

CITY OF BECKER
BECKER, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

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 ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF BECKER
BECKER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF BECKER, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2013

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerome (Lefty) Kleis	Mayor	12/31/2016
Rick Hendrickson	Council Member	12/31/2014
Lynette Brannan	Council Member	12/31/2014
Adam Oliver	Council Member	12/31/2016
Tracy Bertram	Council Member	12/31/2016

CITY OFFICIALS - APPOINTED

<u>Name</u>	<u>Title</u>
Greg Pruszinske	City Administrator
Julie Blesi	City Clerk

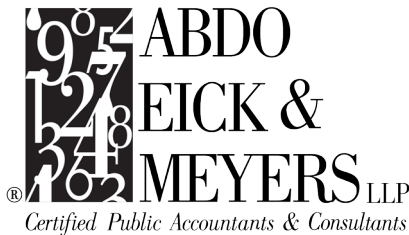
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FINANCIAL SECTION

CITY OF BECKER
BECKER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Becker, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Becker, Minnesota (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City'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. The prior year comparative information has been derived from the City's 2012 financial statements and, in our report dated April 17, 2013 we express unmodified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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 financial statement presentation.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

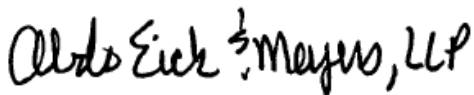
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate 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.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 7, 2014

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Management's Discussion and Analysis

As management of the City of Becker, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$65,369,833. Of this amount, \$13,711,959 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$58,239.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,873,620, a decrease of \$2,680,252 in comparison with the prior year. Approximately 8 percent of this total amount, \$870,198, is available for spending at the City's discretion; \$7,807,270 of the unrestricted amount has been assigned for specific purposes.
- At the end of the current fiscal year, total fund balance for the General fund was \$1,210,242. Of this amount, \$127,949 was classified as nonspendable for prepaid items and due from other funds. Unrestricted fund balance for the General fund was \$1,082,293 or 48 percent of total General fund expenditures. Of this amount, \$135,760 of the unrestricted balance was assigned for specific purposes within the General fund.
- The City's total debt decreased by \$1,625,249 or 8 percent during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explain and support the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

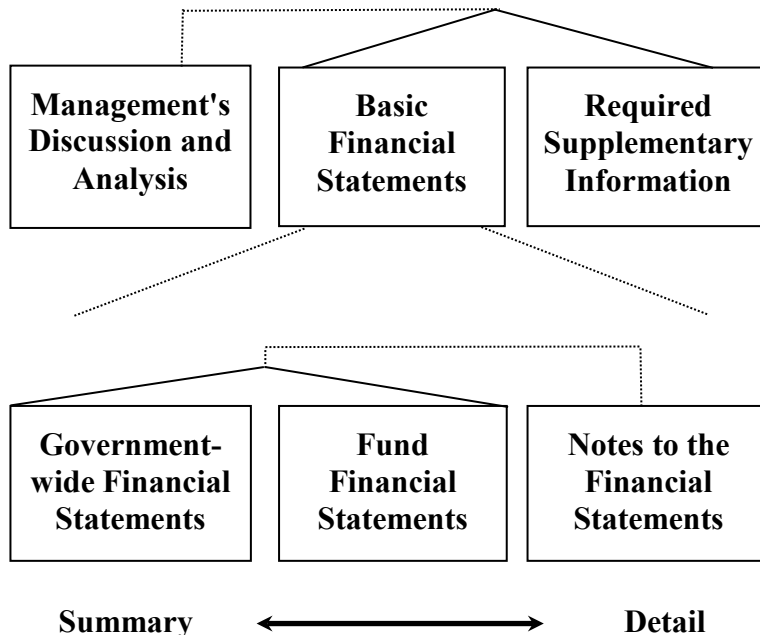


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City’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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, and interest on long-term debt. The business-type activities of the City include Water, Sewer, and Golf Course.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate *component unit* for which the City is financially accountable. Financial information for the Economic Development Authority (EDA) is reported as a separate special revenue fund. The EDA, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements start on page 27 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 City 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, governmental fund 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 by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 10 individual governmental funds, two of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Fire Department fund, Community Center fund, Debt Service fund and the Revolving Capital fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund and special revenue funds. A budgetary comparison statement has been provided for the General fund and Community Center fund, to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 32 of this report.

Proprietary fund. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, and Golf Course operations.

The Proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 40 of this report.

Notes to the financial statements. The notes 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 start on page 51 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 74 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$65,369,833 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (73 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Becker's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Assets						
Current and other assets	\$ 12,891,061	\$ 16,306,258	\$ (3,415,197)	\$ 11,836,328	\$ 9,524,113	\$ 2,312,215
Capital assets	22,064,019	21,954,055	109,964	37,656,973	38,418,076	(761,103)
Total assets	<u>34,955,080</u>	<u>38,260,313</u>	<u>(3,305,233)</u>	<u>49,493,301</u>	<u>47,942,189</u>	<u>1,551,112</u>
Liabilities						
Long-term liabilities outstanding	3,070,740	3,354,850	(284,110)	15,122,731	16,463,870	(1,341,139)
Other liabilities	653,517	786,956	(133,439)	231,560	285,232	(53,672)
Total liabilities	<u>3,724,257</u>	<u>4,141,806</u>	<u>(417,549)</u>	<u>15,354,291</u>	<u>16,749,102</u>	<u>(1,394,811)</u>
Net position						
Net investment in capital assets	20,054,692	18,759,055	1,295,637	27,836,008	27,318,995	517,013
Restricted	1,897,771	3,163,826	(1,266,055)	1,869,403	2,017,976	(148,573)
Unrestricted	9,278,360	12,195,626	(2,917,266)	4,433,599	1,856,116	2,577,483
Total net position	<u>\$ 31,230,823</u>	<u>\$ 34,118,507</u>	<u>\$ (2,887,684)</u>	<u>\$ 34,139,010</u>	<u>\$ 31,193,087</u>	<u>\$ 2,945,923</u>

