15,344</u>
Total restricted assets	\$ 25,253
Noncurrent assets	
Capital assets	
Nondepreciable	\$ 118,625
Depreciable - net	<u>1,464,441</u>
Total noncurrent assets	\$ 1,583,066
Total Assets	\$ 2,750,498

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF NET POSITION
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2014**

Liabilities

Current liabilities

Accounts payable	\$ 62,234
Salaries payable	50,392
Compensated absences payable	80,073
Advance from other funds	37,054
Accrued interest payable	2,578
Deferred revenue	16,541
General obligation revenue notes payable - current	7,000

Total current liabilities	\$ 255,872
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Current liabilities payable from restricted assets

Resident trust funds payable	\$ 15,344
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Noncurrent liabilities

Advance from other funds	\$ 994,250
General obligation revenue notes payable	56,000

Total noncurrent liabilities	\$ 1,050,250
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Total Liabilities	\$ 1,321,466
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Net Position

Net investment in capital assets	\$ 488,762
Restricted for capital acquisitions	9,909
Unrestricted	930,361

Total Net Position	\$ 1,429,032
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**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, 2014**

Operating Revenues	
Charges for services	\$ 2,833,564
Grant revenue	36,240
Other operating revenue	76,447
	<hr/>
Total Operating Revenues	\$ 2,946,251
Operating Expenses	
Employee benefits	\$ 497,991
Ancillary services	140,909
Nursing	1,041,191
Social services and activities	73,459
Plant operations	163,369
Administrative	369,820
Medical care surcharge	120,340
Laundry and linen	62,354
Dietary	259,015
Housekeeping	58,126
Depreciation	110,917
	<hr/>
Total Operating Expenses	\$ 2,897,491
Operating Income (Loss)	\$ 48,760
Nonoperating Revenues (Expenses)	
Non-capital grants and contributions	\$ 250
Interest income	949
Releases from restriction	(1,225)
Interest expense	(32,836)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (32,862)
Income (loss) before contributions and transfers	\$ 15,898
Capital grants and contributions	646
	<hr/>
Change in Net Position	\$ 16,544
Net Position - October 1	1,412,488
	<hr/>
Net Position - September 30	\$ 1,429,032
	<hr/>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from residents	\$ 3,052,165
Payments to suppliers	(869,895)
Payments to employees	<u>(1,934,342)</u>
Net cash provided by (used in) operating activities	<u>\$ 247,928</u>
Cash Flows from Noncapital Financing Activities	
Non-capital grants and contributions	<u>\$ 250</u>
Cash Flows from Capital and Related Financing Activities	
Capital contributions	\$ 646
Principal paid on long-term debt	(42,968)
Interest paid on long-term debt	(32,926)
Purchases of capital assets	<u>(29,672)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (104,920)</u>
Cash Flows from Investing Activities	
Investment earnings received	\$ 949
Increase in restricted assets	<u>(273)</u>
Net cash provided by (used in) investing activities	<u>\$ 676</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 143,934
Cash and Cash Equivalents at October 1	<u>772,339</u>
Cash and Cash Equivalents at September 30	<u><u>\$ 916,273</u></u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash

Provided by (Used in) Operating Activities

Operating income (loss)	\$ 48,760
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**Adjustments to reconcile operating income (loss) to net cash
provided by (used in) operating activities**

Depreciation expense	\$ 110,917
Provision for bad debts	25,010
(Increase) decrease in accounts receivable	85,387
(Increase) decrease in prepaid items	1,449
Increase (decrease) in accounts payable	(33,709)
Increase (decrease) in liabilities	14,597
Increase (decrease) in deferred revenue	(4,483)

Total adjustments	\$ 199,168
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Net Cash Provided by (Used in) Operating Activities	\$ 247,928
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FIDUCIARY FUNDS

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2014**

Assets

Cash and pooled investments	\$ 1,306,731
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Liabilities

Accounts payable	\$ 225,226
Due to other governments	981,600
Deferred credits	<u>99,905</u>

Total Liabilities	\$ 1,306,731
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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014. 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.

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**

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 915 Lake Avenue Detroit Lakes, Minnesota 56501

Joint Ventures and Jointly-governed Organizations

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**

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**

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, 2014.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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**

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, 2014, 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 2014 were a positive \$305,874.

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. 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**

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."

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

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

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments and deferred special assessments. All special assessments receivable are shown net of an allowance for uncollectibles.

5. 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. 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.

7. 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 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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Capital Assets (Continued)

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.

8. 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 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.

9. Deferred Outflows/Inflows of Resources and Unearned Revenue

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. Currently, the county has no items that qualify for reporting in this category.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources and Unearned Revenue (Continued)

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.

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

10. 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.

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. 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 does not meet the definition of net investment in capital assets or restricted components.

12. 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**

1. Summary of Significant Accounting Policies

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

12. 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**

1. Summary of Significant Accounting Policies

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

13. 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.

14. 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.

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget

The following is a table of the individual nonmajor funds with expenditures in excess of budget for the year ended December 31, 2014:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds			
Parks and Recreation	\$ 411,429	\$ 368,288	\$ 43,141
Natural Resource Management	626,358	325,366	300,992

B. Land Management

The County manages approximately 74,286 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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	\$ 24,050,164
Petty cash and change funds	9,100
Business-Type Activities	
Cash and pooled investments	916,273
Restricted cash	
Donor-restricted cash	9,909
Resident trust funds	15,344
Fiduciary assets	
Cash and pooled investments	<u>1,306,731</u>
Total Cash and Investments	<u>\$ 26,307,521</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**

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, 2014, 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**

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, 2014, 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, 2014, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association	N/R	N/A	<5.0%	04/01/2021	\$ 5,523
Federal Home Loan Bank	AAA	Moody	<5.0%	04/30/2024	500,330
Total U.S. government agency securities					<u>\$ 505,853</u>
Local securities					
Chicago Ill Revenue Bonds	N/R	N/A		12/01/2015	\$ 81,082
Parmer County TX Hospital District GO Bonds	N/R	N/A		02/15/2016	265,421
Parmer County TX Hospital District GO Bonds	N/R	N/A		02/15/2017	134,825
New Orleans LA General Obligation Bonds	N/R	N/A		09/01/2020	660,199
Lake Park-Audubon General Obligation Bonds	N/R	N/A		02/01/2026	532,580
Total local securities			7.02%		<u>\$ 1,674,107</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable certificates of deposit	N/R		N/A		\$ 1,602,835
MAGIC Fund	N/R		N/A		\$ 9,376,963
Repurchase agreement	N?R		<34.48%		\$ 8,218,300
Total investments					\$ 21,378,058
Deposits					4,922,968
Change funds					9,100
Restricted cash at Sunnyside Care Center					25,253
Change in Enterprise Fund cash from September 30 to December 31, 2014					(27,858)
Total Cash and Investments					\$ 26,307,521

