

BECKER COUNTY
DETROIT LAKES, MINNESOTA
YEAR ENDED DECEMBER 31, 2016



**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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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, 2016. 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

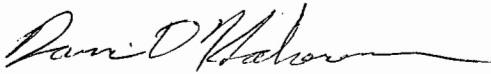
Minnesota State Law requires an audit to be made of the books of accounts, financial records, and transactions of the County by the State Auditor. This requirement has been complied with, and the Auditor's opinion is included in this report.

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-Treasurer's Office.

Sincerely,

A handwritten signature in cursive script, reading "Darin O Halvorson", with a long horizontal flourish extending to the right.

Darin O Halvorson
Becker County Accountant

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2016

Office	Name	Term Expires
Commissioners		
1st District	Larry Knutson**	January 2019
2nd District	Ben Grimsley	January 2019
3rd District	John Okeson	January 2017
4th District	Donald Skarie	January 2017
5th District	Barry Nelson*	January 2017
Officers		
Elected		
Attorney	Tammy Merkins***	January 2019
Auditor-Treasurer	Mary Hendrickson	January 2019
Recorder	Patricia Swenson	January 2019
Registrar of Titles	Patricia Swenson	January 2019
Sheriff	Todd Glander	January 2019
Appointed		
Administrator	Jack Ingstad	Indefinite
Assessor	Steve Carlson	January 2017
Highway Engineer	Jim Olson	Indefinite
Coroner	Knute Thorsgard	January 2019
Human Services Director	Denise Warren	Indefinite
Human Resources Director	Nancy Grabanski	Indefinite
Land Use Director	Steve Skoog	Indefinite
Surveyor	Roy Smith	January 2019

*2016 Chair

**2016 Vice Chair

***Appointed on 7/8/16 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)
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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, 2016, including the Sunnyside Care Center as of and for the year ended September 30, 2016, 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 business-type activities and the Sunnyside Care Center Enterprise Fund. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sunnyside Care Center, 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 from 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 report and the report of the 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, 2016, including the Sunnyside Care Center as of September 30, 2016, 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.

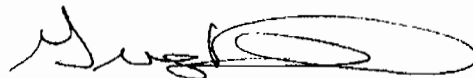
The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2017, 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, or the Becker County Economic Development Authority component unit, which was issued as a separate report.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 14, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(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, 2016. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$80,356,188 of which \$66,981,296 is net investment in capital assets, \$5,638,887 is restricted for specific purposes, and \$7,736,005 is unrestricted. The total net position of governmental activities increased by \$3,931,871 for the year ended December 31, 2016.

The total net position of business-type activities is \$166,510, of which \$473,738 is net investment in capital assets, \$6,664 is restricted for capital projects, and negative \$313,892 is unrestricted. The total net position of business-type activities decreased by \$59,690 for the year ended September 30, 2016.

At the close of 2016, the County's governmental funds reported combined ending fund balances of \$26,326,092, an increase of \$1,295,662 from the prior year. Of the total fund balance amount, \$1,590,408 is nonspendable, \$2,864,668 is legally or contractually restricted, \$3,266,743 is formally committed for specific purposes, \$13,066,074 is assigned for specific purposes, and \$5,538,199 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 deferred outflows of resources and liabilities and deferred inflows of resources using the full 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, liabilities, and deferred inflows of resources 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, public transportation, highways and streets, 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 Balance - 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 37 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, and deferred inflows of resources by \$80,356,188 at the close of 2016. The largest portion of the County's net position (approximately 83.4 percent) reflects its net investment in capital assets (land, right-of-way, construction in progress, infrastructure, buildings and improvements, land improvements, machinery, furniture 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 7 percent of the County's net position is restricted, and 9.6 percent of the County's net position is unrestricted. The unrestricted net position amount of \$7,736,005 as of December 31, 2016, 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 \$5,431,056 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 \$3,872,181 from the prior year.

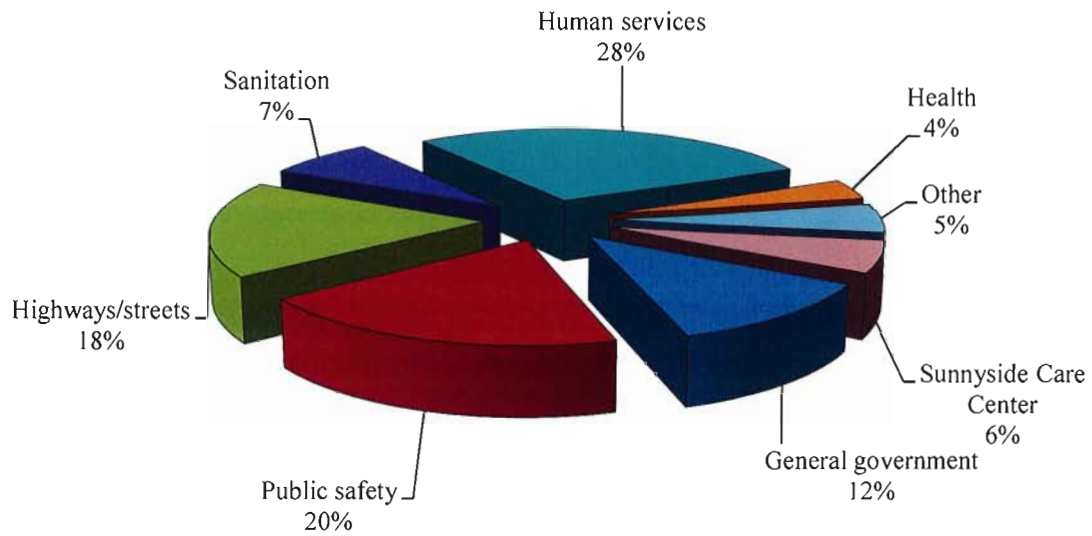
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 32,970,609	\$ 31,476,120	\$ 141,156	\$ 20,652	\$ 33,111,765	\$ 31,496,772
Capital assets	<u>70,976,296</u>	<u>67,112,329</u>	<u>1,478,814</u>	<u>1,526,718</u>	<u>72,455,110</u>	<u>68,639,047</u>
Total Assets	\$ 103,946,905	\$ 98,588,449	\$ 1,619,970	\$ 1,547,370	\$ 105,566,875	\$ 100,135,819
Deferred Outflows of Resources	\$ 13,065,704	\$ 2,007,484	\$ 741,856	\$ 114,995	\$ 13,807,560	\$ 2,122,479
Liabilities						
Other liabilities	\$ 2,477,031	\$ 3,267,629	\$ 242,023	\$ 229,260	\$ 2,719,054	\$ 3,496,889
Long-term liabilities outstanding	<u>31,305,705</u>	<u>19,469,797</u>	<u>1,744,976</u>	<u>1,051,044</u>	<u>33,050,681</u>	<u>20,520,841</u>
Total Liabilities	\$ 33,782,736	\$ 22,737,426	\$ 1,986,999	\$ 1,280,304	\$ 35,769,735	\$ 24,017,730
Deferred Inflows of Resources	\$ 2,873,685	\$ 1,434,190	\$ 208,317	\$ 155,861	\$ 3,082,002	\$ 1,590,051
Net Position						
Net investment in capital assets	\$ 66,981,296	\$ 62,787,329	\$ 473,738	\$ 476,468	\$ 67,455,034	\$ 63,263,797
Restricted	5,638,887	5,994,836	6,664	9,080	5,645,551	6,003,916
Unrestricted	<u>7,736,005</u>	<u>7,642,152</u>	<u>(313,892)</u>	<u>(259,348)</u>	<u>7,422,113</u>	<u>7,382,804</u>
Total Net Position	\$ 80,356,188	\$ 76,424,317	\$ 166,510	\$ 226,200	\$ 80,522,698	\$ 76,650,517

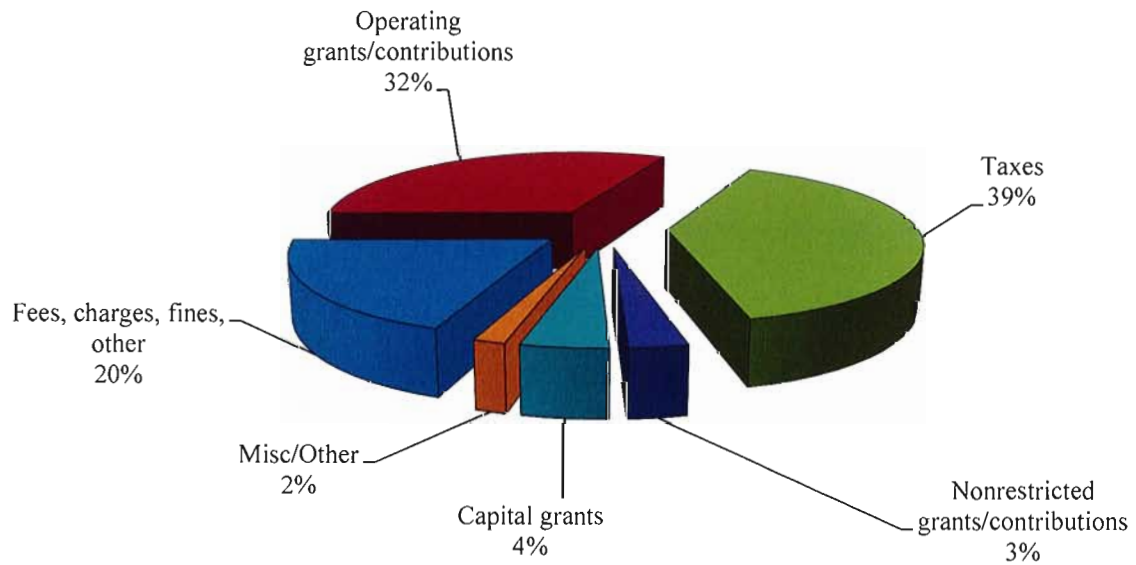
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Fees, charges, fines, and other	\$ 7,636,635	\$ 7,551,060	\$ 2,855,070	\$ 2,572,997	\$ 10,491,705	\$ 10,124,057
Operating grants and contributions	17,241,032	16,256,725	35,770	22,596	17,276,802	16,279,321
Capital grants and contributions	2,462,654	2,235,388	101	557	2,462,755	2,235,945
General Revenues						
Property taxes	19,224,855	18,787,673	-	-	19,224,855	18,787,673
Local sales tax	2,132,734	1,944,867	-	-	2,132,734	1,944,867
Other taxes	484,269	208,400	-	-	484,269	208,400
Grants and contributions not restricted to specific programs	1,654,277	1,693,067	642	-	1,654,919	1,693,067
Other general revenues	426,879	1,000,594	(2,518)	(715)	424,361	999,879
Total Revenues	\$ 51,263,335	\$ 49,677,774	\$ 2,889,065	\$ 2,595,435	\$ 54,152,400	\$ 52,273,209
Expenses						
General government	\$ 6,015,887	\$ 6,126,872	-	-	\$ 6,015,887	\$ 6,126,872
Public safety	9,848,490	8,015,412	-	-	9,848,490	8,015,412
Public transportation	651,010	586,463	-	-	651,010	586,463
Highways and streets	8,906,898	8,886,631	-	-	8,906,898	8,886,631
Sanitation	3,693,646	2,969,214	-	-	3,693,646	2,969,214
Human services	14,263,512	13,515,631	-	-	14,263,512	13,515,631
Health	1,908,378	1,792,233	-	-	1,908,378	1,792,233
Culture and recreation	707,933	1,133,966	-	-	707,933	1,133,966
Conservation of natural resources	1,223,084	1,032,507	-	-	1,223,084	1,032,507
Economic development	8,551	77,450	-	-	8,551	77,450
Interest	104,075	109,274	-	-	104,075	109,274
Sunnyside Care Center	-	-	2,948,755	2,776,544	2,948,755	2,776,544
Total Expenses	\$ 47,331,464	\$ 44,245,653	\$ 2,948,755	\$ 2,776,544	\$ 50,280,219	\$ 47,022,197
Increase (decrease) in net position	\$ 3,931,871	\$ 5,432,121	\$ (59,690)	\$ (181,109)	\$ 3,872,181	\$ 5,251,012
Net Position, January 1	76,424,317	70,992,196	226,200	407,309	76,650,517	71,399,505
Net Position, December 31	<u>\$ 80,356,188</u>	<u>\$ 76,424,317</u>	<u>\$ 166,510</u>	<u>\$ 226,200</u>	<u>\$ 80,522,698</u>	<u>\$ 76,650,517</u>