An additional portion of the City's net position (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$13,711,959) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net position increased \$58,239 during the current fiscal year.

Governmental activities. Governmental activities decreased the City's net position by \$2,887,684, thereby not contributing to the total increase in net position of the City. The statement of activities is on page 28. Key elements of those changes are as follows:

City of Becker's Changes in Net Position

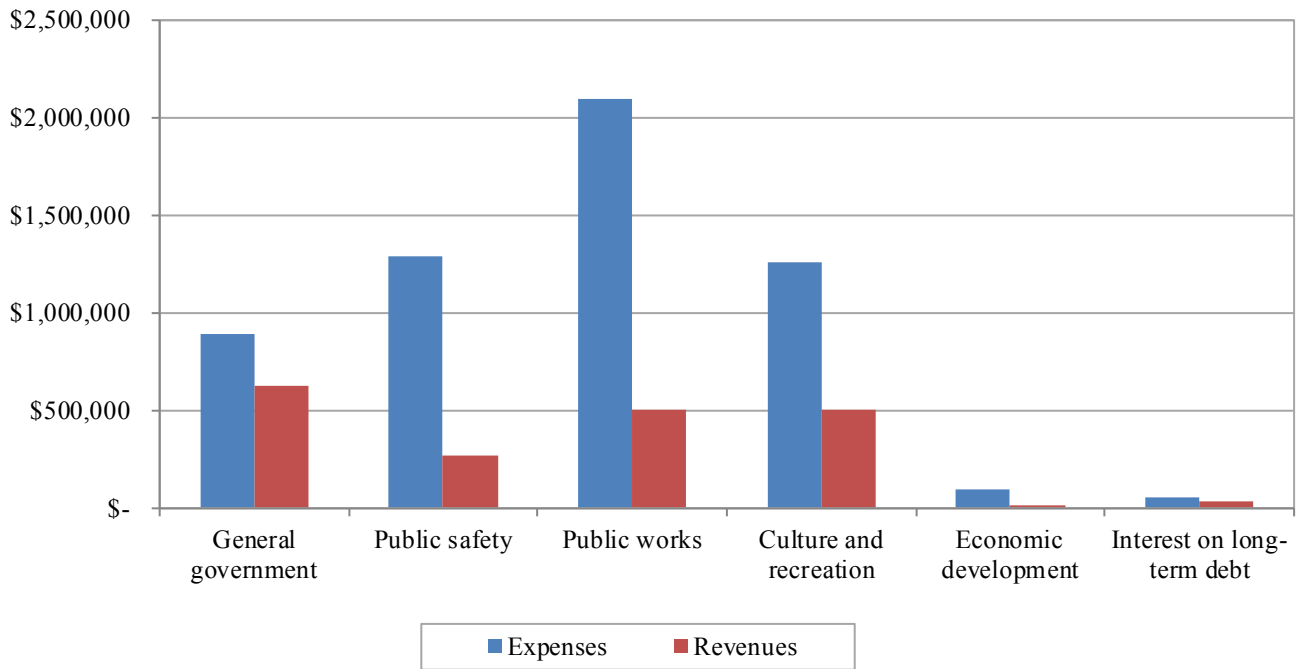
	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,007,111	\$ 6,153,641	\$ (5,146,530)	\$ 2,808,628	\$ 2,599,783	\$ 208,845
Operating grants and contributions	711,313	965,393	(254,080)	42,382	-	42,382
Capital grants and contributions	236,087	60,754	175,333	-	135,212	(135,212)
General revenues						
Property taxes	3,061,252	2,973,024	88,228	1,664,850	1,748,748	(83,898)
Franchise taxes	27,753	46,013	(18,260)	-	-	-
Unrestricted investment earnings	(86,493)	129,886	(216,379)	(11,219)	25,752	(36,971)
Gain on sale of capital assets	84,621	11,021	73,600	4,650	15,429	(10,779)
Total revenues	5,041,644	10,339,732	(5,298,088)	4,509,291	4,524,924	(15,633)
Expenses						
General government	887,372	1,033,656	(146,284)	-	-	-
Public safety	1,287,734	1,195,128	92,606	-	-	-
Public works	2,092,514	1,594,238	498,276	-	-	-
Culture and recreation	1,254,558	1,228,514	26,044	-	-	-
Economic development	97,419	127,334	(29,915)	-	-	-
Interest on long-term debt	52,807	229,226	(176,419)	-	-	-
Water	-	-	-	534,218	548,596	(14,378)
Sewer	-	-	-	2,162,018	2,376,656	(214,638)
Golf Course	-	-	-	1,124,056	1,141,442	(17,386)
Total expenses	5,672,404	5,408,096	264,308	3,820,292	4,066,694	(246,402)
Increase (decrease) in net position before transfers	(630,760)	4,931,636	(5,562,396)	688,999	458,230	230,769
Transfers	(2,256,924)	127,104	(2,384,028)	2,256,924	(127,104)	2,384,028
Change in net position	(2,887,684)	5,058,740	(7,946,424)	2,945,923	331,126	2,614,797
Net position, January 1	34,118,507	29,059,767	5,058,740	31,193,087	30,861,961	331,126
Net position, December 31	\$ 31,230,823	\$ 34,118,507	\$ (2,887,684)	\$ 34,139,010	\$ 31,193,087	\$ 2,945,923