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

2. Receivables

Receivables as of December 31, 2014, for the County's governmental activities and as of September 30, 2014, for the County's business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 702,773	\$ -
Special assessments	13,272	-
Accounts	1,146,704	-
Interest	33,758	-
Due from other governments	2,760,304	-
Advance to other funds	1,031,304	994,250
Total Governmental Activities	\$ 5,688,115	\$ 994,250
Business-Type Activities		
Accounts	\$ 207,302	\$ -

**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, 2014, and for the business-type activities for the year ended September 30, 2014, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,627,382	\$ -	\$ -	\$ 1,627,382
Right-of-way	685,130	16,535	-	701,665
Construction in progress	251,586	202,293	-	453,879
Total capital assets not depreciated	\$ 2,564,098	\$ 218,828	\$ -	\$ 2,782,926
Capital assets depreciated				
Buildings	\$ 19,125,283	\$ 46,289	\$ 5,262	\$ 19,166,310
Land improvements	1,277,831	-	-	1,277,831
Machinery, furniture, and equipment	6,995,607	1,317,580	309,430	8,003,757
Infrastructure	91,526,752	2,135,425	-	93,662,177
Total capital assets depreciated	\$ 118,925,473	\$ 3,499,294	\$ 314,692	\$ 122,110,075
Less: accumulated depreciation for				
Buildings	\$ 8,406,598	\$ 532,947	\$ 1,169	\$ 8,938,376
Land improvements	459,634	62,517	-	522,151
Machinery, furniture, and equipment	4,722,986	531,537	309,430	4,945,093
Infrastructure	44,388,141	3,122,802	-	47,510,943
Total accumulated depreciation	\$ 57,977,359	\$ 4,249,803	\$ 310,599	\$ 61,916,563
Total capital assets depreciated, net	\$ 60,948,114	\$ (750,509)	\$ 4,093	\$ 60,193,512
Governmental Activities Capital Assets, Net	\$ 63,512,212	\$ (531,681)	\$ 4,093	\$ 62,976,438

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 118,625	\$ -	\$ -	\$ 118,625
Capital assets depreciated				
Land improvements	\$ 203,190	\$ -	\$ -	\$ 203,190
Buildings	2,634,041	24,459	-	2,658,500
Equipment	582,683	5,213	-	587,896
Vehicles	14,438	-	-	14,438
Total capital assets depreciated	\$ 3,434,352	\$ 29,672	\$ -	\$ 3,464,024
Less: accumulated depreciation for				
Land improvements	\$ 143,176	\$ 4,903	\$ -	\$ 148,079
Buildings	1,260,431	80,569	-	1,341,000
Equipment	470,622	25,445	-	496,067
Vehicles	14,437	-	-	14,437
Total accumulated depreciation	\$ 1,888,666	\$ 110,917	\$ -	\$ 1,999,583
Total capital assets depreciated, net	\$ 1,545,686	\$ (81,245)	\$ -	\$ 1,464,441
Business-Type Activities				
Capital Assets, Net	\$ 1,664,311	\$ (81,245)	\$ -	\$ 1,583,066

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

Governmental Activities	
General government	\$ 512,074
Public safety	149,301
Highways and streets, including depreciation of infrastructure assets	3,403,290
Human services	17,370
Sanitation	119,796
Public transportation	29,345
Culture and recreation	17,968
Conservation	659
Total Depreciation Expense - Governmental Activities	\$ 4,249,803
Business-Type Activities	
Sunnyside Care Center	\$ 110,917

**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, 2014, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Special Revenue Fund	\$ 16,912
	Gravel Tax Special Revenue Fund	3,961
Total due to General Fund		<u>\$ 20,873</u>
Road and Bridge Special Revenue Fund	General Fund	\$ 2,321
	Public Safety Special Revenue Fund	11,414
	Human Services Special Revenue Fund	558
	Parks and Recreation Special Revenue Fund	592
	Environmental Affairs Special Revenue Fund	5,168
	Natural Resource Management Special Revenue Fund	301
	Gravel Tax Special Revenue Fund	31,981
Total due to Road and Bridge Special Revenue Fund		<u>\$ 52,335</u>
Total Due To/From Other Funds		<u>\$ 73,208</u>

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sunnyside Care Center Enterprise Fund	<u>\$ 1,031,304</u>

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 \$1,102,184 to the Care Center which bears interest of 3 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, 2014, consisted of the following:

Transfer to General Fund from Environmental Affairs Special Revenue Fund	<u>\$ 25,000</u>	To meet the short-term and long-term priorities of the Board.
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C. Liabilities

1. Payables

Payables at December 31, 2014, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 737,820	\$ 62,234
Salaries	1,477,031	50,392
Contracts	118,369	-
Due to other governments	879,880	-
Compensated absences	-	80,073
Resident trust funds	-	15,344
Interest	47,469	2,578
Total Payables	<u>\$ 3,260,569</u>	<u>\$ 210,621</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Construction Commitments

The government has active construction projects as of December 31, 2014.

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Gravel Crushing Contract	\$ 56,545	\$ 48,455
Frazee City	<u>226,209</u>	<u>277,656</u>
Total Construction Commitments	<u>\$ 282,754</u>	<u>\$ 326,111</u>

3. 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, 2014:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original Amount</u>	<u>Balance</u>
Governmental Activities					
2010 Postage machine	2015	Annual	\$2,221	<u>\$ 9,029</u>	<u>\$ 547</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Capital Lease (Continued)

The future minimum lease obligations as of December 31, 2014, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
Total minimum lease payments in 2015	\$ 554
Less: amount representing interest	<u>(7)</u>
Total Payments	<u>\$ 547</u>

5. Long-Term Debt

Governmental Activities

The payments on the 2012 G.O. Refunding Bonds are being made from the Debt Service Fund.