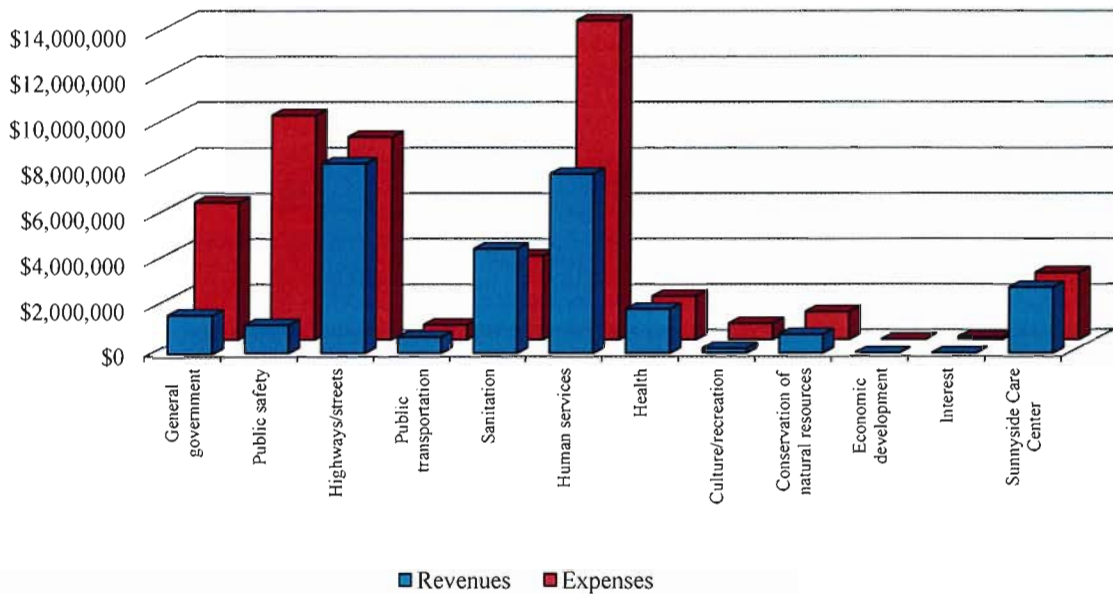
Expenses by Function



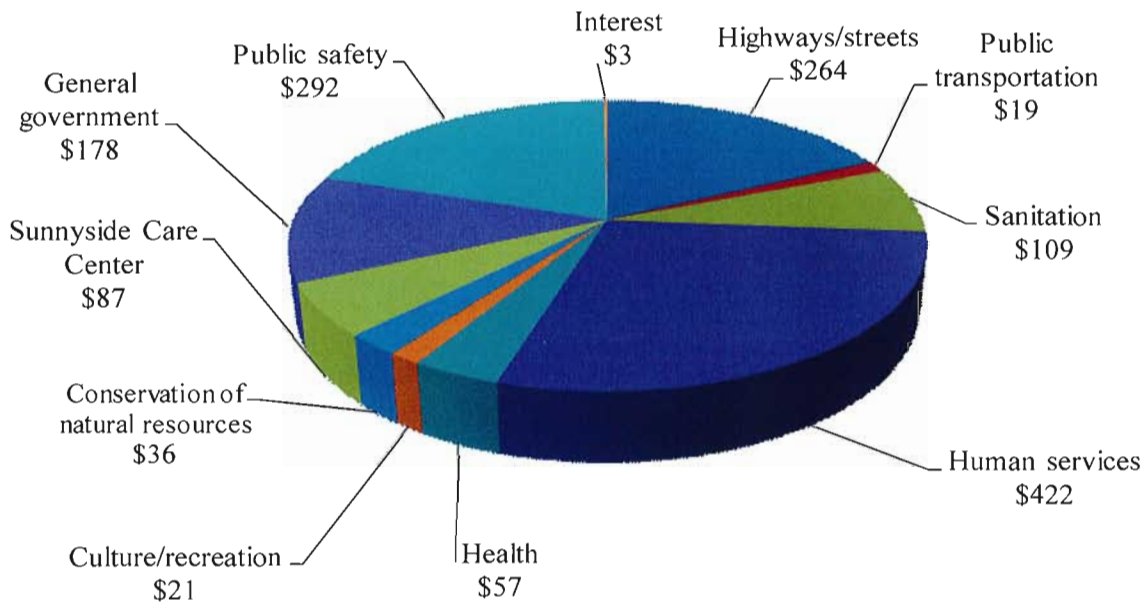
Revenues by Source



Program Revenues and Expenses



Expenditures Per Capita 33,766 Population from 2016 State Demographic Center



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

Governmental Funds

At the end of 2016, the County's governmental funds reported combined ending fund balances of \$26,326,092. Of this amount, approximately 6.0 percent constitutes nonspendable fund balance, 10.9 percent constitutes legally or contractually restricted fund balance, 12.4 percent constitutes formally committed fund balance, 49.6 percent constitutes specifically assigned fund balance, and 21 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 \$9,931,642. The General Fund's nonspendable fund balance was \$956,075, restricted fund balance was \$920,625, committed fund balance was \$2,516,743, and unassigned fund balance was \$5,538,199. 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 2016. Unrestricted fund balance represents 108.9 percent of total General Fund expenditures, while total fund balance represents 134.3 percent of that same amount.

In 2016, the fund balance amount in the General Fund increased by \$732,772. The increase is due to conservative budget practices in revenues and expenditures.

The fund balance of the Public Safety Special Revenue Fund decreased \$189,714 from the prior year, due primarily to boarding prisoners in other counties.

The fund balance of the Road and Bridge Special Revenue Fund increased \$1,346,587 in 2016, due to CSAH revenue received in 2016 but not expensed in the same year.

The fund balance of the Human Services Special Revenue Fund increased \$202,977 from the prior year, due mainly from conservative budgeting practices.

The fund balance of the Environmental Affairs Special Revenue Fund decreased \$908,393 from construction costs for the new Transfer Station Building.

Proprietary Fund

The Sunnyside Care Center Enterprise Fund's total operating revenues increased \$295,247, or approximately 11.4 percent. Net resident services revenues increased 11.2 percent from \$2,500,737 in fiscal year 2015 to \$2,780,093 in fiscal year 2016. Nursing facility occupancy for fiscal year 2015 was 95.3 percent compared to 88.1 percent in fiscal year 2016. Operating expenses increased \$173,923, or 6.3 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 resulted in an operating loss of \$27,997. When the nonoperating revenues and expenses and capital contributions are added to the analysis, the total change in net position was a negative \$59,690.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget as approved for 2016.

Actual revenues were more than overall final budgeted revenues by \$310,137, with the largest positive variance due to conservative budgeting.

Actual expenditures were less than overall final budgeted expenditures by \$437,305, 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, 2016, and business-type activities as of September 30, 2016, amounted to \$72,455,110 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately 5.6 percent. This was primarily due to the capitalized infrastructure and building projects.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,632,847	\$ 1,627,382	\$ 118,625	\$ 118,625	\$ 1,751,472	\$ 1,746,007
Right-of-way	922,828	882,631	-	-	922,828	882,631
Construction in progress	68,062	1,567,468	-	-	68,062	1,567,468
Infrastructure	51,499,195	49,526,946	-	-	51,499,195	49,526,946
Buildings and improvements	12,461,826	9,694,148	1,209,230	1,257,665	13,671,056	10,951,813
Land improvements	734,179	693,163	45,390	50,208	779,569	743,371
Machinery, furniture, and equipment	3,657,359	3,120,591	105,569	100,220	3,762,928	3,220,811
Total Capital Assets	<u>\$ 70,976,296</u>	<u>\$ 67,112,329</u>	<u>\$ 1,478,814</u>	<u>\$ 1,526,718</u>	<u>\$ 72,455,110</u>	<u>\$ 68,639,047</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 \$4,999,075, which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 3,995,000	\$ 4,325,000	\$ -	\$ -	\$ 3,995,000	\$ 4,325,000
General obligation revenue notes	-	-	48,000	56,000	48,000	56,000
Advance from other funds	-	-	956,075	994,250	956,075	994,250
Total Long-Term Debt	\$ 3,995,000	\$ 4,325,000	\$ 1,004,075	\$ 1,050,250	\$ 4,999,075	\$ 5,375,250

The County's net decrease in debt of \$376,175 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 2016, overall debt of the County is below the three percent debt limit.

Becker County's bond rating is "AA" from Standard and Poor's.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The County depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.
- The unemployment rate for Becker County was 5.5 percent as of December 31, 2016. This is higher than the statewide rate of 4.1 percent and higher than the national average rate of 4.5 percent.
- Becker County's 2016 population estimation was 33,766, an increase of 1,262 since the 2010 census of 32,504.
- On December 13, 2016, Becker County set its 2017 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, 2016**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and pooled investments	\$ 24,982,685	\$ 845,617	\$ 25,828,302	\$ 978,042
Restricted cash	-	-	-	762,799
Petty cash and change funds	9,100	-	9,100	-
Taxes receivable				
Current	393,978	-	393,978	-
Delinquent	176,373	-	176,373	8,147
Special assessments receivable				
Current	10,586	-	10,586	-
Delinquent	3,702	-	3,702	-
Accounts receivable	1,121,869	216,681	1,338,550	42,290
Accrued interest receivable	39,357	-	39,357	-
Loans receivable	-	-	-	42,802
Property held for resale	-	-	-	161,829
Internal balances	956,075	(956,075)	-	-
Due from other governments	4,642,551	-	4,642,551	33,917
Loans receivable - noncurrent	-	-	-	881,432
Inventories	634,333	-	634,333	-
Prepaid items	-	20,172	20,172	-
Restricted assets				
Donor restricted assets	-	6,664	6,664	-
Resident trust funds	-	8,097	8,097	-
Capital assets				
Non-depreciable	2,623,737	118,625	2,742,362	357,532
Depreciable - net of accumulated depreciation	68,352,559	1,360,189	69,712,748	3,375,969
Total Assets	\$ 103,946,905	\$ 1,619,970	\$ 105,566,875	\$ 6,644,759
<u>Deferred Outflows of Resources</u>				
Deferred pension outflows	\$ 13,065,704	\$ 741,856	\$ 13,807,560	\$ -

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Accounts payable	\$ 869,614	\$ 59,387	\$ 929,001	\$ 8,708
Salaries payable	749,561	65,342	814,903	-
Compensated absences	-	88,412	88,412	-
Contracts payable	272,072	-	272,072	-
Due to other governments	543,774	-	543,774	19,158
Other liabilities	-	-	-	27,034
Accrued interest payable	42,010	2,390	44,400	-
Unearned revenue	-	18,395	18,395	19,673
Security deposits	-	-	-	19,343
Prepaid rent	-	-	-	551
Customer deposits	-	8,097	8,097	-
Long-term liabilities				
Due within one year	1,830,443	8,000	1,838,443	-
Due in more than one year	4,468,222	40,000	4,508,222	2,417,300
Net other postemployment benefits	865,143	-	865,143	-
Net pension liability	24,141,897	1,696,976	25,838,873	-
Total Liabilities	\$ 33,782,736	\$ 1,986,999	\$ 35,769,735	\$ 2,511,767
Deferred Inflows of Resources				
Deferred pension inflows	\$ 2,873,685	\$ 208,317	\$ 3,082,002	\$ -
Net Position				
Net Investment in capital assets	\$ 66,981,296	\$ 473,738	\$ 67,455,034	\$ 1,165,547
Restricted for				
General government	915,721	-	915,721	-
Public safety	9,633	-	9,633	-
Highways and streets	2,774,219	-	2,774,219	-
Capital projects	-	6,664	6,664	-
Conservation of natural resources	1,306,006	-	1,306,006	-
Debt service	628,404	-	628,404	-
Housing	-	-	-	1,700,478
Held in trust for other purposes	4,904	-	4,904	-
Unrestricted	7,736,005	(313,892)	7,422,113	1,266,967
Total Net Position	\$ 80,356,188	\$ 166,510	\$ 80,522,698	\$ 4,132,992