Charges for services decreased 83.6 percent (\$5,146,530) from 2012. In 2012 the City received approximately \$5,300,000 from LPI for the prepayment of the Tax Increment Refunding Bonds, Series 1994D.

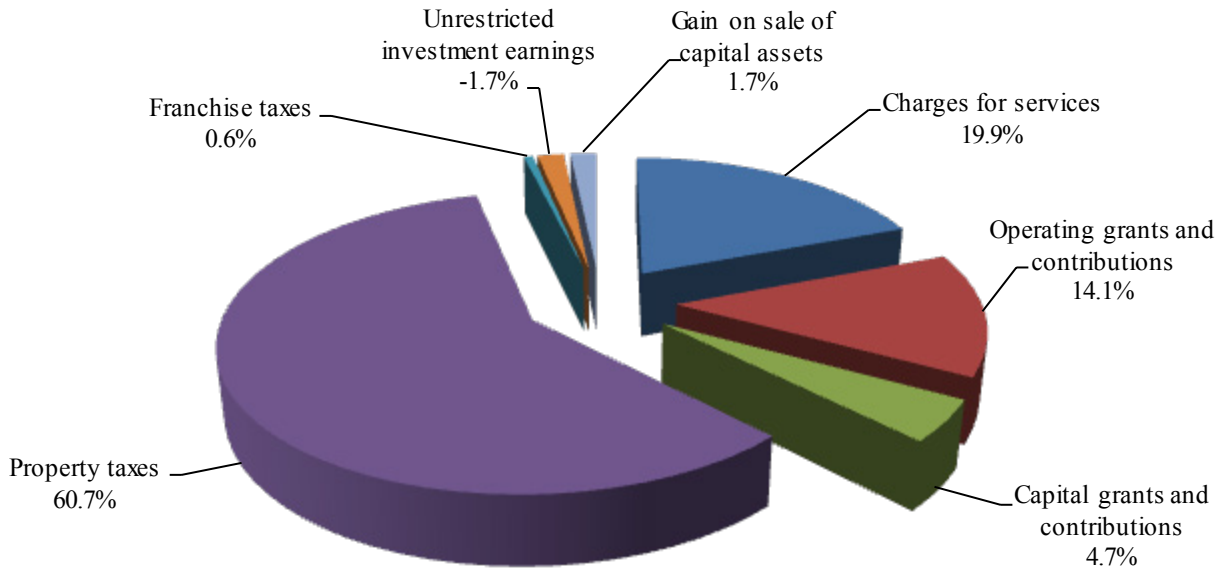
Net transfers of \$2,256,924 were made from Governmental activities to Business-type activities in 2013 for future capital outlay in the Water and Sewer funds, and to support operations in the Golf Course fund.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



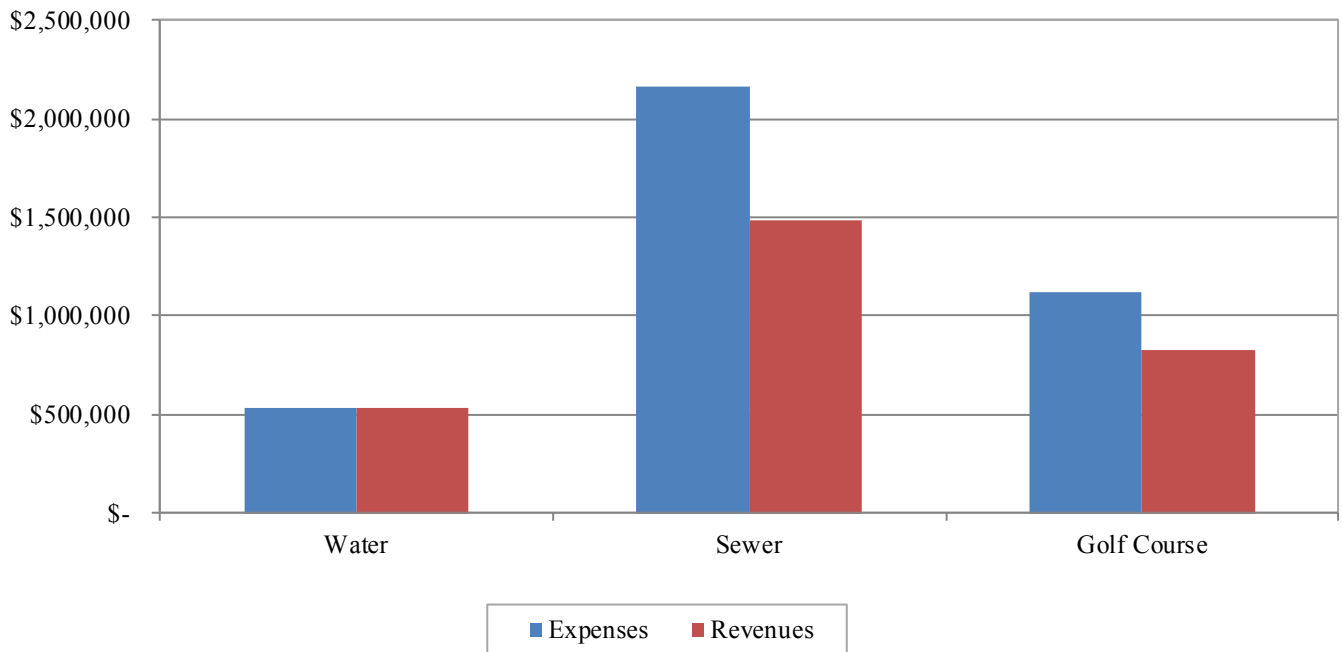
Revenues by Source - Governmental Activities