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2014</u>
General obligation bonds					
2012 Capital Improvement Bonds	2027	\$195,000 - \$425,000	2.00 - 3.00	\$ 5,340,000	\$ 4,650,000

**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 Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance September 30, 2014
2004 G.O. Revenue Note	2022	\$7,000 - \$8,000	1.68	\$ 135,430	\$ 63,000
Notes Payable*	2035	\$33,859	3.00	1,165,000	1,031,304
					<u>\$ 1,094,304</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, 2014, for governmental activities and September 30, 2014, for business-type activities were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2015	\$ 325,000	\$ 110,675
2016	330,000	104,125
2017	335,000	97,475
2018	345,000	90,675
2019	350,000	81,975
2020 - 2024	1,930,000	248,897
2025 - 2027	1,035,000	33,053
Total	<u>\$ 4,650,000</u>	<u>\$ 766,875</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending September 30	Notes	
	Principal	Interest
2015	\$ 44,054	\$ 31,722
2016	46,174	30,485
2017	47,329	29,195
2018	48,517	27,873
2019	49,742	26,514
2020 – 2024	252,415	110,981
2025 – 2029	265,090	73,506
2030 – 2034	307,641	39,975
2035	33,342	500
Total	<u>\$ 1,094,304</u>	<u>\$ 370,751</u>

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, for governmental activities and September 30, 2014, for business-type activities was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 4,970,000	\$ -	\$ 320,000	\$ 4,650,000	\$ 325,000
Add: unamortized premium	161,646	-	161,646	-	-
Total bonds payable	\$ 5,131,646	\$ -	\$ 481,646	\$ 4,650,000	\$ 325,000
Capital leases	2,625	-	2,078	547	547
Compensated absences	2,256,431	1,868,833	1,850,266	2,274,998	1,679,556
OPEB liability	669,088	41,229	-	710,317	-
Governmental Activities Long-Term Liabilities	<u>\$ 8,059,790</u>	<u>\$ 1,910,062</u>	<u>\$ 2,333,990</u>	<u>\$ 7,635,862</u>	<u>\$ 2,005,103</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation revenue					
Notes	\$ 70,000	\$ -	\$ 7,000	\$ 63,000	\$ 7,000
Note payable*	<u>1,067,272</u>	<u>-</u>	<u>35,968</u>	<u>1,031,304</u>	<u>37,054</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 1,137,272</u>	<u>\$ -</u>	<u>\$ 42,968</u>	<u>\$ 1,094,304</u>	<u>\$ 44,054</u>

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

8. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues consist of state and/or federal grants received but not earned. Deferred inflows of resources - Unavailable revenue consists of taxes, special assessments, state and/or federal grants and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period.

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 96,271	\$	\$	\$	\$ 96,271
Public Safety	181,870				181,870
Road and Bridge	84,686		1,085,775		1,170,461
Human Services	185,882			755,016	940,898
Environmental Affairs		11,342			11,342
Nonmajor governmental funds					
Recreation	3,239				3,239
Debt Service	<u>14,831</u>				<u>14,831</u>
Total	<u>\$ 566,779</u>	<u>\$ 11,342</u>	<u>\$ 1,085,775</u>	<u>\$ 755,016</u>	<u>\$ 2,418,912</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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 five years of credited service.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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.

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 for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent for each year of service.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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; 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 were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Coordinated Plan members	7.25%
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	2014	2013	2012
General Employees Retirement Fund	\$ 911,738	\$ 872,071	\$ 854,729
Public Employees Police and Fire Fund	225,322	201,273	217,294
Public Employees Correctional Fund	118,037	114,618	115,396

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 8,093	\$ 8,093
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, 2014, actuarial valuation, there were approximately 235 participants in the plan, including four 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

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

ARC	\$ 89,682
Interest on net OPEB obligation	30,109
Adjustment to ARC	<u>(42,378)</u>
Annual OPEB cost (expense)	\$ 77,413
Contributions made	<u>(36,184)</u>
Increase in net OPEB obligation	\$ 41,229
Net OPEB Obligation – Beginning of Year	<u>669,088</u>
Net OPEB Obligation - End of Year	<u>\$ 710,317</u>

The County's annual OPEB cost for December 31, 2014, was \$77,413. The percentage of annual OPEB cost contributed to the plan was 46.7 percent, and the net OPEB obligation for 2014 was \$710,317.

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$652,310, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$652,310. The covered payroll (annual payroll of active employees covered by the plan) was \$12,048,174, and the ratio of the UAAL to the covered payroll was 5.4 percent.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

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 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, 2014, 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 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 10 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2014, was 23 years.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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.

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 \$480,000 per claim in 2014 and \$490,000 per claim in 2015. 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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 2014, Becker County contributed \$142,937 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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, Mahnomen, 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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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.

During 2014, Becker County did not contribute any funds to this organization.

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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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.

During 2014, Becker County did not contribute any funds to this organization.

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Area Agency on Aging (Continued)

and joint powers boards continue to meet monthly to make decisions affecting their local counties.

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 2014.

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Buffalo-Red River Watershed District (Continued)

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 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 2014.

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, Mahnommen, 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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 2014, Becker County provided \$344,285 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 \$322,958 in 2014 for services purchased through Lakeland Mental Health Center.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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 2014, 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. During 2014, the County contributed \$5,000 to WACCO.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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, 2014. 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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 has no employees; it 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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	
Cash and pooled investments	\$ 446,471
Business-type activities	
Cash and pooled investments	444,653
Restricted cash	<u>623,396</u>
 Total Cash and Investments	 <u>\$ 1,514,520</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the EDA's deposits may not be returned to it. The EDA does not have a deposit policy for custodial credit risk. As of December 31, 2014, the EDA's deposits were undercollateralized by \$671.

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 was to be repaid in full on September 1, 2013; however, payment date was extended to an unidentified date. 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, 2014:

<u>Loans Receivable</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31</u>
Maple Avenue Apartments	\$ 35,000	\$ 134,177	\$ 6,660	\$ 162,517

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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, 2014.