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Governmental activities			
General government	\$ 6,015,887	\$ 1,369,349	\$ 310,373
Public safety	9,848,490	401,827	831,291
Public transportation	651,010	239,278	461,069
Highways and streets	8,906,898	642,569	6,364,237
Sanitation	3,693,646	3,236,757	205,693
Human services	14,263,512	857,110	7,010,933
Health	1,908,378	425,221	1,509,985
Culture and recreation	707,933	26,999	174,597
Conservation of natural resources	1,223,084	437,525	372,854
Economic development	8,551	-	-
Interest	104,075	-	-
Total governmental activities	\$ 47,331,464	\$ 7,636,635	\$ 17,241,032
Business-type activities			
Sunnyside Care Center	2,948,755	2,855,070	35,770
Total Primary Government	\$ 50,280,219	\$ 10,491,705	\$ 17,276,802
Component unit			
Economic Development Authority	\$ 909,873	\$ 325,331	\$ 252,692
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			

Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position			Discretely Presented Component Unit
	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
\$ -	\$ (4,336,165)	\$ -	\$ (4,336,165)	
-	(8,615,372)	-	(8,615,372)	
-	49,337	-	49,337	
1,319,787	(580,305)	-	(580,305)	
1,142,867	891,671	-	891,671	
-	(6,395,469)	-	(6,395,469)	
-	26,828	-	26,828	
-	(506,337)	-	(506,337)	
-	(412,705)	-	(412,705)	
-	(8,551)	-	(8,551)	
-	(104,075)	-	(104,075)	
<u>\$ 2,462,654</u>	<u>\$ (19,991,143)</u>	<u>\$ -</u>	<u>\$ (19,991,143)</u>	
101	-	(57,814)	(57,814)	
<u>\$ 2,462,755</u>	<u>\$ (19,991,143)</u>	<u>\$ (57,814)</u>	<u>\$ (20,048,957)</u>	
<u>\$ -</u>				<u>\$ (331,850)</u>
	\$ 19,046,591	\$ -	\$ 19,046,591	\$ 82,945
	128,909	-	128,909	-
	49,355	-	49,355	-
	2,132,734	-	2,132,734	-
	1,654,277	642	1,654,919	1,249
	484,269	-	484,269	-
	266,306	-	266,306	4,857
	160,573	(2,518)	158,055	-
	<u>\$ 23,923,014</u>	<u>\$ (1,876)</u>	<u>\$ 23,921,138</u>	<u>\$ 89,051</u>
	\$ 3,931,871	\$ (59,690)	\$ 3,872,181	\$ (242,799)
	<u>\$ 76,424,317</u>	<u>\$ 226,200</u>	<u>\$ 76,650,517</u>	<u>\$ 4,375,791</u>
	<u>\$ 80,356,188</u>	<u>\$ 166,510</u>	<u>\$ 80,522,698</u>	<u>\$ 4,132,992</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	Public Safety	Road and Bridge
<u>Assets</u>			
Cash and pooled investments	\$ 8,935,108	\$ 2,519,834	\$ 4,664,976
Petty cash and change funds	7,550	200	300
Undistributed cash in agency funds (taxes and other)	4,418	-	-
Taxes receivable			
Current	63,381	139,111	52,622
Delinquent	27,928	58,597	26,051
Special assessments receivable			
Current	-	-	-
Delinquent	-	-	-
Accounts receivable	43,720	14,249	2,266
Accrued interest receivable	39,357	-	-
Due from other funds	25,749	333	34,753
Due from other governments	158,986	75,292	3,319,476
Advance to other funds	956,075	-	-
Inventories	-	-	634,333
	\$ 10,262,272	\$ 2,807,616	\$ 8,734,777
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 82,296	\$ 61,273	\$ 160,931
Salaries payable	149,898	198,985	95,649
Contracts payable	-	-	272,072
Due to other funds	3,579	4,754	-
Due to other governments	32,504	139,949	6,467
	\$ 268,277	\$ 404,961	\$ 535,119
 Deferred Inflows of Resources			
Unavailable revenues	\$ 62,353	\$ 134,373	\$ 3,113,773

EXHIBIT 3

<u>Human Services</u>	<u>Environmental Affairs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,344,050	\$ 2,067,546	\$ 2,446,753	\$ 24,978,267
200	850	-	9,100
-	-	-	4,418
128,182	-	10,682	393,978
58,231	-	5,566	176,373
-	10,586	-	10,586
-	3,702	-	3,702
850,832	145,194	65,608	1,121,869
-	-	-	39,357
-	72	-	60,907
1,046,181	14,092	28,524	4,642,551
-	-	-	956,075
-	-	-	634,333
<u>\$ 6,427,676</u>	<u>\$ 2,242,042</u>	<u>\$ 2,557,133</u>	<u>\$ 33,031,516</u>
\$ 486,062	\$ 49,905	\$ 29,147	\$ 869,614
270,123	28,089	6,817	749,561
-	-	-	272,072
24,110	2,377	26,087	60,907
146,382	78,484	139,988	543,774
<u>\$ 926,677</u>	<u>\$ 158,855</u>	<u>\$ 202,039</u>	<u>\$ 2,495,928</u>
<u>\$ 878,247</u>	<u>\$ 9,416</u>	<u>\$ 11,334</u>	<u>\$ 4,209,496</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	Public Safety	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (continued)			
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ -	\$ 634,333
Advances to other funds	956,075	-	-
Restricted			
Debt service	-	-	-
Law library	21,064	-	-
Recorder's technology equipment	591,788	-	-
Enhancements	302,869	-	-
E-911	-	9,633	-
Gravel pit closure	-	-	-
Conservation of natural resources	-	-	-
Missing heirs	4,904	-	-
Committed			
Capital improvements	2,500,000	-	-
Attorney contingencies	16,743	-	-
Assigned			
Environmental affairs	-	-	-
Public safety	-	2,258,649	-
Highways and streets	-	-	4,451,552
Human services	-	-	-
Culture and recreation	-	-	-
Unassigned	5,538,199	-	-
Total Fund Balances	\$ 9,931,642	\$ 2,268,282	\$ 5,085,885
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,262,272	\$ 2,807,616	\$ 8,734,777

EXHIBIT 3

<u>Human Services</u>	<u>Environmental Affairs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 634,333
-	-	-	956,075
-	-	628,404	628,404
-	-	-	21,064
-	-	-	591,788
-	-	-	302,869
-	-	-	9,633
-	-	482,891	482,891
-	-	823,115	823,115
-	-	-	4,904
-	750,000	-	3,250,000
-	-	-	16,743
-	1,323,771	-	1,323,771
-	-	-	2,258,649
-	-	-	4,451,552
4,622,752	-	-	4,622,752
-	-	409,350	409,350
-	-	-	5,538,199
<u>\$ 4,622,752</u>	<u>\$ 2,073,771</u>	<u>\$ 2,343,760</u>	<u>\$ 26,326,092</u>
<u>\$ 6,427,676</u>	<u>\$ 2,242,042</u>	<u>\$ 2,557,133</u>	<u>\$ 33,031,516</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, 2016**

Fund balances - total governmental funds (Exhibit 3)	\$	26,326,092
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.		70,976,296
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		13,065,704
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources--unavailable revenue in the governmental funds.		4,209,496
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	\$ (3,995,000)	
Net other postemployment benefits	(865,143)	
Accrued interest payable	(42,010)	
Compensated absences	(2,303,665)	
Net pension liability	<u>(24,141,897)</u>	(31,347,715)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds.		<u>(2,873,685)</u>
Net Position of Governmental Activities (Exhibit 1)	\$	<u>80,356,188</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Public Safety</u>	<u>Road and Bridge</u>
Revenues			
Taxes	\$ 3,264,415	\$ 6,674,929	\$ 4,748,810
Special assessments	-	-	-
Licenses and permits	317,948	51,342	14,668
Intergovernmental	2,780,061	965,160	6,703,149
Charges for services	1,233,680	200,057	315,590
Fines and forfeits	41,787	12,842	-
Gifts and contributions	4,600	15,993	-
Investment earnings	266,306	-	-
Miscellaneous	196,195	137,586	312,311
Total Revenues	\$ 8,104,992	\$ 8,057,909	\$ 12,094,528
Expenditures			
Current			
General government	\$ 5,495,652	\$ -	\$ -
Public safety	-	8,247,623	-
Public transportation	672,716	-	-
Highways and streets	-	-	10,323,301
Sanitation	-	-	-
Human services	-	-	-
Health	-	-	-
Culture and recreation	431,481	-	-
Conservation of natural resources	797,371	-	-
Intergovernmental			
Highways and streets	-	-	631,301
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative (fiscal) charges	-	-	-
Total Expenditures	\$ 7,397,220	\$ 8,247,623	\$ 10,954,602
Excess of Revenues Over (Under) Expenditures	\$ 707,772	\$ (189,714)	\$ 1,139,926
Other Financing Sources (Uses)			
Transfers in	\$ 25,000	\$ -	\$ -
Transfers out	-	-	-
Total Other Financing Sources (Uses)	\$ 25,000	\$ -	\$ -

EXHIBIT 5

<u>Human Services</u>	<u>Environmental Affairs</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 6,154,656	\$ -	\$ 544,463	\$ 21,387,273
-	1,042,531	-	1,042,531
-	-	-	383,958
8,660,436	1,348,560	249,605	20,706,971
-	1,918,408	6,880	3,674,615
-	-	-	54,629
-	-	2,450	23,043
-	-	-	266,306
<u>1,300,614</u>	<u>280,311</u>	<u>437,234</u>	<u>2,664,251</u>
\$ 16,115,706	\$ 4,589,810	\$ 1,240,632	\$ 50,203,577
\$ -	\$ -	\$ -	\$ 5,495,652
-	-	-	8,247,623
-	-	-	672,716
-	-	-	10,323,301
-	5,473,203	-	5,473,203
14,062,144	-	-	14,062,144
1,850,585	-	-	1,850,585
-	-	256,669	688,150
-	-	435,705	1,233,076
-	-	-	631,301
-	-	330,000	330,000
-	-	104,125	104,125
-	-	2,700	2,700
<u>\$ 15,912,729</u>	<u>\$ 5,473,203</u>	<u>\$ 1,129,199</u>	<u>\$ 49,114,576</u>
<u>\$ 202,977</u>	<u>\$ (883,393)</u>	<u>\$ 111,433</u>	<u>\$ 1,089,001</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, 2016**

	<u>General</u>	<u>Public Safety</u>	<u>Road and Bridge</u>
Net Change in Fund Balance	\$ 732,772	\$ (189,714)	\$ 1,139,926
Fund Balance - January 1	9,198,870	2,457,996	3,739,298
Increase (decrease) in reserved for inventories	-	-	206,661
Fund Balance - December 31	<u>\$ 9,931,642</u>	<u>\$ 2,268,282</u>	<u>\$ 5,085,885</u>

EXHIBIT 5

<u>Human Services</u>	<u>Environmental Affairs</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 202,977	\$ (908,393)	\$ 111,433	\$ 1,089,001
4,419,775	2,982,164	2,232,327	25,030,430
-	-	-	206,661
<u>\$ 4,622,752</u>	<u>\$ 2,073,771</u>	<u>\$ 2,343,760</u>	<u>\$ 26,326,092</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, 2016**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 1,089,001

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.

Unavailable revenue - December 31	\$ 4,209,496	
Unavailable revenue - January 1	<u>(3,222,820)</u>	986,676

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. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 8,659,146	
Net book value of assets disposed of	(21,923)	
Current year depreciation	<u>(4,773,256)</u>	3,863,967

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position.