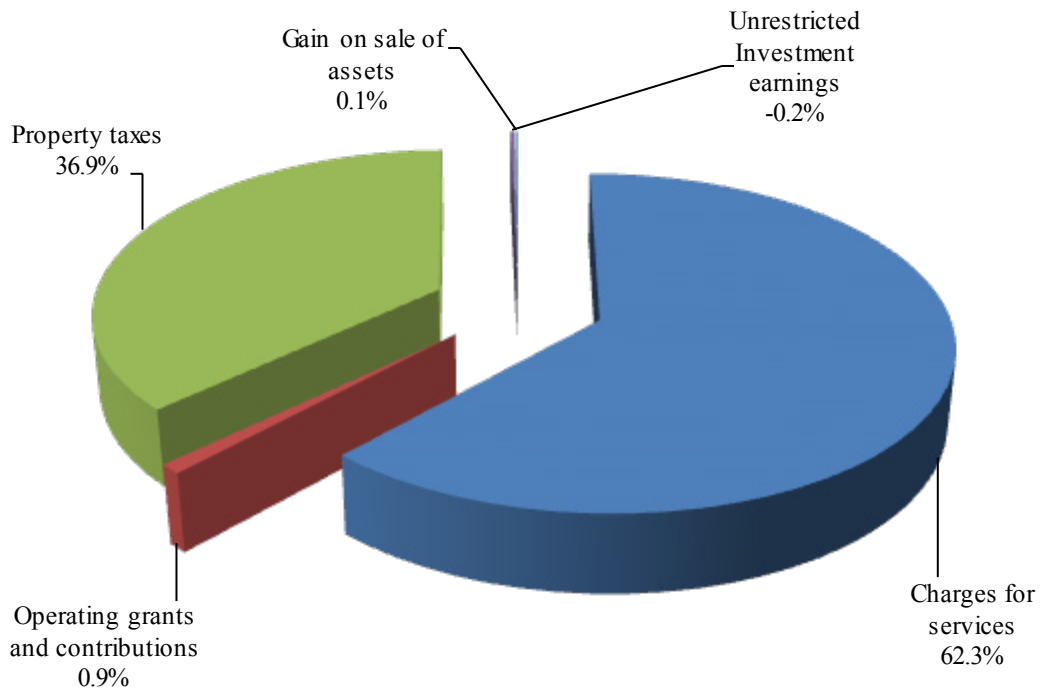
*Unrestricted investment earnings are a negative percentage due to significant decreases in market value of investments.

Business-type activities: There was an increase of \$2,945,923 in net position in connection with the City's business-type activities during the year.

Expenses and Program Revenues - Business-type Activities



Revenue by Source - Business-type Activities



*Unrestricted investment earnings is a negative percentage due to significant decreases in market value of investments

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,873,620, a decrease of \$2,680,252 in comparison with the prior year. Approximately 8 percent of the total fund balance, \$870,198, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of governmental fund balance (\$10,003,422) is not available for new spending because it is either 1) nonspendable (\$468,762) 2) restricted (\$1,727,390) or 3) assigned (\$7,807,270). For further classification refer to Note 3F on page 69 of this report.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$1,210,242. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32 percent and total fund balance represents 36 percent of current year expenditures and transfers out.

The fund balance of the City's General fund decreased \$363,019 during the current fiscal year. The decrease is due to a transfer to other funds of \$1,087,100 during the year.

The Fire fund has a total ending fund balance of \$473,518. The total ending fund balance is assigned for future capital purchases with the exception of a nonspendable item of \$2,621 for prepaid items.

The Community Center fund has a fund balance deficit of \$74,394. The fund balance increased \$11,720 during the year due to revenues exceeding expenditures.

The Debt Service fund has a total fund balance of \$776,194, all of which is restricted for the payment of future debt service. The fund balance increased \$501,147 in 2013. The large increase is due to special assessment revenue collected of \$579,422 during the year.

The Revolving Capital fund has a total fund balance of \$7,069,125, \$330,300 of which is nonspendable in form of land held for resale. The remaining balance is assigned for future capital purchases. The fund balance decreased 1,754,739 during the year due to a large amount of capital purchases and transfers out.