Balance - January 1, 2014	\$ 1,183,623
Payments	<u>(42,792)</u>
Balance - December 31, 2014	\$ 1,140,831
Less: current portion	<u>(43,836)</u>
Long-Term Portion	<u>\$ 1,096,995</u>

Contract for Deed	Date	Interest Rate (%)	Due Date	Monthly Payment	Balance December 31
Federal Home Funds					
MURL #02	October 1, 1999	0.00	October 1, 2014	\$ 484	\$ 36,114
MURL #01	February 1, 2000	0.00	January 1, 2028	298	50,970
MURL #03	March 1, 2001	0.00	March 1, 2021	312	63,589
MURL #05	September 1, 2002	0.00	September 1, 2017	402	26,060
MURL #10	May 1, 2003	0.00	May 1, 2028	317	67,758
MURL #07	June 1, 2004	0.00	June 1, 2024	242	64,363
MURL #12	July 1, 2004	0.00	July 1, 2029	315	77,681
MURL #13	August 1, 2004	0.00	August 1, 2022	537	51,143
MURL #14	December 1, 2005	0.00	December 1, 2035	125	71,849
MURL #09	February 1, 2006	0.00	February 1, 2033	315	69,637
MURL #06	February 1, 2007	0.00	February 1, 2032	416	106,009
MURL #08	May 1, 2010	0.00	May 1, 2026	513	62,977
MURL #15	November 1, 2009	0.00	November 1, 2029	892	117,322
MURL #11	October 1, 2013	0.00	October 1, 2034	451	<u>75,388</u>
Total Federal Home Funds					<u>\$ 940,860</u>
State Non-Home Funds					
MURL #16	May 1, 2009	0.00	May 1, 2039	469	\$ 62,005
MURL #17	May 1, 2009	0.00	May 1, 2039	628	<u>137,966</u>
Total State Non-Home Funds					<u>\$ 199,971</u>
Total Contracts for Deed					<u>\$ 1,140,831</u>

**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, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending 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	\$ 1,283,545	\$ 109,271	\$ -	\$ 1,392,816
Equipment	134,376	10,872	-	145,248
Total accumulated depreciation	\$ 1,417,921	\$ 120,143	\$ -	\$ 1,538,064
Total capital assets depreciated, net	\$ 3,552,015	\$ (120,143)	\$ -	\$ 3,431,872
Capital Assets, Net	\$ 3,878,369	\$ (120,143)	\$ -	\$ 3,758,226

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

Business-Type Activities	
Housing	\$ 120,143

2. Related Party Accruals

Due To/From Becker County

Receivable Entity	Payable Entity	Amount
Becker County - General Fund	EDA - Enterprise Fund	\$ 26,445

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

B. Detailed Notes (Continued)

3. Liabilities

Payables

Payables at December 31, 2014, were as follows:

	Business-Type Activities
Accounts	\$ 2,478
Other liabilities	27,591
Due to other governments	11,901
Prepaid rent	1,048
Tenant security deposits	13,484
	<hr/>
Total Payables	\$ 56,502

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, 2014:

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
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, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
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>\$ 2,417,300</u>	<u>\$ -</u>	<u>\$ -</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**

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	\$ 5,931
Loan dated December 30, 1994, with a final maturity of December 30, 2024	29,613
Loan dated May 29, 2003, with a final maturity of May 29, 2033	<u>27,545</u>
Total	<u>\$ 63,089</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, 2014, are as follows:

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

C. Summary of Significant Contingencies and Other Items

5. Minnesota Housing Revolving Fund Programs (Continued)

	<u>Original Grant</u>	<u>Revolving Fund Cash</u>	<u>Contract for Deed Receivable</u>
Federal Home Minnesota Urban and Rural Homestead Loan	\$ 1,810,100	\$ 221,823	\$ 940,860
State Home Minnesota Urban and Rural Homesteading Loan	<u>196,185</u>	<u>26,274</u>	<u>199,971</u>
Total	<u>\$ 2,006,285</u>	<u>\$ 248,097</u>	<u>\$ 1,140,831</u>

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 \$40,379) 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 shall be renewed at an agreeable term after December 31, 2014. Either party may give a written notice of termination to the other at least six months prior to the end of the term.

Becker County entered into a thirty-six month operating lease with the EDA for property the EDA owns (carrying value of \$254,191 and accumulated depreciation of \$51,982) to be used for the Becker County Workshop. According to the lease terms, the EDA began receiving monthly installments of \$1,440 beginning January 2013. The lease shall be reviewed annually. Becker County also entered into a five-year operating lease with the EDA for the front 1,050 square feet of the same property to be used for the Becker County Extension. According to the lease terms, the EDA began receiving monthly installments of \$310 beginning January 2013. The lease shall be reviewed in December 2018, and an agreeable rent amount established at that time. Both leases state that in the event that the cost for utilities increases and the lessor is paying more for utilities than the lease allows for, the lessee agrees to reimburse the lessor the amount needed to make up the difference. Either party may give a written notice of termination to the other at least six months prior to the end of the term.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

7. Becker County Economic Development Authority (EDA)

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

7. Housing Program

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

8. Subsequent Events

Maple Avenue Apartments Limited Partnership Buyout

Effective January 1, 2015, the EDA obtained full control of the Maple Avenue Apartments by paying Wells Fargo Bank, National Association, \$100 for Wells Fargo's share. The EDA had been showing an investment in joint venture of \$2,700 on its books prior to this buyout. It plans to show this property's activity in the enterprise fund in future years.

Contract for Management Services

Effective May 1, 2015, the EDA's housing operations will be managed under a contract for management services by Midwest Minnesota Community Development Corporation. This contract will be for the period of one year, ending on April 30, 2016. The contract may be terminated for any reason by either party by giving the other party ninety days written notice of its intent to terminate.

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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, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,420,096	\$ 3,420,096	\$ 3,516,767	\$ 96,671
Licenses and permits	199,350	199,350	276,504	77,154
Intergovernmental	2,273,491	2,273,491	2,326,656	53,165
Charges for services	1,116,850	1,116,850	1,119,119	2,269
Fines and forfeits	41,500	41,500	46,327	4,827
Investment earnings	205,000	205,000	305,874	100,874
Miscellaneous	486,425	486,425	582,930	96,505
Total Revenues	\$ 7,742,712	\$ 7,742,712	\$ 8,174,177	\$ 431,465
Expenditures				
Current				
General government				
Commissioners	\$ 269,739	\$ 269,739	\$ 282,953	\$ (13,214)
Courts	50,000	50,000	76,832	(26,832)
County administrator	192,480	192,480	185,752	6,728
County auditor	670,903	670,903	679,330	(8,427)
License bureau	204,750	204,750	205,201	(451)
County assessor	480,089	480,089	451,452	28,637
Elections	109,980	109,980	94,862	15,118
Data processing	619,934	619,934	588,947	30,987
Central administration	24,300	24,300	21,941	2,359
Personnel	192,379	192,379	214,290	(21,911)
Attorney	880,246	880,246	845,221	35,025
Contracted legal services	70,800	70,800	65,442	5,358
Law library	37,000	37,000	41,192	(4,192)
Recorder	467,715	467,715	464,809	2,906
Surveyor	8,900	8,900	8,900	-
Planning and zoning	369,037	369,037	381,869	(12,832)
Buildings and plant	637,172	637,172	641,705	(4,533)
Annex	173,365	173,365	139,100	34,265
Veterans service officer	142,883	142,883	160,938	(18,055)
Unallocated	10,000	10,000	(3,588)	13,588
Total general government	\$ 5,611,672	\$ 5,611,672	\$ 5,547,148	\$ 64,524