Principal repayments		
General obligation bonds	\$ <u>330,000</u>	330,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ 2,749	
Change in compensated absences	(135,183)	
Change in net other postemployment benefits	(77,413)	
Change in net pension liability	(11,953,312)	
Change in deferred pension outflows	11,058,220	
Change in deferred pension inflows	(1,439,495)	
Change in inventories	<u>206,661</u>	<u>(2,337,773)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 3,931,871

PROPRIETARY FUND

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2016**

<u>Assets</u>	
Current assets	
Cash and pooled investments	\$ 845,617
Accounts receivable	216,681
Prepaid items	<u>20,172</u>
Total current assets	<u>\$ 1,082,470</u>
Restricted assets	
Donor restricted assets	\$ 6,664
Resident trust funds	<u>8,097</u>
Total restricted assets	<u>\$ 14,761</u>
Noncurrent assets	
Capital assets	
Nondepreciable	\$ 118,625
Depreciable - net	<u>1,360,189</u>
Total noncurrent assets	<u>\$ 1,478,814</u>
Total Assets	<u>\$ 2,576,045</u>
 <u>Deferred outflows of resources</u>	
Deferred pension outflows	<u>\$ 741,856</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
SUNNYSIDE CARE CENTER ENTERPRISE FUND
SEPTEMBER 30, 2016**

<u>Liabilities</u>	
Current liabilities	
Accounts payable	\$ 59,387
Salaries payable	65,342
Compensated absences payable	88,412
Advance from other funds	39,329
Accrued interest payable	2,390
Unearned revenue	18,395
General obligation revenue notes payable - current	<u>8,000</u>
Total current liabilities	\$ 281,255
Current liabilities payable from restricted assets	
Resident trust funds payable	<u>\$ 8,097</u>
Noncurrent liabilities	
Advance from other funds	\$ 916,746
General obligation revenue notes payable	40,000
Net pension liability	<u>1,696,976</u>
Total noncurrent liabilities	\$ 2,653,722
Total Liabilities	\$ 2,943,074
 <u>Deferred inflows of resources</u>	
Deferred pension inflows	<u>\$ 208,317</u>
 <u>Net Position</u>	
Net investment in capital assets	\$ 473,738
Restricted for capital acquisitions	6,664
Unrestricted	<u>(313,892)</u>
Total Net Position	\$ 166,510

**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, 2016**

Operating Revenues	
Charges for services	\$ 2,780,093
Grant revenue	35,770
Other operating revenue	74,977
	<hr/>
Total Operating Revenues	\$ 2,890,840
Operating Expenses	
Employee benefits	\$ 631,840
Ancillary services	63,208
Nursing	1,057,543
Social services and activities	76,535
Plant operations	149,836
Administrative	374,549
Medical care surcharge	95,710
Laundry and linen	59,405
Dietary	244,899
Housekeeping	52,483
Depreciation	112,829
	<hr/>
Total Operating Expenses	\$ 2,918,837
Operating Income (Loss)	\$ (27,997)
Nonoperating Revenues (Expenses)	
Non-capital grants and contributions	\$ 642
Releases from restriction	(2,518)
Interest expense	(29,918)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (31,794)
Income (loss) before contributions and transfers	\$ (59,791)
Capital grants and contributions	101
	<hr/>
Change in Net Position	\$ (59,690)
Net Position - October 1	226,200
	<hr/>
Net Position - September 30	\$ 166,510
	<hr/> <hr/>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from residents	\$ 2,814,713
Payments to suppliers	(718,279)
Payments to employees	(2,082,115)
Changes in pension related liabilities	<u>127,527</u>
Net cash provided by (used in) operating activities	<u>\$ 141,846</u>
Cash Flows from Noncapital Financing Activities	
Non-capital grants and contributions	<u>\$ 642</u>
Cash Flows from Capital and Related Financing Activities	
Capital contributions	\$ 101
Principal paid on long-term debt	(45,174)
Interest paid on long-term debt	(31,015)
Purchases of capital assets	<u>(64,925)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (141,013)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,475
Cash and Cash Equivalents at October 1	<u>844,142</u>
Cash and Cash Equivalents at September 30	<u><u>\$ 845,617</u></u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SUNNYSIDE CARE CENTER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ (27,997)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 112,829
Provision for bad debts	(2,025)
(Increase) decrease in accounts receivable	(83,045)
(Increase) decrease in deferred outflows of resources	(626,861)
(Increase) decrease in prepaid items	(2,582)
Increase (decrease) in accounts payable	(9,362)
Increase (decrease) in accrued liabilities	17,558
Increase (decrease) in deferred inflows of resources	52,456
Increase (decrease) in pension liability	701,932
Increase (decrease) unearned revenue	<u>8,943</u>
Total adjustments	<u>\$ 169,843</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 141,846</u></u>

FIDUCIARY FUNDS

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2016**

<u>Assets</u>	
Cash and pooled investments	<u>\$ 1,261,458</u>
 <u>Liabilities</u>	
Accounts payable	\$ 283,236
Due to other governments	846,777
Deferred credits	<u>131,445</u>
 Total Liabilities	 <u>\$ 1,261,458</u>

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as of and for the year ended December 31, 2016. 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.

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:

Component Unit	Component Unit is Included in Reporting Entity Because	Separate Financial Statements
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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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.

In the government-wide statement of net position, both the governmental and business-type activities columns: are presented on a consolidated basis by column; and 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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

The 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, which operates a 34-bed licensed long-term health care facility in Lake Park, Minnesota, and is managed by Ecumen Services Inc. The Care Center is under an agreement through July 31, 2017, with monthly management fees of \$7,100. The Care Center's financial position and operations are presented as of and for the year ended September 30, 2016.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Additionally, the County reports the following fund types:

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

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 full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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**

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. Investments are reported at their fair value at December 31, 2016. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2016 were \$266,306.

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 investment in the pool is measured at the net asset value per share provided by the pool.

The Sunnyside Care Center Enterprise Fund had no investment income for the year ended September 30, 2016.

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**

Activities 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.

Except for the Care Center, no allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

The Care Center provides an allowance for doubtful accounts which is offset against the gross amount of receivables. The allowance for doubtful accounts is an estimate of collection losses that may be incurred in the collection of all receivables. The allowance is based upon historical experience, coupled with management’s review of the current status of the existing receivables. Payment for services is required upon receipt of invoice or claim submitted. Accounts more than 30 days old are considered past due and individually analyzed for collectability. As of year-end, there was no allowance for doubtful accounts.

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2011 through 2016 and noncurrent special assessments payable in 2017 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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**

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, land improvements, and machinery, furniture, and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Governmental activities 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. Business-type activities capital assets have initial useful lives extending beyond five years and a dollar amount for capitalization per asset of \$1,000. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value (entry price) 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.

Infrastructure, buildings and improvements, land improvements, and machinery, furniture, and equipment of the governmental activities 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, furniture and equipment	4 - 12

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

All capital assets other than land and construction in progress of business-type activities are depreciated or amortized using the straight-line of method over the following estimated useful lives:

Assets	Years
Land improvements	5 - 15
Buildings	13 - 35
Building improvements	5 - 19
Equipment	5 - 20
Vehicles	5

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. Unearned Revenue

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

9. 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. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of the earned balances of vacation and vested sick leave for all full-time employees during the year calculated at an overall average rate of pay. For the governmental activities, compensated absences are liquidated by the General Fund, Public Safety Special Revenue Fund, the Road and Bridge Special Revenue Fund, the Natural Resource Management Fund, the Environmental Affairs Special Revenue Fund, and the Human Services Special Revenue Fund. For the business-type activities, compensated absences are liquidated by the Sunnyside Care Center Enterprise Fund.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual pension plan economic experience, changes in actuarial assumptions, pension plan changes in proportionate share, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports 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 two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

11. Long-Term Obligations

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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.

12. Pension Plan

For the County's governmental activities, for purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. The Care Center has a September 30 fiscal year end. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms for both the governmental activities and business-type activities. Plan investments are reported at fair value. For the governmental activities, the net pension liability is liquidated through the General Fund, and other governmental funds that have personal services. For the business-type activities, the pension liability is liquidated by the Sunny Side Care Center Enterprise Fund.

13. Classification of Net Position

Net position in the government-wide and proprietary fund 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.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

14. 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.

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 (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 (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**

15. 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.

16. 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, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget

The following is a table of the individual nonmajor funds with expenditures in excess of budget for the year ended December 31, 2016:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds			
County Ditch	\$ 300	\$ -	\$ 300
Natural Resource Management	369,346	368,900	446

B. Land Management

The County manages approximately 74,384 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.

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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	\$ 24,982,685
Petty cash and change funds	9,100
Business-Type Activities	
Cash and pooled investments	845,617
Restricted cash	
Donor-restricted cash	6,664
Resident trust funds	8,097
Fiduciary assets funds	
Cash and pooled investments	<u>1,261,458</u>
 Total Cash and Investments	 <u>\$ 27,113,621</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.

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.

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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, 2016, 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;
- (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.

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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.

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, 2016, 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.

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The following table represents the County's deposit and investment balances at December 31, 2016, 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%	4/01/2021	\$ 3,309
Federal National Mortgage Association	AAA	Moody's	<5.0%	3/16/2021	443,700
Federal Home Loan Bank	AAA	Moody's	<5.0%	12/14/2021	244,289
Federal Home Loan Mortgage Corporation	AAA	Moody's	<5.0%	10/28/2021	196,360
Total U.S. government agency securities					\$ 887,658
Local securities					
Parmer County TX Hospital District GO Bonds	A1	Moody's		02/15/2017	\$ 135,032
New Orleans LA General Obligation Bonds	A3	Moody's		09/01/2020	657,527
Lake Park-Audubon General Obligation Bonds	AA	Moody's		02/01/2026	539,960
Total local securities			9.58%		\$ 1,332,519
Negotiable certificates of deposit	N/R		26.87%	Various	\$ 3,737,639
MAGIC Fund	N/R		N/A		\$ 7,954,398
Total investments					\$ 13,912,214
Deposits					13,183,312
Change funds					9,100
Restricted cash at Sunnyside Care Center					18,345
Change in Enterprise Fund cash from September 30 to December 31, 2016					(9,350)
Total Cash and Investments					\$ 27,113,621

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

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2016, the County had the following recurring fair value measurements.

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	December 31, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Agencies	\$ 887,658	\$ -	\$ 887,658	\$ -
Municipal/Public Bonds	1,332,519	-	1,332,519	-
Negotiable certificates of deposit	3,737,639	-	3,737,639	-
Total Investments included in the Fair value hierarchy	<u>\$ 5,957,816</u>	<u>\$ -</u>	<u>\$ 5,957,816</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	<u>\$ 7,954,398</u>			

Debt securities classified in Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

2. Receivables

Receivables as of December 31, 2016, for the County's governmental activities and as of September 30, 2016, for the County's business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

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	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 570,351	\$ -
Special assessments	14,288	-
Accounts	1,121,869	-
Interest	39,357	-
Due from other governments	4,642,551	-
Total Governmental Activities	<u>\$ 6,388,416</u>	<u>\$ -</u>
Business-Type Activities		
Accounts	<u>\$ 216,681</u>	<u>\$ -</u>

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2016, and for the business-type activities for the year ended September 30, 2016, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,627,382	\$ 5,465	\$ -	\$ 1,632,847
Right-of-way	882,631	40,197	-	922,828
Construction in progress	1,567,468	54,768	1,554,174	68,062
Total capital assets not depreciated	<u>\$ 4,077,481</u>	<u>\$ 100,430</u>	<u>\$ 1,554,174</u>	<u>\$ 2,623,737</u>
Capital assets depreciated				
Buildings and improvements	\$ 19,166,310	\$ 3,318,627	\$ -	\$ 22,484,937
Land improvements	1,277,831	104,843	37,700	1,344,974
Machinery, furniture, and equipment	8,539,133	1,260,845	131,099	9,668,879
Infrastructure	100,359,597	5,428,575	-	105,788,172
Total capital assets depreciated	<u>\$ 129,342,871</u>	<u>\$ 10,112,890</u>	<u>\$ 168,799</u>	<u>\$ 139,286,962</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 9,472,162	\$ 550,949	\$ -	\$ 10,023,111
Land improvements	584,668	63,827	37,700	610,795
Machinery, furniture, and equipment	5,418,542	702,154	109,176	6,011,520
Infrastructure	50,832,651	3,456,326	-	54,288,977
Total accumulated depreciation	<u>\$ 66,308,023</u>	<u>\$ 4,773,256</u>	<u>\$ 146,876</u>	<u>\$ 70,934,403</u>
Total capital assets depreciated, net	<u>\$ 63,034,848</u>	<u>\$ 5,339,634</u>	<u>\$ 21,923</u>	<u>\$ 68,352,559</u>
Governmental Activities Capital Assets, Net	<u>\$ 67,112,329</u>	<u>\$ 5,440,064</u>	<u>\$ 1,576,097</u>	<u>\$ 70,976,296</u>

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Construction in progress at December 31, 2016 consists of expenditures for a new jail and a recycling facility.