Proprietary fund. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$4,433,599. The total increase in net position for the funds was \$2,945,923. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. The budget called for revenues to exceed expenditures by \$407,100 before transfers out of that amount to balance the budget. The budget was not amended during the year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2013, amounts to \$59,720,992 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

City of Becker's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Land	\$ 2,602,621	\$ 2,602,621	\$ -	\$ 3,728,765	\$ 3,728,765	\$ -
Construction in progress	-	7,666	(7,666)	145,504	135,212	10,292
Buildings	5,976,269	6,177,164	(200,895)	515,646	588,740	(73,094)
Infrastructure	10,258,173	10,542,865	(284,692)	32,221,540	33,116,304	(894,764)
Improvements other than buildings	517,465	525,735	(8,270)	387,263	283,991	103,272
Machinery and equipment	2,709,491	2,098,004	611,487	658,255	565,064	93,191
Total	\$ 22,064,019	\$ 21,954,055	\$ 109,964	\$ 37,656,973	\$ 38,418,076	\$ (761,103)

Major capital asset events during the current fiscal year included the following:

- The 1st Street/Brenda Boulevard Improvements Street Improvements were completed in 2013.
- Major equipment purchases in 2013 included; a Toro mower with cab, John Deere utility tractor, and a Ford F-550 truck with equipment for the public works department, a fire truck for the public safety department (approximately \$600,000), and three Toro mowers purchased through a capital lease for the golf course (approximately \$150,000)
- Phase two of improvements to the Becker Community Center boiler system was completed in 2013.
- Phase two of identified master plan improvements were completed at Pebble Creek Golf Course.

Additional information on the City's capital assets can be found in Note 3C starting on page 62 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$17,610,000. While all the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Becker's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
G.O. improvement bonds	\$ 1,155,000	\$ 1,335,000	\$ (180,000)	\$ 13,960,000	\$ 15,300,000	\$ (1,340,000)
General obligation revenue bonds	-	-	-	755,000	840,000	(85,000)
G.O Special assessment bonds	1,740,000	1,860,000	(120,000)	-	-	-
Capital lease payable	-	-	-	332,883	257,705	75,178
Compensated absences	175,740	159,850	15,890	74,848	66,165	8,683
Total	\$ 3,070,740	\$ 3,354,850	\$ (284,110)	\$ 15,122,731	\$ 16,463,870	\$ (1,341,139)

The City's total debt decreased by \$1,625,249 or 8 percent during the current fiscal year. The main reason for the decrease was due to scheduled principal payments made during the year.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$25,376,211. The City is well below the legal debt margin.

Additional information on the City's long-term debt can be found in Note 3E starting on page 65 of this report.

Economic Factors and Next Year's Budgets and Rates

The City continues to monitor the Utility Transition Valuation Aid program at the state. This aid represents a significant portion of the City's General fund revenue budget so reductions to this program would have a significant negative impact to the City's General fund.

- The City continues to support legislative action at the state level to eliminate the pollution control exemption for Minnesota utilities, and supports allowing utilities to recover their costs related to pollution control equipment by spreading those costs to electricity users through other means.
- The slow housing market continues to limit residential development within the City, with 11 new single family home building permits pulled in 2013. This was comparable to 2012 which also saw 11 single family home permits pulled. 2014 General fund Budgeted expenditures are \$3,031,406, a 9.9 percent increase from 2013 budgeted expenditures of \$2,730,280. Budgeted expenditures for the Fire Department, Economic Development, and the Community Center together increased \$23,150, and levies related to debt service obligations decreased \$223,044 in 2014. All of these factors resulted in an overall City property tax levy of \$5,238,736, \$451,244 higher than 2013. This increased levy was along with a decrease in tax capacity of \$775,386, resulted in a proposed tax rate of 34.368 percent in 2014, up from 29.640 percent in 2013.
- The City increased water and sewer utility rates for 2014. Water rates were increased approximately 2.5 percent while sewer rates were increased approximately 5.0 percent. The last increase to the City utility rates was in 2013.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, City of Becker, 12060 Sherburne Avenue, Becker, Minnesota 55308.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BECKER
BECKER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF BECKER, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 11,048,348	\$ 4,276,628	\$ 15,324,976
Cash held with fiscal agent	-	5,226,918	5,226,918
Restricted cash and temporary investments	-	1,869,403	1,869,403
Receivables			
Accrued interest	35,153	-	35,153
Delinquent taxes	27,671	12,562	40,233
Accounts	2,918	368,987	371,905
Notes	235,400	-	235,400
Special assessments	1,132,217	7,257	1,139,474
Due from other governments	44,632	18,157	62,789
Inventories	-	37,479	37,479
Land held for resale	330,300	-	330,300
Prepaid items	34,422	18,937	53,359
Capital assets			
Land and construction in progress	2,602,621	3,874,269	6,476,890
Depreciable (net of accumulated depreciation)	19,461,398	33,782,704	53,244,102
TOTAL ASSETS	34,955,080	49,493,301	84,448,381
LIABILITIES			
Accounts payable	289,991	30,591	320,582
Accrued salaries and benefits payable	76,019	27,905	103,924
Accrued interest payable	25,964	154,130	180,094
Deposits payable	261,543	641	262,184
Unearned revenue	-	18,293	18,293
Noncurrent liabilities			
Due within one year	440,760	6,786,996	7,227,756
Due in more than one year	2,629,980	8,335,735	10,965,715
TOTAL LIABILITIES	3,724,257	15,354,291	19,078,548
NET POSITION			
Net investment in capital assets	20,054,692	27,836,008	47,890,700
Restricted for			
Debt service	1,831,084	1,869,403	3,700,487
Economic development	66,687	-	66,687
Unrestricted	9,278,360	4,433,599	13,711,959
TOTAL NET POSITION	\$ 31,230,823	\$ 34,139,010	\$ 65,369,833