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Public transportation				
Transit	\$ 605,096	\$ 605,096	\$ 603,429	\$ 1,667
Airport	40,500	40,500	40,500	-
Total public transportation	<u>\$ 645,596</u>	<u>\$ 645,596</u>	<u>\$ 643,929</u>	<u>\$ 1,667</u>
Health				
Nursing service	<u>\$ 26,000</u>	<u>\$ 26,000</u>	<u>\$ 31,152</u>	<u>\$ (5,152)</u>
Culture and recreation				
Historical society	\$ 67,500	\$ 67,500	\$ 67,500	\$ -
Senior citizens	5,500	5,500	5,652	(152)
Agassiz Regional Library	<u>344,285</u>	<u>344,285</u>	<u>344,285</u>	<u>-</u>
Total culture and recreation	<u>\$ 417,285</u>	<u>\$ 417,285</u>	<u>\$ 417,437</u>	<u>\$ (152)</u>
Conservation of natural resources				
County extension	\$ 142,688	\$ 142,688	\$ 142,756	\$ (68)
Soil and water conservation	212,234	212,234	212,234	-
Agricultural society/county fair	15,000	15,000	15,000	-
Water planning	24,177	24,177	24,177	-
Wetland challenge	24,238	24,238	24,237	1
Other conservation	<u>1,325</u>	<u>1,325</u>	<u>1,325</u>	<u>-</u>
Total conservation of natural resources	<u>\$ 419,662</u>	<u>\$ 419,662</u>	<u>\$ 419,729</u>	<u>\$ (67)</u>
Economic development				
Community development	<u>\$ 160,748</u>	<u>\$ 160,748</u>	<u>\$ 145,020</u>	<u>\$ 15,728</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Expenditures (Continued)				
Debt service				
Principal	\$ -	\$ -	\$ 2,078	\$ (2,078)
Interest	-	-	143	(143)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,221</u>	<u>\$ (2,221)</u>
Total Expenditures	<u>\$ 7,280,963</u>	<u>\$ 7,280,963</u>	<u>\$ 7,206,636</u>	<u>\$ 74,327</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ 461,749</u>	<u>\$ 461,749</u>	<u>\$ 967,541</u>	<u>\$ 505,792</u>
Other Financing Sources (Uses)				
Transfers in	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Transfers out	<u>(348,645)</u>	<u>(348,645)</u>	<u>-</u>	<u>348,645</u>
Total Other Financing Sources (Uses)	<u>\$ (323,645)</u>	<u>\$ (323,645)</u>	<u>\$ 25,000</u>	<u>\$ 348,645</u>
Net Change in Fund Balance	<u>\$ 138,104</u>	<u>\$ 138,104</u>	<u>\$ 992,541</u>	<u>\$ 854,437</u>
Fund Balance - January 1	<u>7,735,289</u>	<u>7,735,289</u>	<u>7,735,289</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 7,873,393</u></u>	<u><u>\$ 7,873,393</u></u>	<u><u>\$ 8,727,830</u></u>	<u><u>\$ 854,437</u></u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 5,921,755	\$ 5,921,755	\$ 5,932,255	\$ 10,500
Licenses and permits	10,250	10,250	27,900	17,650
Intergovernmental	827,211	827,211	899,842	72,631
Charges for services	200,000	200,000	187,249	(12,751)
Fines and forfeits	-	-	9,711	9,711
Investment earnings	500	500	-	(500)
Gifts and contributions	-	-	350	350
Miscellaneous	85,200	85,200	124,388	39,188
Total Revenues	\$ 7,044,916	\$ 7,044,916	\$ 7,181,695	\$ 136,779
Expenditures				
Current				
Public safety				
Sheriff	\$ 3,588,307	\$ 3,588,307	\$ 4,429,326	\$ (841,019)
Boat and water safety	83,938	83,938	38,089	45,849
Emergency services	28,397	28,397	60,887	(32,490)
Coroner	62,069	62,069	49,671	12,398
Jail	2,776,025	2,776,025	3,102,660	(326,635)
Probation and parole	357,562	357,562	320,953	36,609
Sentence to serve	120,611	120,611	96,458	24,153
Total Expenditures	\$ 7,016,909	\$ 7,016,909	\$ 8,098,044	\$ (1,081,135)
Net Change in Fund Balance	\$ 28,007	\$ 28,007	\$ (916,349)	\$ (944,356)
Fund Balance - January 1	3,202,980	3,202,980	3,202,980	-
Fund Balance - December 31	\$ 3,230,987	\$ 3,230,987	\$ 2,286,631	\$ (944,356)

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,776,479	\$ 2,776,479	\$ 3,822,766	\$ 1,046,287
Special assessments	500	500	-	(500)
Licenses and permits	15,000	15,000	14,575	(425)
Intergovernmental	4,576,626	4,576,626	5,900,042	1,323,416
Charges for services	200,000	200,000	287,434	87,434
Miscellaneous	604,000	604,000	492,920	(111,080)
Total Revenues	\$ 8,172,605	\$ 8,172,605	\$ 10,517,737	\$ 2,345,132
Expenditures				
Current				
Highways and streets				
Administration	\$ 357,700	\$ 357,700	\$ 346,297	\$ 11,403
Maintenance	2,735,173	2,735,173	3,019,825	(284,652)
Construction	3,535,562	3,535,562	3,158,500	377,062
Equipment maintenance and shops	1,431,986	1,431,986	1,404,576	27,410
Other highways and streets	112,184	112,184	104,034	8,150
Total highways and streets	\$ 8,172,605	\$ 8,172,605	\$ 8,033,232	\$ 139,373
Intergovernmental				
Highways and streets	\$ -	\$ -	\$ 572,534	\$ (572,534)
Total Expenditures	\$ 8,172,605	\$ 8,172,605	\$ 8,605,766	\$ (433,161)
Net Change in Fund Balance	\$ -	\$ -	\$ 1,911,971	\$ 1,911,971
Fund Balance - January 1	2,295,986	2,295,986	2,295,986	-
Increase (decrease) in reserve for inventories	-	-	(39,318)	(39,318)
Fund Balance - December 31	\$ 2,295,986	\$ 2,295,986	\$ 4,168,639	\$ 1,872,653