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 and improvements	2,678,358	29,832	-	2,708,190
Equipment	623,816	35,093	-	658,909
Vehicles	14,438	-	-	14,438
Total capital assets depreciated	\$ 3,519,802	\$ 64,925	\$ -	\$ 3,584,727
Less: accumulated depreciation for				
Land improvements	\$ 152,982	\$ 4,817	\$ -	\$ 157,800
Buildings and improvements	1,420,693	78,267	-	1,498,960
Equipment	523,596	29,745	-	553,341
Vehicles	14,438	-	-	14,438
Total accumulated depreciation	\$ 2,111,709	\$ 112,829	\$ -	\$ 2,224,538
Total capital assets depreciated, net	\$ 1,408,093	\$ (47,904)	\$ -	\$ 1,360,189
Business-Type Activities				
Capital Assets, Net	\$ 1,526,718	\$ (47,904)	\$ -	\$ 1,478,814

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

Governmental Activities	
General government	\$ 531,987
Public safety	258,125
Highways and streets, including depreciation of infrastructure assets	3,725,997
Human services	32,211
Sanitation	175,693
Public transportation	28,929
Culture and recreation	17,050
Conservation of natural resources	3,264
Total Depreciation Expense - Governmental Activities	<u>\$ 4,773,256</u>
Business-Type Activities	
Sunnyside Care Center	<u>\$ 112,829</u>

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B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2016, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Special Revenue Fund	\$ 23,224
	Gravel Tax Special Revenue Fund	2,525
Total due to General Fund		\$ 25,749
Public Safety Special Revenue Fund	Human Services Special Revenue Fund	\$ 333
Road and Bridge Special Revenue Fund	General Fund	\$ 3,579
	Public Safety Special Revenue Fund	4,706
	Human Services Special Revenue Fund	553
	Resource Development Special Revenue Fund	1,875
	Environmental Affairs Special Revenue Fund	2,377
	County Ditch Special Revenue Fund	300
	Natural Resource Management Special Revenue Fund	974
	Gravel Tax Special Revenue Fund	20,389
Total due to Road and Bridge Special Revenue Fund		\$ 34,753
Environmental Affairs Special Revenue Fund	Public Safety Special Revenue Fund	\$ 48
	Parks and Recreation Special Revenue Fund	24
Total due to Environmental Affairs Special Revenue Fund		\$ 72
Total Due To/From Other Funds		\$ 60,907

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.

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2. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Sunnyside Care Center Enterprise Fund	\$ 956,075

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, 2016, consisted of the following:

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

1. Payables

Payables at December 31, 2016, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 869,614	\$ 59,387
Salaries	749,561	65,342
Contracts	272,072	-
Due to other governments	543,774	-
Compensated absences	-	88,412
Customer deposits	-	8,097
Interest	42,010	2,390
Total Payables	\$ 2,477,031	\$ 223,628

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2. Construction Commitments

The government has active construction projects as of December 31, 2016.

	Spent-to-Date	Remaining Commitment
Governmental Activities Mark Sand and Gravel Company	\$ 1,658,208	\$ 165,969

3. Long-Term Debt

Governmental Activities

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2016
General obligation bonds					
2012 Capital Improvement Bonds	2027	\$195,000 - \$425,000	2.00 - 3.00	\$ 5,340,000	\$ 3,995,000

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance September 30, 2016
2004 G.O. Revenue Note	2022	\$7,000 - \$8,000	1.68	\$ 135,430	\$ 48,000
Notes Payable*	2035	\$33,859	3.00	1,102,184	956,075
					\$ 1,004,075

*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.

4. Debt Service Requirements

Debt service requirements at December 31, 2016, for governmental activities and September 30, 2016, for business-type activities were as follows:

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Governmental Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2017	\$ 335,000	\$ 97,475
2018	345,000	90,675
2019	350,000	81,975
2020	365,000	71,250
2021	375,000	60,150
2022 - 2026	2,030,000	148,113
2027	195,000	2,437
Total	<u>\$ 3,995,000</u>	<u>\$ 552,075</u>

Business-Type Activities

Year Ending September 30	Notes	
	Principal	Interest
2017	\$ 47,329	\$ 29,195
2018	48,517	27,873
2019	49,742	26,514
2020	51,004	25,117
2021	52,304	23,683
2022 - 2026	250,430	95,294
2027 - 2031	281,344	57,240
2032 - 2035	223,405	13,602
Total	<u>\$ 1,004,075</u>	<u>\$ 298,518</u>

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, for governmental activities and September 30, 2016, for business-type activities was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 4,325,000	\$ -	\$ 330,000	\$ 3,995,000	\$ 335,000
Compensated absences	2,168,482	1,495,226	1,360,043	2,303,665	1,495,443
Governmental Activities Long-Term Liabilities	<u>\$ 6,493,482</u>	<u>\$ 1,495,226</u>	<u>\$ 1,690,043</u>	<u>\$ 6,298,665</u>	<u>\$ 1,830,443</u>

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Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation revenue					
Notes	\$ 56,000	\$ -	\$ 8,000	\$ 48,000	\$ 8,000
Note payable*	994,250	-	38,175	956,075	39,329
Business-Type Activities					
Long-Term Liabilities	<u>\$ 1,050,250</u>	<u>\$ -</u>	<u>\$ 46,175</u>	<u>\$ 1,004,075</u>	<u>\$ 47,329</u>

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

6. Unearned Revenues/Deferred Inflows of Resources

Deferred inflows of resources - unavailable revenues consist of state and/or federal grants, taxes, special assessments, and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period. The governmental funds reported no unearned revenue at December 31, 2016. Business-type activities reported unearned revenues of \$18,395 for rent paid in advance. Unavailable revenue at December 31, 2016 is summarized below by fund.

	Taxes	Special Assessments	Grants and Allotments	Other	Total
Major governmental funds					
General	\$ 62,353	\$ -	\$ -	\$ -	\$ 62,353
Public Safety	134,373	-	-	-	134,373
Road and Bridge	54,539	-	3,059,234	-	3,113,773
Human Services	127,870	-	-	750,377	878,247
Environmental Affairs	-	9,416	-	-	9,416
Nonmajor governmental funds					
Parks and Recreation	1,737	-	-	-	1,737
Debt Service	9,597	-	-	-	9,597
Total	<u>\$ 390,469</u>	<u>\$ 9,416</u>	<u>\$ 3,059,234</u>	<u>\$ 750,377</u>	<u>\$ 4,209,496</u>

4. Pension Plans

A. Defined Benefit Plans

1. Plan Description

All full-time and certain part-time employees of Becker County and the Sunnyside Care Center are covered by defined benefit pension plans administered by the

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Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No County or Sunnyside Care Center employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are

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related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph 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 their public service.

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 Plan Coordinated Plan members. Members hired prior to July 1, 1989, receive 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. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Plan and Public Employees Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee

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contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2016.

In 2016, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Coordinated Plan members	7.50%
Public Employees Police and Fire Plan	16.20
Public Employees Correctional Plan	8.75

The employee and employer contribution rates did not change from the previous year.

The County contributions for the year ended December 31, 2016, and the Care Center's contributions for the year ended September 30, 2016, to the pension plans were:

General Employees Retirement Plan	\$	1,024,025
Public Employees Police and Fire Plan		265,680
Public Employees Correctional Plan		129,366

The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of \$16,791,134 (governmental activities \$15,094,158 and business-type activities \$1,696,976) for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through

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June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was .2068 percent. It was .1996 percent measured as of June 30, 2015. The County recognized pension expense of \$2,035,243 (governmental activities \$1,816,690 and business-type activities \$218,553) for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$65,389 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

County's proportionate share of the net pension liability	\$ 16,791,134
State of Minnesota's proportionate share of the net pension liability associated with the County.	<u>219,297</u>
Total	<u>\$ 17,010,431</u>

The County's reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 1,384,935
Changes in actuarial assumptions	3,287,720	-
Difference between projected and actual investment earnings	3,231,184	-
Changes in proportion	63,153	915,038
Contributions paid to PERA subsequent to the measurement date	<u>520,328</u>	<u>-</u>
Total	<u>\$ 7,102,385</u>	<u>\$ 2,299,973</u>

The \$520,328 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, \$24,338 will be recognized by Sunnyside Care Center as a reduction of the net pension liability in

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the year ended September 30, 2017 and \$495,990 will be recognized by the County as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 1,086,897
2018	1,086,897
2019	1,501,767
2020	606,523

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of \$6,380,947 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was .159 percent. It was .160 percent measured as of June 30, 2015. The County recognized pension expense of \$1,101,345 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$14,310 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Public Employees Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 733,490
Changes in actuarial assumptions	3,511,714	-
Difference between projected and actual investment earnings	975,262	-
Changes in proportion	-	16,669
Contributions paid to PERA subsequent to the measurement date	146,373	-
Total	<u>\$ 4,633,349</u>	<u>\$ 750,159</u>

The \$146,373 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 803,771
2018	803,771
2019	803,771
2020	724,583
2021	600,921

Public Employees Correctional Plan

At December 31, 2016, the County reported a liability of \$2,666,792 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was .73 percent. It was .74 percent measured as of June 30, 2015. The County recognized pension expense of \$752,583 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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The County reported its proportionate share of the Public Employees Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,088	\$ 29,201
Changes in actuarial assumptions	1,699,068	-
Difference between projected and actual investment earnings	300,590	-
Changes in proportion	-	2,669
Contributions paid to PERA subsequent to the measurement date	70,080	-
Total	\$ 2,071,826	\$ 31,870

The \$70,080 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 632,418
2018	632,418
2019	647,773
2020	57,267

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was \$3,889,171.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for Public Employees Police and Fire Plan and Public Employees Correctional Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009. The experience study for the Public Employees Correctional Plan was for the period 2006 through 2011.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

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6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan and the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056, and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057, for the Police and Fire Plan and June 30, 2059, for the Public Employees Correctional Plan, when projected benefit payments exceed the Plans' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan and 5.31 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

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- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

8. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

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	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 23,848,387	4.60%	\$ 8,932,478	4.31%	\$ 4,015,365
Current	7.50	16,791,134	5.60	6,380,947	5.31	2,666,792
1% Increase	8.50	10,977,878	6.60	4,296,151	6.31	1,613,972

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. 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 County during the year ended December 31, 2016, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 9,242	\$ 9,242
Percentage of covered payroll	5%	5%

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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.

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)	<u>\$ 77,413</u>
Increase in net OPEB obligation	\$ 77,413
Net OPEB Obligation – Beginning of Year	<u>787,730</u>
Net OPEB Obligation - End of Year	<u>\$ 865,143</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015, and 2016, as follows:

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Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$ 77,413	\$ 36,184	46.7%	\$ 710,317
December 31, 2015	77,413	-	0.0	787,730
December 31, 2016	77,413	-	0.0	865,143

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.

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

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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, 2016, was 21 years.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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 \$500,000 per claim in 2016 and 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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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

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, Clay, Otter Tail, Todd, and Wadena. The original Joint Powers Agreement was amended effective October 21, 2014, to include Clay County.