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

CITY OF BECKER, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 887,372	\$ 232,451	\$ 392,364	\$ -
Public safety	1,287,734	14,438	260,105	-
Public works	2,092,514	276,441	-	226,087
Culture and recreation	1,254,558	483,781	23,844	-
Economic development	97,419	-	-	10,000
Interest on long-term debt	52,807	-	35,000	-
Total governmental activities	<u>5,672,404</u>	<u>1,007,111</u>	<u>711,313</u>	<u>236,087</u>
Business-type activities				
Water	534,218	533,497	-	-
Sewer	2,162,018	1,446,421	42,382	-
Golf Course	1,124,056	828,710	-	-
Total business-type activities	<u>3,820,292</u>	<u>2,808,628</u>	<u>42,382</u>	<u>-</u>
Total	<u>\$ 9,492,696</u>	<u>\$ 3,815,739</u>	<u>\$ 753,695</u>	<u>\$ 236,087</u>

General revenues

Taxes

 Property taxes, levied for general purposes

 Property taxes, levied for debt service

 Franchise taxes

 Unrestricted investment earnings (loss)

Gain on sale of capital assets

Transfers of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1

Net position, December 31

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

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (262,557)	\$ -	\$ (262,557)
(1,013,191)	-	(1,013,191)
(1,589,986)	-	(1,589,986)
(746,933)	-	(746,933)
(87,419)	-	(87,419)
(17,807)	-	(17,807)
(3,717,893)	-	(3,717,893)
-	(721)	(721)
-	(673,215)	(673,215)
-	(295,346)	(295,346)
-	(969,282)	(969,282)
(3,717,893)	(969,282)	(4,687,175)
3,060,864	-	3,060,864
388	1,664,850	1,665,238
27,753	-	27,753
(86,493)	(11,219)	(97,712)
84,621	4,650	89,271
(33,488)	33,488	-
(2,223,436)	2,223,436	-
830,209	3,915,205	4,745,414
(2,887,684)	2,945,923	58,239
34,118,507	31,193,087	65,311,594
\$ 31,230,823	\$ 34,139,010	\$ 65,369,833

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FUND FINANCIAL STATEMENTS

CITY OF BECKER
BECKER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF BECKER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Fire Department	Community Center	Debt Service
ASSETS				
Cash and temporary investments	\$ 1,214,756	\$ 513,340	\$ 29,050	\$ 775,068
Receivables				
Accrued interest	34,468	685	-	-
Taxes	23,430	2,713	-	364
Accounts	2,918	-	-	-
Notes	-	-	-	230,000
Special assessments	281,727	-	-	850,490
Due from other governments	40,494	1,846	-	1,551
Due from other funds	98,640	-	-	-
Land held for resale	-	-	-	-
Prepaid items	29,309	2,621	1,941	-
TOTAL ASSETS	<u>\$ 1,725,742</u>	<u>\$ 521,205</u>	<u>\$ 30,991</u>	<u>\$ 1,857,473</u>
LIABILITIES				
Accounts payable	\$ 94,366	\$ 23,366	\$ 8,318	\$ 425
Accrued salaries and benefits payable	53,484	17	20,018	-
Deposits payable	62,493	-	-	-
Due to other funds	-	21,591	77,049	-
TOTAL LIABILITIES	<u>210,343</u>	<u>44,974</u>	<u>105,385</u>	<u>425</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	23,430	2,713	-	364
Unavailable revenue - special assessments	281,727	-	-	850,490
Unavailable revenue - notes	-	-	-	230,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>305,157</u>	<u>2,713</u>	<u>-</u>	<u>1,080,854</u>
FUND BALANCES				
Nonspendable	127,949	2,621	1,941	-
Restricted	-	-	-	776,194
Assigned	135,760	470,897	-	-
Unassigned	946,533	-	(76,335)	-
TOTAL FUND BALANCES	<u>1,210,242</u>	<u>473,518</u>	<u>(74,394)</u>	<u>776,194</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,725,742</u>	<u>\$ 521,205</u>	<u>\$ 30,991</u>	<u>\$ 1,857,473</u>

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

Revolving Capital	Other Governmental Funds	Total Governmental Funds
\$ 6,891,511	\$ 1,624,623	\$ 11,048,348
-	-	35,153
-	1,164	27,671
-	-	2,918
-	5,400	235,400
-	-	1,132,217
-	741	44,632
-	-	98,640
330,300	-	330,300
-	551	34,422
<u>\$ 7,221,811</u>	<u>\$ 1,632,479</u>	<u>\$ 12,989,701</u>
\$ 152,686	\$ 10,830	\$ 289,991
-	2,500	76,019
-	199,050	261,543
-	-	98,640
<u>152,686</u>	<u>212,380</u>	<u>726,193</u>
-	1,164	27,671
-	-	1,132,217
-	-	230,000
<u>-</u>	<u>1,164</u>	<u>1,389,888</u>
330,300	5,951	468,762
-	951,196	1,727,390
6,738,825	461,788	7,807,270
-	-	870,198
<u>7,069,125</u>	<u>1,418,935</u>	<u>10,873,620</u>
<u>\$ 7,221,811</u>	<u>\$ 1,632,479</u>	<u>\$ 12,989,701</u>