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 5,934,114	\$ 5,934,114	\$ 5,952,204	\$ 18,090
Intergovernmental	7,765,408	7,765,408	8,364,043	598,635
Miscellaneous	1,402,234	1,402,234	1,171,973	(230,261)
Total Revenues	\$ 15,101,756	\$ 15,101,756	\$ 15,488,220	\$ 386,464
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,260,042	\$ 3,260,042	\$ 3,204,705	\$ 55,337
Social services	10,194,607	10,194,607	10,012,593	182,014
Collaborative	-	-	142,937	(142,937)
Total human services	\$ 13,454,649	\$ 13,454,649	\$ 13,360,235	\$ 94,414
Health				
Nursing service	1,639,963	1,639,963	1,658,976	(19,013)
Total Expenditures	\$ 15,094,612	\$ 15,094,612	\$ 15,019,211	\$ 75,401
Net Change in Fund Balance	\$ 7,144	\$ 7,144	\$ 469,009	\$ 461,865
Fund Balance - January 1	3,262,309	3,262,309	3,262,309	-
Fund Balance - December 31	\$ 3,269,453	\$ 3,269,453	\$ 3,731,318	\$ 461,865

**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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Special assessments	\$ 230,000	\$ 230,000	\$ 252,833	\$ 22,833
Intergovernmental	112,500	112,500	163,685	51,185
Charges for services	1,524,600	1,524,600	1,765,699	241,099
Miscellaneous	312,900	312,900	298,633	(14,267)
Total Revenues	\$ 2,180,000	\$ 2,180,000	\$ 2,480,850	\$ 300,850
Expenditures				
Current				
Sanitation				
Solid waste	\$ 1,845,859	\$ 1,845,859	\$ 2,170,037	\$ (324,178)
Recycling	558,115	558,115	526,207	31,908
Hazardous waste	101,428	101,428	92,259	9,169
Total Expenditures	\$ 2,505,402	\$ 2,505,402	\$ 2,788,503	\$ (283,101)
Excess of Revenues Over (Under)				
Expenditures	\$ (325,402)	\$ (325,402)	\$ (307,653)	\$ 17,749
Other Financing Sources (Uses)				
Transfers out	\$ (25,000)	\$ (25,000)	\$ (25,000)	\$ -
Net Change in Fund Balance	\$ (350,402)	\$ (350,402)	\$ (332,653)	\$ 17,749
Fund Balance - January 1	3,780,879	3,780,879	3,780,879	-
Fund Balance - December 31	\$ 3,430,477	\$ 3,430,477	\$ 3,448,226	\$ 17,749

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((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
January 1, 2014	-	652,310	652,310	0.0	12,048,174	5.4

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014.

	<u>Expenditures</u>		<u>Final Budget</u>		<u>Excess</u>
General Fund					
General government					
Commissioners	\$ 282,953		\$ 269,739	\$	13,214
Courts	76,832		50,000		26,832
County auditor-treasurer	679,330		670,903		8,427
License bureau	205,201		204,750		451
Personnel	214,290		192,379		21,911
Law library	41,192		37,000		4,192
Planning and zoning	381,869		369,037		12,832
Building and plant	641,705		637,172		4,533
Veterans service officer	160,938		142,883		18,055
Health					
Nursing service	31,152		26,000		5,152
Culture and recreation					
Senior Citizens	5,652		5,500		152
Conservation of natural resources					
County extension	142,756		142,688		68

**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	2,078	-	2,078
Interest	143	-	143
Public Safety Special Revenue Fund			
Public Safety			
Sheriff	4,429,326	3,588,307	841,019
Emergency services	60,887	28,397	32,490
Jail	3,102,660	2,776,025	326,635
Road and Bridge Special Revenue Fund			
Highways and streets			
Maintenance	3,019,825	2,735,173	284,652
Intergovernmental			
Highways and streets	572,534	-	572,534
Human Services Special Revenue Fund			
Human Services			
Collaborative	142,937	-	142,937
Health			
Nursing service	1,658,976	1,639,963	19,013
Environmental Affairs Special Revenue Fund			
Sanitation			
Solid waste	2,170,037	1,845,859	324,178

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, three actuarial valuations are available.

SUPPLEMENTARY INFORMATION

**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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>Special Revenue (Exhibit B-3)</u>	<u>Debt Service</u>	<u>Total (Exhibit 3)</u>
<u>Assets</u>			
Cash and pooled investments	\$ 1,768,444	\$ 570,005	\$ 2,338,449
Taxes receivable			
Current	2,609	9,382	11,991
Prior	1,524	8,865	10,389
Accounts receivable	80,999	-	80,999
Due from other governments	10,644	-	10,644
Total Assets	\$ 1,864,220	\$ 588,252	\$ 2,452,472
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 2,141	\$ -	\$ 2,141
Salaries payable	15,277	-	15,277
Due to other funds	36,835	-	36,835
Due to other governments	210,351	-	210,351
Total Liabilities	\$ 264,604	\$ -	\$ 264,604
Deferred Inflows of Resources			
Unavailable revenues	\$ 3,239	\$ 14,831	\$ 18,070
Fund Balances			
Restricted			
Debt service	\$ -	\$ 573,421	\$ 573,421
Gravel pit closure	412,390	-	412,390
Conservation of natural resources	741,915	-	741,915
Assigned			
Culture and recreation	442,072	-	442,072
Total Fund Balances	\$ 1,596,377	\$ 573,421	\$ 2,169,798
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,864,220	\$ 588,252	\$ 2,452,472

**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, 2014**

	Special Revenue (Exhibit B-4)	Debt Service	Total (Exhibit 5)
Revenues			
Taxes	\$ 166,408	\$ 458,741	\$ 625,149
Intergovernmental	480,398	7,831	488,229
Charges for services	5,470	-	5,470
Miscellaneous	750,575	-	750,575
Total Revenues	\$ 1,402,851	\$ 466,572	\$ 1,869,423
Expenditures			
Current			
Culture and recreation	\$ 411,429	\$ -	\$ 411,429
Conservation of natural resources	749,565	-	749,565
Debt service			
Principal	-	320,000	320,000
Interest	-	117,125	117,125
Administrative (fiscal) charges	-	550	550
Total Expenditures	\$ 1,160,994	\$ 437,675	\$ 1,598,669
Net Change in Fund Balance	\$ 241,857	\$ 28,897	\$ 270,754
Fund Balance - January 1	1,354,520	544,524	1,899,044
Fund Balance - December 31	\$ 1,596,377	\$ 573,421	\$ 2,169,798