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 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 North
Fergus Falls, Minnesota 56537

Partnership4Health Community Health Board

Partnership4Health Community Health Board was originally established July 1, 2014, by a joint powers agreement among Becker, Clay, Otter Tail, and Wilkin Counties, pursuant to Minn. Stat. ch. 145A, and pursuant to Minn. Stat. § 471.59, for the purpose of transitioning grant contracts. The Community Health Board became

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operational as of January 1, 2015. The joint powers agreement remains in force until any single county provides a resolution of withdrawal, duly passed by its governing board, to the County Boards and the auditor of the other counties participating in the agreement, and the Commissioner of Health for the State of Minnesota, at least one year before the beginning of the calendar year in which it takes effect.

Partnership4Health Community Health Board's purpose is to engage in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community.

Control is vested in Partnership4Health's Board, which consists of five members comprised of four County Commissioners and one community member. Members of the Board serve an annual term, with no term limit.

The financial activities of Partnership4Health are accounted for in an agency fund by Clay County. The individuals who administer the activity of Partnership4Health are considered to be employees of Clay County Public Health. During 2016, Becker County did not contribute to Partnership4Health Community Health Board.

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 \$45,000 for airport operations in 2016.

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

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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 2016, Becker County provided \$358,355 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 \$324,622 in 2016 for services purchased through Lakeland Mental Health Center.

D. Subsequent Event

On June 28, 2017, Becker County issued \$9,670,000 General Obligation Jail Bonds, Series 2017A, to finance a portion of the costs associated with the construction of a new jail facility. The term of the bonds is 20 years with principal payments starting on December 1, 2018.

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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, 2016. In addition to those identified Note 1, the EDA has the following significant 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.

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 full 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 and contracts for services from Midwest Minnesota Community Development Corporation.

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3. Assets, Liabilities, and Net Position

A. 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.

B. 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 acquisition value (entry price) at the date of donation.

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

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

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B. Detailed Notes on All Funds

1. Assets

A. Deposits and Investments

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

Governmental activities	
Cash and pooled investments	\$ 386,412
Business-type activities	
Cash and pooled investments	591,630
Restricted cash	<u>762,799</u>
 Total Cash and Investments	 <u>\$ 1,740,841</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, 2016, the EDA's deposits were not exposed to custodial credit risk.

B. Receivables

No allowance for uncollectable accounts has been made.

Contract for Deed (loans Receivable)

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, 2016.

Balance - January 1, 2016	\$ 930,935
New loans	171,095
Payments	(115,365)
Cancelled contracts	<u>(62,431)</u>
 Balance - December 31, 2016	 \$ 924,234
 Less: current portion	 <u>(42,802)</u>
 Long-Term Portion	 <u>\$ 881,432</u>

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Contract for Deed	Date	Interest Rate (%)	Due Date	Monthly Payment	Balance December 31
Federal Home Funds					
MURL #02	October 1, 1999	-	October 1, 2029	\$ 276	\$ 34,290
MURL #03	March 1, 2001	-	March 1, 2021	353	57,875
MURL #05	September 1, 2002	-	September 1, 2017	494	16,427
MURL #10	May 1, 2003	-	May 1, 2028	394	60,920
MURL #14	December 1, 2005	-	December 1, 2035	300	65,974
MURL #06	February 1, 2007	-	February 1, 2032	281	105,239
MURL #08	May 1, 2010	-	May 1, 2026	573	56,413
MURL #15	November 1, 2009	-	November 1, 2029	636	107,776
MURL #11	October 1, 2013	-	October 1, 2034	425	69,200
MURL #07	May 27, 2016	-	July 1, 2021	648	85,382
MURL #12	September 1, 2013	-	October 1, 2021	257	79,645
Total Federal Home Funds					\$ 739,141
State Non-Home Funds					
MURL #16	May 1, 2009	-	May 1, 2039	\$ 322	\$ 53,671
MURL #17	May 1, 2009	-	May 1, 2039	439	131,422
Total State Non-Home Funds					\$ 185,093
Total Contracts for Deed					\$ 924,234

C. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 357,352	\$ -	\$ -	\$ 357,532
Capital assets being depreciated				
Buildings	\$ 5,018,725	\$ -	\$ -	\$ 5,018,725
Equipment	159,153	3,835	-	162,988
Total capital assets being depreciated	\$ 5,177,878	\$ 3,835	\$ -	\$ 5,181,713
Less: accumulated depreciation for				
Buildings	\$ 1,519,676	\$ 126,860	\$ -	\$ 1,646,536
Equipment	157,589	1,619	-	159,208
Total accumulated depreciation	\$ 1,677,265	\$ 128,479	\$ -	\$ 1,805,744
Total capital assets, depreciated, net	\$ 3,500,613	\$ (124,644)	\$ -	\$ 3,375,969
Capital Assets, Net	\$ 3,858,145	\$ (124,644)	\$ -	\$ 3,733,501

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

Housing \$ 128,479

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

2. Related Party Accruals

Due To/From Becker County

Receivable Entity	Payable Entity	Amount
Becker County - General Fund	EDA - Enterprise Fund	\$ 35,429

3. Liabilities and Deferred Inflows of Resources

A. Payables

Payables at December 31, 2016, were as follows:

Accounts	\$	8,708
Other liabilities		27,034
Due to other governments		19,158
Unearned revenue		19,673
Prepaid rent		551
Tenant security deposits		19,343
Total Payables	\$	94,467

B. 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 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.

In 2008, the EDA received a deferred loan 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**

The following is a schedule of long-term debt for business-type activities at December 31, 2016.

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
MHFA mortgage loan	N/A	N/A	0.00	\$ 800,000	\$ 800,000
Greater Minnesota Housing Fund	2037	N/A	0.00	217,300	217,300
Minnesota Housing Finance	2038	N/A	0.00	1,400,000	1,400,000
Total Long-Term Debt					<u>\$ 2,417,300</u>

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MHFA mortgage loan	\$ 800,000	\$ -	\$ -	\$ 800,000	\$ -
Greater Minnesota Housing Fund	217,300	-	-	217,300	-
Minnesota Housing Finance	1,400,000	-	-	1,400,000	-
Business-Type Activity Long-Term Liabilities	<u>\$ 2,417,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,417,300</u>	<u>\$ -</u>

D. Unearned Revenue

Unearned revenues of \$19,673 consist of state and/or federal grants received but not earned.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

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; or natural disasters. The EDA is covered under Becker County's membership in the Minnesota Counties Intergovernmental 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.

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 ten years, these loans are forgiven by the state at a rate of five percent annually. The loans are for 30 years at zero percent interest. A summary of these loans which are not shown on the balance sheet are as follows:

Loan dated July 1, 1992, with a final maturity of July 1, 2022	\$ 4,682
Loan dated December 30, 1994, with a final maturity of December 30, 2024	24,462
Loan dated May 29, 2003, with a final maturity of May 29, 2033	<u>24,646</u>
Total	<u>\$ 53,790</u>

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DETROIT LAKES, MINNESOTA**

5. Minnesota Housing Revolving Fund Programs

The EDA received grants from the Minnesota Housing Finance Agency (MHFA) 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 MHFA. The amounts received and balances on hand at December 31, 2016, are as follows:

	Original Grant	Revolving Fund Cash	Contract for Deed Receivable
Federal Home Minnesota Urban and Rural Homestead Loan	\$ 1,810,100	\$ 314,790	\$ 739,141
State Home Minnesota Urban and Rural Homesteading Loan	196,185	38,334	185,093
Total	\$ 2,006,285	\$ 353,124	\$ 924,234

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 \$44,640) 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 2015. The lease shall be renewed at an agreeable rental rate and agreeable term after December 2019. 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 \$64,002) to be used for the Becker County Workshop. According to the lease terms, the EDA began receiving monthly installments of \$1,440 beginning January 2016. 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

**BECKER COUNTY
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difference. Either party may give a written notice of termination to the other at least six months prior to the end of the term.

7. Housing Program

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

REQUIRED SUPPLEMENTARY INFORMATION

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,257,008	\$ 3,257,008	\$ 3,264,415	\$ 7,407
Licenses and permits	256,310	256,310	317,948	61,638
Intergovernmental	2,603,244	2,603,244	2,780,061	176,817
Charges for services	1,157,700	1,157,700	1,233,680	75,980
Fines and forfeits	43,500	43,500	41,787	(1,713)
Gifts and contributions	-	-	4,600	4,600
Investment earnings	205,000	205,000	266,306	61,306
Miscellaneous	272,093	272,093	196,195	(75,898)
Total Revenues	\$ 7,794,855	\$ 7,794,855	\$ 8,104,992	\$ 310,137
Expenditures				
Current				
General government				
Commissioners	\$ 293,119	\$ 293,119	\$ 293,657	\$ (538)
Courts	55,000	55,000	6,064	48,936
County administrator	205,527	205,527	191,946	13,581
Auditor-Treasurer	643,541	643,541	660,872	(17,331)
License bureau	213,692	213,692	210,602	3,090
County assessor	501,595	501,595	452,094	49,501
Elections	161,371	161,371	130,207	31,164
Data processing	636,479	636,479	584,828	51,651
Personnel	225,295	225,295	216,759	8,536
Attorney	934,452	934,452	913,013	21,439
Contracted legal services	64,200	64,200	62,208	1,992
Law library	39,870	39,870	40,185	(315)
Recorder	608,679	608,679	606,207	2,472
Surveyor	8,900	8,900	9,600	(700)
Planning and zoning	400,770	400,770	332,375	68,395
Buildings and plant	608,234	608,234	590,012	18,222
Annex	2,707	2,707	-	2,707
Veterans service officer	177,131	177,131	182,718	(5,587)
Unallocated	-	-	12,305	(12,305)
Total general government	\$ 5,780,562	\$ 5,780,562	\$ 5,495,652	\$ 284,910

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public transportation				
Transit	\$ 644,300	\$ 644,300	\$ 627,716	\$ 16,584
Airport	45,000	45,000	45,000	-
Total public transportation	\$ 689,300	\$ 689,300	\$ 672,716	\$ 16,584
Culture and recreation				
Historical society	\$ 67,500	\$ 67,500	\$ 67,500	\$ -
Senior citizens	6,000	6,000	5,626	374
Agassiz Regional Library	358,355	358,355	358,355	-
Total culture and recreation	\$ 431,855	\$ 431,855	\$ 431,481	\$ 374
Conservation of natural resources				
County extension	\$ 147,646	\$ 147,646	\$ 144,634	\$ 3,012
Appropriations	317,878	317,878	317,878	-
Soil and water conservation	269,018	269,018	269,938	(920)
Agricultural society/county fair	15,000	15,000	15,000	-
Water planning	24,177	24,177	24,359	(182)
Wetland challenge	24,238	24,238	24,237	1
Other conservation	1,325	1,325	1,325	-
Total conservation of natural resources	\$ 799,282	\$ 799,282	\$ 797,371	\$ 1,911
Economic development				
Community development	\$ 133,526	\$ 133,526	\$ -	\$ 133,526

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Total Expenditures	\$ 7,834,525	\$ 7,834,525	\$ 7,397,220	\$ 437,305
Excess of Revenues Over (Under) Expenditures	\$ (39,670)	\$ (39,670)	\$ 707,772	\$ 747,442
Other Financing Sources (Uses)				
Transfers in	25,000	25,000	25,000	-
Net Change in Fund Balance	\$ (14,670)	\$ (14,670)	\$ 732,772	\$ 747,442
Fund Balance - January 1	9,198,870	9,198,870	9,198,870	-
Fund Balance - December 31	<u>\$ 9,184,200</u>	<u>\$ 9,184,200</u>	<u>\$ 9,931,642</u>	<u>\$ 747,442</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,684,366	\$ 6,684,366	\$ 6,674,929	\$ (9,437)
Licenses and permits	10,250	10,250	51,342	41,092
Intergovernmental	851,092	851,092	965,160	114,068
Charges for services	178,500	178,500	200,057	21,557
Fines and forfeits	6,000	6,000	12,842	6,842
Gifts and contributions	-	-	15,993	15,993
Miscellaneous	102,500	102,500	137,586	35,086
Total Revenues	\$ 7,832,708	\$ 7,832,708	\$ 8,057,909	\$ 225,201
Expenditures				
Current				
Public safety				
Sheriff	\$ 3,836,029	\$ 3,836,029	\$ 4,203,897	\$ (367,868)
Boat and water safety	89,015	89,015	58,245	30,770
Emergency services	43,252	43,252	38,262	4,990
Coroner	51,336	51,336	83,560	(32,224)
Jail	3,311,867	3,311,867	3,513,895	(202,028)
Probation and parole	317,479	317,479	285,157	32,322
Sentence to serve	90,916	90,916	64,607	26,309
Total Expenditures	\$ 7,739,894	\$ 7,739,894	\$ 8,247,623	\$ (507,729)
Net Change in Fund Balance	\$ 92,814	\$ 92,814	\$ (189,714)	\$ (282,528)
Fund Balance - January 1	2,457,996	2,457,996	2,457,996	-
Fund Balance - December 31	\$ 2,550,810	\$ 2,550,810	\$ 2,268,282	\$ (282,528)