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CITY OF BECKER, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

Total fund balances - governmental funds	\$ 10,873,620
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	38,980,412
Less: accumulated depreciation	(16,916,393)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(175,740)
Bond principal payable	(2,895,000)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes receivable	27,671
Special assessments receivable	1,132,217
Notes receivable	230,000
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(25,964)</u>
Total net position - governmental activities	<u><u>\$ 31,230,823</u></u>

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

CITY OF BECKER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Fire Department	Community Center	Debt Service
REVENUES				
Taxes	\$ 2,073,166	\$ 304,355	\$ 440,800	\$ 207,521
Licenses and permits	184,736	-	-	-
Intergovernmental	522,044	120,131	-	-
Charges for services	93,975	-	484,575	-
Fines and forfeitures	12,000	-	-	-
Special assessments	94,082	-	-	579,422
Interest on investments	(8,381)	2,061	(440)	32,568
Miscellaneous	23,216	14,279	20,050	35,000
TOTAL REVENUES	2,994,838	440,826	944,985	854,511
EXPENDITURES				
Current				
General government	725,028	-	-	-
Public safety	742,915	255,672	-	-
Public works	592,553	-	-	-
Culture and recreation	154,396	-	873,765	-
Economic development	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	689,104	-	-
Public works	57,253	-	-	-
Culture and recreation	1,791	-	-	-
Debt service				
Principal	-	-	-	300,000
Interest and other charges	-	-	-	53,364
TOTAL EXPENDITURES	2,273,936	944,776	873,765	353,364
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	720,902	(503,950)	71,220	501,147
OTHER FINANCING SOURCES (USES)				
Transfers in	3,179	-	-	-
Sale of capital assets	-	57,500	-	-
Gain on market value of land held for resale	-	-	-	-
Transfers out	(1,087,100)	-	(59,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,083,921)	57,500	(59,500)	-
NET CHANGE IN FUND BALANCES	(363,019)	(446,450)	11,720	501,147
FUND BALANCES, JANUARY 1	1,573,261	919,968	(86,114)	275,047
FUND BALANCES, DECEMBER 31	\$ 1,210,242	\$ 473,518	\$ (74,394)	\$ 776,194

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

Revolving Capital	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 121,809	\$ 3,147,651
-	-	184,736
500	-	642,675
163,186	71,448	813,184
-	-	12,000
-	-	673,504
(89,332)	(22,969)	(86,493)
69,284	-	161,829
<u>143,638</u>	<u>170,288</u>	<u>5,549,086</u>
90,539	-	815,567
-	-	998,587
-	-	592,553
16,516	-	1,044,677
-	97,419	97,419
2,201	-	2,201
14,003	-	703,107
1,254,595	950	1,312,798
177,357	-	179,148
-	-	300,000
-	-	53,364
<u>1,555,211</u>	<u>98,369</u>	<u>6,099,421</u>
<u>(1,411,573)</u>	<u>71,919</u>	<u>(550,335)</u>
1,369,759	-	1,372,938
26,019	-	83,519
10,000	-	10,000
(1,748,944)	(700,830)	(3,596,374)
<u>(343,166)</u>	<u>(700,830)</u>	<u>(2,129,917)</u>
(1,754,739)	(628,911)	(2,680,252)
<u>8,823,864</u>	<u>2,047,846</u>	<u>13,553,872</u>
<u>\$ 7,069,125</u>	<u>\$ 1,418,935</u>	<u>\$ 10,873,620</u>

CITY OF BECKER, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Total net change in fund balances - governmental funds	\$ (2,680,252)
Amounts reported for governmental activities in the statement of activities are different because	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlay	1,547,331
Depreciation expense	(1,404,981)
Disposal of capital assets	1,102
Assets constructed in the governmental funds for the enterprise funds are eliminated in the government-wide statements.	(33,488)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal repayments	300,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	557
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(23,646)
Special assessments	(543,417)
Notes	(35,000)
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.	
Compensated absences	(15,890)
Change in net position - governmental activities	\$ (2,887,684)

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

CITY OF BECKER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,074,730	\$ 2,074,730	\$ 2,073,166	\$ (1,564)
Licenses and permits	44,000	44,000	184,736	140,736
Intergovernmental	491,500	491,500	522,044	30,544
Charges for services	73,150	73,150	93,975	20,825
Fines and forfeitures	10,500	10,500	12,000	1,500
Special assessments	-	-	94,082	94,082
Interest on investments	6,000	6,000	(8,381)	(14,381)
Miscellaneous	30,400	30,400	23,216	(7,184)
TOTAL REVENUES	<u>2,730,280</u>	<u>2,730,280</u>	<u>2,994,838</u>	<u>264,558</u>
EXPENDITURES				
Current				
General government	733,400	733,400	725,028	8,372
Public safety	749,230	749,230	742,915	6,315
Public works	667,300	667,300	592,553	74,747
Culture and recreation	117,250	117,250	154,396	(37,146)
Capital outlay	56,000	56,000	59,044	(3,044)
TOTAL EXPENDITURES	<u>2,323,180</u>	<u>2,323,180</u>	<u>2,273,936</u>	<u>49,244</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>407,100</u>	<u>407,100</u>	<u>720,902</u>	<u>313,802</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,179	3,179
Transfers out	(407,100)	(407,100)	(1,087,100)	(680,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(407,100)</u>	<u>(407,100)</u>	<u>(1,083,921)</u>	<u>(676,821)</u>
NET CHANGE IN FUND BALANCES	-	-	(363,019)	(363,019)
FUND BALANCES, JANUARY 1	<u>1,573,261</u>	<u>1,573,261</u>	<u>1,573,261</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,573,261</u>	<u>\$ 1,573,261</u>	<u>\$ 1,210,242</u>	<u>\$ (363,019)</u>