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2014**

	<u>Parks and Recreation</u>	<u>Resource Development</u>	<u>County Ditch</u>	<u>Natural Resource Management</u>	<u>Gravel Tax</u>	<u>Total</u>
<u>Assets</u>						
Cash and pooled investments	\$ 447,082	\$ 659,204	\$ 7,763	\$ 146,837	\$ 507,558	\$ 1,768,444
Taxes receivable						
Current	2,609	-	-	-	-	2,609
Prior	1,524	-	-	-	-	1,524
Accounts receivable	-	-	-	2,808	78,191	80,999
Due from other governments	-	-	-	9,625	1,019	10,644
Total Assets	\$ 451,215	\$ 659,204	\$ 7,763	\$ 159,270	\$ 586,768	\$ 1,864,220
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 281	\$ 1,346	\$ -	\$ 514	\$ -	\$ 2,141
Salaries payable	4,788	-	-	10,489	-	15,277
Due to other funds	592	-	-	301	35,942	36,835
Due to other governments	243	-	-	71,672	138,436	210,351
Total Liabilities	\$ 5,904	\$ 1,346	\$ -	\$ 82,976	\$ 174,378	\$ 264,604
Deferred Inflows of Resources						
Unavailable revenues	\$ 3,239	\$ -	\$ -	\$ -	\$ -	\$ 3,239
Fund Balances						
Restricted						
Gravel pit closure	\$ -	\$ -	\$ -	\$ -	\$ 412,390	\$ 412,390
Conservation of natural resources	-	657,858	7,763	76,294	-	741,915
Assigned						
Culture and recreation	442,072	-	-	-	-	442,072
Total Fund Balances	\$ 442,072	\$ 657,858	\$ 7,763	\$ 76,294	\$ 412,390	\$ 1,596,377
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 451,215	\$ 659,204	\$ 7,763	\$ 159,270	\$ 586,768	\$ 1,864,220

**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, 2014**

	<u>Parks and Recreation</u>	<u>Resource Development</u>	<u>County Ditch</u>	<u>Natural Resource Management</u>	<u>Gravel Tax</u>	<u>Total</u>
Revenues						
Taxes	\$ 126,959	\$ -	\$ -	\$ -	\$ 39,449	\$ 166,408
Intergovernmental	404,684	75,714	-	-	-	480,398
Charges for services	5,470	-	-	-	-	5,470
Miscellaneous	47,836	72,263	-	630,476	-	750,575
Total Revenues	<u>\$ 584,949</u>	<u>\$ 147,977</u>	<u>\$ -</u>	<u>\$ 630,476</u>	<u>\$ 39,449</u>	<u>\$ 1,402,851</u>
Expenditures						
Current						
Culture and recreation	\$ 411,429	\$ -	\$ -	\$ -	\$ -	\$ 411,429
Conservation of natural resources	-	123,207	-	626,358	-	749,565
Total Expenditures	<u>\$ 411,429</u>	<u>\$ 123,207</u>	<u>\$ -</u>	<u>\$ 626,358</u>	<u>\$ -</u>	<u>\$ 1,160,994</u>
Net Change in Fund Balance	<u>\$ 173,520</u>	<u>\$ 24,770</u>	<u>\$ -</u>	<u>\$ 4,118</u>	<u>\$ 39,449</u>	<u>\$ 241,857</u>
Fund Balance - January 1	<u>268,552</u>	<u>633,088</u>	<u>7,763</u>	<u>72,176</u>	<u>372,941</u>	<u>1,354,520</u>
Fund Balance - December 31	<u>\$ 442,072</u>	<u>\$ 657,858</u>	<u>\$ 7,763</u>	<u>\$ 76,294</u>	<u>\$ 412,390</u>	<u>\$ 1,596,377</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 126,394	\$ 126,394	\$ 126,959	\$ 565
Intergovernmental	198,894	198,894	404,684	205,790
Charges for services	3,000	3,000	5,470	2,470
Miscellaneous	40,000	40,000	47,836	7,836
Total Revenues	\$ 368,288	\$ 368,288	\$ 584,949	\$ 216,661
Expenditures				
Current				
Culture and recreation				
Recreation	368,288	368,288	411,429	(43,141)
Net Change in Fund Balance	\$ -	\$ -	\$ 173,520	\$ 173,520
Fund Balance - January 1	268,552	268,552	268,552	-
Fund Balance - December 31	\$ 268,552	\$ 268,552	\$ 442,072	\$ 173,520

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-6

**BUDGETARY COMPARISON SCHEDULE
RESOURCE DEVELOPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 75,500	\$ 75,500	\$ 75,714	\$ 214
Miscellaneous	65,000	65,000	72,263	7,263
Total Revenues	\$ 140,500	\$ 140,500	\$ 147,977	\$ 7,477
Expenditures				
Current				
Conservation of natural resources				
Resource development	142,450	142,450	123,207	19,243
Net Change in Fund Balance	\$ (1,950)	\$ (1,950)	\$ 24,770	\$ 26,720
Fund Balance - January 1	633,088	633,088	633,088	-
Fund Balance - December 31	\$ 631,138	\$ 631,138	\$ 657,858	\$ 26,720

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
NATURAL RESOURCE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Miscellaneous	\$ 376,100	\$ 376,100	\$ 630,476	\$ 254,376
Expenditures				
Current				
Conservation of natural resources				
Tax forfeited sales	325,366	325,366	626,358	(300,992)
Net Change in Fund Balance	\$ 50,734	\$ 50,734	\$ 4,118	\$ (46,616)
Fund Balance - January 1	72,176	72,176	72,176	-
Fund Balance - December 31	<u>\$ 122,910</u>	<u>\$ 122,910</u>	<u>\$ 76,294</u>	<u>\$ (46,616)</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-8

**BUDGETARY COMPARISON SCHEDULE
GRAVEL TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 120,000	\$ 120,000	\$ 39,449	\$ (80,551)
Expenditures				
Current				
Conservation of natural resources				
Other	120,000	120,000	-	120,000
Net Change in Fund Balance	\$ -	\$ -	\$ 39,449	\$ 39,449
Fund Balance - January 1	372,941	372,941	372,941	-
Fund Balance - December 31	<u>\$ 372,941</u>	<u>\$ 372,941</u>	<u>\$ 412,390</u>	<u>\$ 39,449</u>