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,211,934	\$ 4,211,934	\$ 4,748,810	\$ 536,876
Licenses and permits	15,000	15,000	14,668	(332)
Intergovernmental	8,497,671	8,497,671	6,703,149	(1,794,522)
Charges for services	250,000	250,000	315,590	65,590
Miscellaneous	554,500	554,500	312,311	(242,189)
Total Revenues	\$ 13,529,105	\$ 13,529,105	\$ 12,094,528	\$ (1,434,577)
Expenditures				
Current				
Highways and streets				
Administration	\$ 387,288	\$ 387,288	\$ 377,337	\$ 9,951
Maintenance	2,915,823	2,915,823	3,286,776	(370,953)
Construction	8,678,222	8,678,222	5,463,412	3,214,810
Equipment maintenance and shops	1,434,219	1,434,219	1,082,243	351,976
Other highways and streets	113,553	113,553	113,533	20
Total highways and streets	\$ 13,529,105	\$ 13,529,105	\$ 10,323,301	\$ 3,205,804
Intergovernmental				
Highways and streets	\$ -	\$ -	\$ 631,301	\$ (631,301)
Total Expenditures	\$ 13,529,105	\$ 13,529,105	\$ 10,954,602	\$ 2,574,503
Net Change in Fund Balance	\$ -	\$ -	\$ 1,139,926	\$ 1,139,926
Fund Balance - January 1	3,739,298	3,739,298	3,739,298	-
Increase (decrease) in reserve for inventories	-	-	206,661	206,661
Fund Balance - December 31	\$ 3,739,298	\$ 3,739,298	\$ 5,085,885	\$ 1,346,587

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,161,359	\$ 6,161,359	\$ 6,154,656	\$ (6,703)
Intergovernmental	8,520,279	8,520,279	8,660,436	140,157
Miscellaneous	1,356,660	1,356,660	1,300,614	(56,046)
Total Revenues	\$ 16,038,298	\$ 16,038,298	\$ 16,115,706	\$ 77,408
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,643,614	\$ 3,643,614	\$ 3,593,014	\$ 50,600
Social services	10,541,396	10,541,396	10,305,116	236,280
Collaborative	-	-	164,014	(164,014)
Total human services	\$ 14,185,010	\$ 14,185,010	\$ 14,062,144	\$ 122,866
Health				
Nursing service	1,853,288	1,853,288	1,850,585	2,703
Total Expenditures	\$ 16,038,298	\$ 16,038,298	\$ 15,912,729	\$ 125,569
Net Change in Fund Balance	\$ -	\$ -	\$ 202,977	\$ 202,977
Fund Balance - January 1	4,419,775	4,419,775	4,419,775	-
Fund Balance - December 31	\$ 4,419,775	\$ 4,419,775	\$ 4,622,752	\$ 202,977

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-5

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL AFFAIRS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 1,100,000	\$ 1,100,000	\$ 1,042,531	\$ (57,469)
Intergovernmental	1,586,800	1,586,800	1,348,560	(238,240)
Charges for services	1,701,000	1,701,000	1,918,408	217,408
Miscellaneous	330,600	330,600	280,311	(50,289)
Total Revenues	\$ 4,718,400	\$ 4,718,400	\$ 4,589,810	\$ (128,590)
Expenditures				
Current				
Sanitation				
Solid waste	\$ 4,260,354	\$ 4,260,354	\$ 4,597,127	\$ (336,773)
Recycling	2,689,083	2,689,083	700,355	1,988,728
Hazardous waste	100,814	100,814	175,721	(74,907)
Total Expenditures	\$ 7,050,251	\$ 7,050,251	\$ 5,473,203	\$ 1,577,048
Excess of Revenues Over (Under) Expenditures	\$ (2,331,851)	\$ (2,331,851)	\$ (883,393)	\$ 1,448,458
Other Financing Sources (Uses)				
Transfers out	(25,000)	(25,000)	(25,000)	-
Net Change in Fund Balance	\$ (2,356,851)	\$ (2,356,851)	\$ (908,393)	\$ 1,448,458
Fund Balance - January 1	2,982,164	2,982,164	2,982,164	-
Fund Balance - December 31	\$ 625,313	\$ 625,313	\$ 2,073,771	\$ 1,448,458

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-6

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2016

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**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with Becker County (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</u>	<u>Covered Payroll (c)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.1996%	\$ 11,251,249	\$ N/A	\$ 11,251,249	\$ 13,013,679	86.46%	78.19%
2016	0.2068	16,791,134	219,297	17,010,431	13,001,518	129.15	68.91

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A - Not Applicable

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 976,395	\$ 955,719	\$ (20,676)	\$ 13,018,606	7.34%
2016	1,036,762	1,024,025	(12,737)	13,823,489	7.41

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.160%	\$ 1,817,974	\$ 1,464,703	124.12%	86.61%
2016	0.159	6,380,947	1,530,512	416.92	63.88

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 241,450	\$ 241,450	\$ -	\$ 1,490,433	16.20%
2016	265,680	265,680	-	1,640,001	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.74%	\$ 114,404	\$ 1,337,132	8.56%	96.95%
2016	0.73	2,666,792	1,380,245	193.21	58.16

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT A-12

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016**

<u>Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u>	<u>Contribution (Deficiency) Excess (b-a)</u>	<u>Covered Payroll (c)</u>	<u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u>
2015	\$ 117,451	\$ 117,451	-	\$ 1,342,302	8.75%
2016	129,366	129,366	-	1,478,468	8.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. 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, 2016.

	Expenditures	Final Budget	Excess
General Fund			
General government			
Commissioners	\$ 293,657	\$ 293,119	\$ 538
Auditor-Treasurer	660,872	643,541	17,331
Law library	40,185	39,870	315
Surveyor	9,600	8,900	700
Veterans service officer	182,718	177,131	5,587
Unallocated	12,305	-	12,305
Conservation of natural resources			
Soil and water conservation	269,938	269,018	920
Water planning	24,359	24,177	182

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

2. Excess of Expenditures Over Budget (Continued)

	Expenditures	Final Budget	Excess
Public Safety Special Revenue Fund			
Public Safety			
Sheriff	\$ 4,203,897	\$ 3,836,029	\$ 367,868
Coroner	83,560	51,336	32,224
Jail	3,513,895	3,311,867	202,028
Road and Bridge Special Revenue Fund			
Highways and streets			
Maintenance	3,286,776	2,915,823	370,953
Intergovernmental			
Highways and streets	631,301	-	631,301
Human Services Special Revenue Fund			
Human Services			
Collaborative	164,014	-	164,014
Environmental Affairs Special Revenue Fund			
Sanitation			
Solid Waste	4,597,127	4,260,354	336,773
Hazardous waste	175,721	100,814	74,907

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.

4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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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, 2016**

	Special Revenue (Exhibit B-3)	Debt Service	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 1,822,648	\$ 624,105	\$ 2,446,753
Taxes receivable			
Current	1,288	9,394	10,682
Delinquent	1,064	4,502	5,566
Accounts receivable	65,608	-	65,608
Due from other governments	28,524	-	28,524
Total Assets	\$ 1,919,132	\$ 638,001	\$ 2,557,133
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 29,147	\$ -	\$ 29,147
Salaries payable	6,817	-	6,817
Due to other funds	26,087	-	26,087
Due to other governments	139,988	-	139,988
Total Liabilities	\$ 202,039	\$ -	\$ 202,039
Deferred Inflows of Resources			
Unavailable revenues	\$ 1,737	\$ 9,597	\$ 11,334
Fund Balances			
Restricted			
Debt service	\$ -	\$ 628,404	\$ 628,404
Gravel pit closure	482,891	-	482,891
Conservation of natural resources	823,115	-	823,115
Assigned			
Culture and recreation	409,350	-	409,350
Total Fund Balances	\$ 1,715,356	\$ 628,404	\$ 2,343,760
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,919,132	\$ 638,001	\$ 2,557,133

**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, 2016**

	Special Revenue (Exhibit B-4)	Debt Service	Total (Exhibit 5)
Revenues			
Taxes	\$ 93,291	\$ 451,172	\$ 544,463
Intergovernmental	239,368	10,237	249,605
Charges for services	6,880	-	6,880
Gifts and contributions	2,450	-	2,450
Miscellaneous	437,234	-	437,234
Total Revenues	\$ 779,223	\$ 461,409	\$ 1,240,632
Expenditures			
Current			
Culture and recreation	\$ 256,669	\$ -	\$ 256,669
Conservation of natural resources	435,705	-	435,705
Debt service			
Principal	-	330,000	330,000
Interest	-	104,125	104,125
Administrative (fiscal) charges	-	2,700	2,700
Total Expenditures	\$ 692,374	\$ 436,825	\$ 1,129,199
Net Change in Fund Balance	\$ 86,849	\$ 24,584	\$ 111,433
Fund Balance - January 1	1,628,507	603,820	2,232,327
Fund Balance - December 31	\$ 1,715,356	\$ 628,404	\$ 2,343,760

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2016**

	<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	\$ 409,320	\$ 735,691	\$ 5,560	\$ 107,510	\$ 564,567	\$ 1,822,648
Taxes receivable						
Current	1,288	-	-	-	-	1,288
Delinquent	1,064	-	-	-	-	1,064
Accounts receivable	-	-	-	15,108	50,500	65,608
Due from other governments	28,524	-	-	-	-	28,524
Total Assets	\$ 440,196	\$ 735,691	\$ 5,560	\$ 122,618	\$ 615,067	\$ 1,919,132
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 28,811	\$ -	\$ -	\$ 336	\$ -	\$ 29,147
Salaries payable	-	-	-	6,817	-	6,817
Due to other funds	24	1,875	300	974	22,914	26,087
Due to other governments	274	-	-	30,452	109,262	139,988
Total Liabilities	\$ 29,109	\$ 1,875	\$ 300	\$ 38,579	\$ 132,176	\$ 202,039
Deferred Inflows of Resources						
Unavailable revenues	\$ 1,737	\$ -	\$ -	\$ -	\$ -	\$ 1,737
Fund Balances						
Restricted						
Gravel pit closure	\$ -	\$ -	\$ -	\$ -	\$ 482,891	\$ 482,891
Conservation of natural resources	-	733,816	5,260	84,039	-	823,115
Assigned						
Culture and recreation	409,350	-	-	-	-	409,350
Total Fund Balances	\$ 409,350	\$ 733,816	\$ 5,260	\$ 84,039	\$ 482,891	\$ 1,715,356
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 440,196	\$ 735,691	\$ 5,560	\$ 122,618	\$ 615,067	\$ 1,919,132

**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, 2016**

	<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	\$ 62,482	\$ -	\$ -	\$ -	\$ 30,809	\$ 93,291
Intergovernmental	173,974	65,394	-	-	-	239,368
Charges for services	6,880	-	-	-	-	6,880
Gifts and contributions	2,450	-	-	-	-	2,450
Miscellaneous	20,119	30,178	-	386,937	-	437,234
Total Revenues	<u>\$ 265,905</u>	<u>\$ 95,572</u>	<u>\$ -</u>	<u>\$ 386,937</u>	<u>\$ 30,809</u>	<u>\$ 779,223</u>
Expenditures						
Current						
Culture and recreation	\$ 256,669	\$ -	\$ -	\$ -	\$ -	\$ 256,669
Conservation of natural resources	-	66,059	300	369,346	-	435,705
Total Expenditures	<u>\$ 256,669</u>	<u>\$ 66,059</u>	<u>\$ 300</u>	<u>\$ 369,346</u>	<u>\$ -</u>	<u>\$ 692,374</u>
Net Change in Fund Balance	\$ 9,236	\$ 29,513	\$ (300)	\$ 17,591	\$ 30,809	\$ 86,849
Fund Balance - January 1	<u>400,114</u>	<u>704,303</u>	<u>5,560</u>	<u>66,448</u>	<u>452,082</u>	<u>1,628,507</u>
Fund Balance - December 31	<u><u>\$ 409,350</u></u>	<u><u>\$ 733,816</u></u>	<u><u>\$ 5,260</u></u>	<u><u>\$ 84,039</u></u>	<u><u>\$ 482,891</u></u>	<u><u>\$ 1,715,356</u></u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 61,712	\$ 61,712	\$ 62,482	\$ 770
Intergovernmental	165,996	165,996	173,974	7,978
Charges for services	-	-	6,880	6,880
Gifts and contributions	-	-	2,450	2,450
Miscellaneous	30,000	30,000	20,119	(9,881)
Total Revenues	\$ 257,708	\$ 257,708	\$ 265,905	\$ 8,197
Expenditures				
Current				
Culture and recreation				
Recreation	257,708	257,708	256,669	1,039
Net Change in Fund Balance	\$ -	\$ -	\$ 9,236	\$ 9,236
Fund Balance - January 1	400,114	400,114	400,114	-
Fund Balance - December 31	\$ 400,114	\$ 400,114	\$ 409,350	\$ 9,236

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-6

**BUDGETARY COMPARISON SCHEDULE
RESOURCE DEVELOPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 65,461	\$ 65,461	\$ 65,394	\$ (67)
Miscellaneous	40,000	40,000	30,178	(9,822)
Total Revenues	\$ 105,461	\$ 105,461	\$ 95,572	\$ (9,889)
Expenditures				
Current				
Conservation of natural resources				
Resource development	120,700	120,700	66,059	54,641
Net Change in Fund Balance	\$ (15,239)	\$ (15,239)	\$ 29,513	\$ 44,752
Fund Balance - January 1	704,303	704,303	704,303	-
Fund Balance - December 31	\$ 689,064	\$ 689,064	\$ 733,816	\$ 44,752

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
COUNTY DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
Conservation of natural resources				
County ditch	\$ -	\$ -	\$ 300	\$ (300)
Net Change in Fund Balance	\$ -	\$ -	\$ (300)	\$ (300)
Fund Balance - January 1	<u>5,560</u>	<u>5,560</u>	<u>5,560</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 5,560</u>	<u>\$ 5,560</u>	<u>\$ 5,260</u>	<u>\$ (300)</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-8

**BUDGETARY COMPARISON SCHEDULE
NATURAL RESOURCE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 368,900	\$ 368,900	\$ 386,937	\$ 18,037
Expenditures				
Current				
Conservation of natural resources				
Tax forfeited sales	368,900	368,900	369,346	(446)
Net Change in Fund Balance	\$ -	\$ -	\$ 17,591	\$ 17,591
Fund Balance - January 1	66,448	66,448	66,448	-
Fund Balance - December 31	<u>\$ 66,448</u>	<u>\$ 66,448</u>	<u>\$ 84,039</u>	<u>\$ 17,591</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT B-9

**BUDGETARY COMPARISON SCHEDULE
GRAVEL TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 30,000	\$ 30,000	\$ 30,809	\$ 809
Net Change in Fund Balance	\$ 30,000	\$ 30,000	\$ 30,809	\$ 809
Fund Balance - January 1	452,082	452,082	452,082	-
Fund Balance - December 31	\$ 482,082	\$ 482,082	\$ 482,891	\$ 809

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

The Clearing Agency Fund is used to account for the payroll deductions and the distributions of revenues that were collected on behalf of other taxing districts.

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

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

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CLEARING FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 194,209	\$ 4,524,989	\$ 4,291,268	\$ 427,930
<u>Liabilities</u>				
Accounts payable	\$ 68,893	\$ 2,244,909	\$ 2,030,566	\$ 283,236
Due to other governments	125,316	2,280,080	2,260,702	144,694
Total Liabilities	\$ 194,209	\$ 4,524,989	\$ 4,291,268	\$ 427,930
<u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 698,691	\$ 50,154,044	\$ 50,100,886	\$ 751,849
<u>Liabilities</u>				
Due to other governments	\$ 588,423	\$ 50,022,599	\$ 49,990,618	\$ 620,404
Deferred credits	110,268	131,445	110,268	131,445
Total Liabilities	\$ 698,691	\$ 50,154,044	\$ 50,100,886	\$ 751,849
<u>CHILDREN'S INITIATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 93,096	\$ 156,417	\$ 167,834	\$ 81,679
<u>Liabilities</u>				
Due to other governments	\$ 93,096	\$ 156,417	\$ 167,834	\$ 81,679

**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, 2016**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 985,996</u>	<u>\$ 54,835,450</u>	<u>\$ 54,559,988</u>	<u>\$ 1,261,458</u>
<u>Liabilities</u>				
Accounts payable	\$ 68,893	\$ 2,244,909	\$ 2,030,566	\$ 283,236
Due to other governments	806,835	52,459,096	52,419,154	846,777
Deferred credits	<u>110,268</u>	<u>131,445</u>	<u>110,268</u>	<u>131,445</u>
Total Liabilities	<u>\$ 985,996</u>	<u>\$ 54,835,450</u>	<u>\$ 54,559,988</u>	<u>\$ 1,261,458</u>

OTHER SCHEDULES

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Funds</u>	<u>Discretely Presented Component Unit</u>	<u>Total</u>
Appropriations and Shared Revenue			
State			
Highway users tax	\$ 5,622,797	\$ -	\$ 5,622,797
County program aid	1,238,400	-	1,238,400
PERA rate reimbursement	38,181	-	38,181
Police aid	165,376	-	165,376
Aquatic Invasive Species	317,878	-	317,878
E-911	110,188	-	110,188
Market value credit	299,979	1,249	301,228
Disparity reduction aid	4,135	-	4,135
Total appropriations and shared revenue	\$ 7,796,934	\$ 1,249	\$ 7,798,183
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 1,793,029	\$ -	\$ 1,793,029
Payments			
Local			
Payments in lieu of taxes	\$ 484,269	\$ -	\$ 484,269
Grants			
State			
Minnesota Department/Board of			
Agriculture	\$ 1,624	\$ -	\$ 1,624
Corrections	361,863	-	361,863
Public Safety	25,263	-	25,263
Transportation	389,780	-	389,780
Health	345,610	-	345,610
Veterans Affairs	10,000	-	10,000
Natural Resources	191,620	-	191,620
Human Services	2,212,294	-	2,212,294
Water and Soil Resources	73,364	-	73,364
Minnesota Pollution Control Agency	1,346,936	-	1,346,936
Total state	\$ 4,958,354	\$ -	\$ 4,958,354

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Funds</u>	<u>Discretely Presented Component Unit</u>	<u>Total</u>
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 489,705	\$ -	\$ 489,705
Housing and Urban Development	-	231,074	231,074
Transportation	1,202,322	-	1,202,322
Education	1,933	-	1,933
Health and Human Services	3,938,564	-	3,938,564
Homeland Security	41,861	-	41,861
	<u>5,674,385</u>	<u>231,074</u>	<u>5,905,459</u>
Total federal	\$ 5,674,385	\$ 231,074	\$ 5,905,459
Total state and federal grants	\$ 10,632,739	\$ 231,074	\$ 10,863,813
Total Intergovernmental Revenue	\$ 20,706,971	\$ 232,323	\$ 20,939,294

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Partnership4Health Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	\$ 199,890
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	<u>289,815</u>
Total U.S. Department of Agriculture			\$ 489,705
U.S. Department of Housing and Urban Development			
Direct			
Public and Indian Housing	14.850	N/A	\$ 55,358
Section 8 Housing Choice Vouchers	14.871	N/A	141,350
Public Housing Capital Fund	14.872	N/A	<u>34,366</u>
Total U.S. Department of Housing and Urban Development			\$ 231,074
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	53490	\$ 27,370
Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$1,287,076) (Total Highway Planning and Construction Cluster \$1,322,361)	20.205	1002891	1,259,706
Formula Grants for Rural Areas	20.509	07174	91,319
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster			
Recreational Trails Program	20.219	0038-14-1A	14,213
Recreational Trails Program (Total Recreational Trails Program 20.219 \$35,285) (Total Highway Planning and Construction Cluster \$1,322,361)	20.219	0039-14-1A	21,072
Passed Through Minnesota Department of Public Safety Highway Safety Cluster			
State and Community Highway Safety	20.600	F-ENFRC15-2016- BECKERSO-1976	9,404
National Priority Safety Programs (Total Highway Safety Cluster \$73,657)	20.616	F-ENFRC15-2016- BECKERSO-1976	<u>64,253</u>
Total U.S. Department of Transportation			\$ 1,487,337
U.S. Department of Education			
Passed Through Partnership4Health Community Health Board Special Education Grant for Infants and Families	84.181	Not Provided	<u>\$ 1,933</u>

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Partnership4Health Community Health Board			
Public Health Emergency Preparedness	93.069	90858	\$ 20,124
Hospital Preparedness Program (HPP) and Public Health Emergency			
Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Not Provided	23
Universal Newborn Hearing Screening	93.251	Not Provided	875
Immunization Cooperative Agreements	93.268	58583	2,400
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home			
Visiting Program	93.505	87929	397,484
State Planning and Establishment Grants for the Affordable Care			
Act (ACA)'s Exchanges	93.525	Not Provided	3,990
Temporary Assistance for Needy Families	93.558	95995	44,082
(Total Temporary Assistance for Needy Families 93.558 \$301,308)			
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	27,968
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPS	75,337
Temporary Assistance for Needy Families	93.558	1601MNTANF	257,226
(Total Temporary Assistance for Needy Families 93.558 \$301,308)			
Child Support Enforcement	93.563	1604MNCSES	80,972
Child Support Enforcement	93.563	1604MNCES	921,507
(Total Child Support Enforcement 93.563 \$1,002,479)			
Refugee and Entrant Assistance - State Administered Programs	93.566	1601MNRCA	270
Child Care and Development Block Grant	93.575	G1601MNCDF	10,843
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPG	8,088
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	6,080
Foster Care Title IV-E	93.658	1601MNFOS	449,771
Social Services Block Grant	93.667	16-01MNSOS	306,074
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	9,798
Medical Assistance Program	93.778	05-1605MN5ADM	1,290,711
Medical Assistance Program	93.778	05-1605MN5MAP	14,018
(Total Medical Assistance Program 93.778 \$1,304,729)			
Block Grants for Community Mental Health Services	93.958	SM010027-16	10,923
Total U.S. Department of Health and Human Services			\$ 3,938,564
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	BECKER FBG-100716	\$ 13,304
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2016- BECKERCO-1844	28,557
Total U.S. Department of Homeland Security			\$ 41,861
Total Federal Awards			\$ 6,190,474

Becker County did not pass any federal awards through to subrecipients in 2016.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Reporting Entity

The Schedule of Expenditures of Federal Awards and the EDA's presents the activities of federal award programs expended by Becker County and the Becker County Economic Development Authority (EDA), a component unit of the County. For the year ended December 31, 2016, the level of federal funding for the Becker County EDA did not require a separate single audit to be performed for the component unit. The County's reporting entity is defined in Notes 1 and 7 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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Becker County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,905,459
Grants received more than 60 days after year-end, considered unavailable revenue in 2016	
Highway Planning and Construction (CFDA No. 20.205)	<u>285,015</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 6,190,474</u>