**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, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CLEARING FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 327,175	\$ 3,804,435	\$ 3,822,561	\$ 309,049
<u>Liabilities</u>				
Accounts payable	\$ 226,755	\$ 2,053,722	\$ 2,055,251	\$ 225,226
Due to other governments	100,420	1,750,713	1,767,310	83,823
Total Liabilities	\$ 327,175	\$ 3,804,435	\$ 3,822,561	\$ 309,049
<u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 642,262	\$ 47,107,684	\$ 47,041,759	\$ 708,187
<u>Liabilities</u>				
Due to other governments	\$ 553,428	\$ 47,007,779	\$ 46,952,925	\$ 608,282
Deferred credits	88,834	99,905	88,834	99,905
Total Liabilities	\$ 642,262	\$ 47,107,684	\$ 47,041,759	\$ 708,187
<u>CHILDREN'S INITIATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 370,410	\$ 205,139	\$ 286,054	\$ 289,495
<u>Liabilities</u>				
Due to other governments	\$ 370,410	\$ 205,139	\$ 286,054	\$ 289,495

**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, 2014**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,339,847	\$ 51,117,258	\$ 51,150,374	\$ 1,306,731
<u>Liabilities</u>				
Accounts payable	\$ 226,755	\$ 2,053,722	\$ 2,055,251	\$ 225,226
Due to other governments	1,024,258	48,963,631	49,006,289	981,600
Deferred credits	88,834	99,905	88,834	99,905
Total Liabilities	\$ 1,339,847	\$ 51,117,258	\$ 51,150,374	\$ 1,306,731

OTHER SCHEDULES

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Funds</u>	<u>Discretely Presented Component Unit</u>	<u>All Funds</u>
Appropriations and Shared Revenue			
State			
Highway users tax	\$ 5,256,980	\$ -	\$ 5,256,980
County program aid	1,332,292	-	1,332,292
PERA rate reimbursement	38,181	-	38,181
Police aid	141,530	-	141,530
Aquatic Invasive Species	143,610	-	143,610
Market value credit	193,328	1,668	194,996
Disparity reduction aid	4,123	-	4,123
Total shared revenue	\$ 7,110,044	\$ 1,668	\$ 7,111,712
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 1,376,205	\$ -	\$ 1,376,205
Payments			
Local			
Local contributions	\$ 155,493	\$ -	\$ 155,493
Payments in lieu of taxes	438,141	-	438,141
Total Payments	\$ 593,634	\$ -	\$ 593,634
Grants			
State			
Minnesota Department/Board of			
Agriculture	\$ 1,365	\$ -	\$ 1,365
Corrections	360,527	-	360,527
Public Safety	142,359	-	142,359
Transportation	448,174	-	448,174
Health	168,913	-	168,913
Veterans Affairs	10,000	-	10,000
Natural Resources	246,063	-	246,063
Human Services	2,443,417	-	2,443,417
Revenue	3,529	-	3,529
Water and Soil Resources	68,047	-	68,047
Minnesota Pollution Control Agency	162,320	-	162,320
Total state	\$ 4,054,714	\$ -	\$ 4,054,714

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**EXHIBIT D-1
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Funds</u>	<u>Discretely Presented Component Unit</u>	<u>All Funds</u>
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 579,233	\$ -	\$ 579,233
Housing and Urban Development	-	321,511	321,511
Transportation	485,231	-	485,231
Education	1,526	-	1,526
Health and Human Services	3,881,596	-	3,881,596
Homeland Security	60,314	-	60,314
Total federal	<u>\$ 5,007,900</u>	<u>\$ 321,511</u>	<u>\$ 5,329,411</u>
Total state and federal grants	<u>\$ 9,062,614</u>	<u>\$ 321,511</u>	<u>\$ 9,384,125</u>
Total Intergovernmental Revenue	<u>\$ 18,142,497</u>	<u>\$ 323,179</u>	<u>\$ 18,465,676</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 196,101
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>383,132</u>
Total U.S. Department of Agriculture		\$ 579,233
U.S. Department of Housing and Urban Development		
Direct		
Public and Indian Housing	14.850	\$ 79,182
Section 8 Housing Choice Vouchers	14.871	208,134
Public Housing Capital Fund	14.872	<u>34,195</u>
Total U.S. Department of Housing and Urban Development		\$ 321,511
U.S. Department of Transportation		
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	\$ 58,781
Passed Through Minnesota Department of Transportation Formula Grants for Rural Areas	20.509	104,365
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	26,320
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>25,806</u>
Total U.S. Department of Transportation		\$ 215,272
U.S. Department of Education		
Passed Through Minnesota Department of Health Special Education Grant for Infants and Families	84.181	<u>\$ 1,526</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	\$ 12,152
Immunization Cooperative Agreements	93.268	2,000
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	700
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	434,869
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	770
Temporary Assistance for Needy Families	93.558	45,935
(Total Temporary Assistance for Needy Families 93.558 \$593,396)		
Maternal and Child Health Services Block Grant to the States	93.994	36,010
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	89,368
Temporary Assistance for Needy Families	93.558	547,461
(Total Temporary Assistance for Needy Families 93.558 \$593,396)		
Child Support Enforcement	93.563	764,711
Refugee and Entrant Assistance - State Administered Programs	93.566	1,807
Child Care and Development Block Grant	93.575	11,510
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	781
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2,756
Foster Care Title IV-E	93.658	370,069
Social Services Block Grant	93.667	305,107
Chafee Foster Care Independence Program	93.674	13,064
Children's Health Insurance Program	93.767	173
Medical Assistance Program	93.778	1,226,873
Block Grants for Community Mental Health Services	93.958	15,480
Total U.S. Department of Health and Human Services		\$ 3,881,596
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 25,953
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	7,272
Emergency Management Performance Grants	97.042	27,089
Total U.S. Department of Homeland Security		\$ 60,314
Total Federal Awards		\$ 5,059,452

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014. 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	\$ 5,329,411
Grants deferred in 2013, recognized as revenue in 2014	
Highway Planning and Construction (CFDA #20.205)	<u>(269,959)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 5,059,452</u>

5. Subrecipients

Becker County did not pass any federal awards through to subrecipients in 2014.

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