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

CITY OF BECKER, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise funds			
	600		610	
	Water		Sewer	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 2,305,326	\$ 1,583,997	\$ 1,967,093	\$ 187,522
Restricted cash and temporary investments	2,096	100,107	1,867,307	1,917,869
Cash with fiscal agent	-	-	5,226,918	-
Receivables				
Taxes	-	-	12,562	20,298
Accounts	72,608	72,101	262,296	231,311
Special assessments	886	27,073	6,371	9,911
Due from other governments	7,935	102	10,222	8,380
Inventories	-	-	-	-
Prepaid items	2,464	3,008	7,830	3,088
TOTAL CURRENT ASSETS	2,391,315	1,786,388	9,360,599	2,378,379
NONCURRENT ASSETS				
Cash with fiscal agent	-	-	-	5,298,624
Capital assets				
Land	-	-	43,500	43,500
Construction in progress	145,504	-	-	135,212
Buildings and systems	9,461,126	9,461,126	33,725,242	33,556,542
Improvements other than buildings	-	-	-	-
Machinery and equipment	138,808	138,808	440,914	416,934
Less accumulated depreciation	(3,010,140)	(2,757,475)	(8,328,313)	(7,508,080)
Total capital assets (net of accumulated depreciation)	6,735,298	6,842,459	25,881,343	26,644,108
TOTAL NONCURRENT ASSETS	6,735,298	6,842,459	25,881,343	31,942,732
TOTAL ASSETS	9,126,613	8,628,847	35,241,942	34,321,111

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

Business-type Activities - Enterprise funds

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Golf Course		Totals	
2013	2012	2013	2012
\$ 4,209	\$ 2,886	\$ 4,276,628	\$ 1,774,405
-	-	1,869,403	2,017,976
-	-	5,226,918	-
-	-	12,562	20,298
34,083	7,111	368,987	310,523
-	-	7,257	36,984
-	-	18,157	8,482
37,479	37,930	37,479	37,930
8,643	12,795	18,937	18,891
<u>84,414</u>	<u>60,722</u>	<u>11,836,328</u>	<u>4,225,489</u>
-	-	-	5,298,624
3,685,265	3,685,265	3,728,765	3,728,765
-	-	145,504	135,212
2,026,710	2,026,710	45,213,078	45,044,378
1,269,094	1,120,671	1,269,094	1,120,671
1,548,451	1,459,396	2,128,173	2,015,138
<u>(3,489,188)</u>	<u>(3,360,533)</u>	<u>(14,827,641)</u>	<u>(13,626,088)</u>
<u>5,040,332</u>	<u>4,931,509</u>	<u>37,656,973</u>	<u>38,418,076</u>
<u>5,040,332</u>	<u>4,931,509</u>	<u>37,656,973</u>	<u>43,716,700</u>
<u>5,124,746</u>	<u>4,992,231</u>	<u>49,493,301</u>	<u>47,942,189</u>

CITY OF BECKER, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise funds			
	600		610	
	Water		Sewer	
	2013	2012	2013	2012
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 11,037	\$ 9,940	\$ 17,624	\$ 30,282
Accrued salaries and benefits payable	6,111	5,718	12,364	11,177
Accrued interest payable	3,820	7,190	150,310	186,839
Deposits payable	641	541	-	-
Compensated absences payable - current	10,318	7,151	25,902	19,651
Unearned revenue	-	-	-	-
Capital lease - current	-	-	-	-
Bonds payable - current	80,000	85,000	6,575,000	1,340,000
TOTAL CURRENT LIABILITIES	111,927	115,540	6,781,200	1,587,949
NONCURRENT LIABILITIES				
Compensated absences payable	2,936	3,514	7,370	9,657
Capital lease payable	-	-	-	-
Bonds payable	675,000	755,000	7,385,000	13,960,000
TOTAL NONCURRENT LIABILITIES	677,936	758,514	7,392,370	13,969,657
TOTAL LIABILITIES	789,863	874,054	14,173,570	15,557,606
NET POSITION				
Net investment in capital assets	5,980,298	6,002,459	17,148,261	16,642,732
Restricted for debt service	2,096	100,107	1,867,307	1,917,869
Unrestricted	2,354,356	1,652,227	2,052,804	202,904
TOTAL NET POSITION	\$ 8,336,750	\$ 7,754,793	\$ 21,068,372	\$ 18,763,505

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

Business-type Activities - Enterprise funds

620

Golf Course		Totals	
2013	2012	2013	2012
\$ 1,623	\$ 6,623	\$ 30,284	\$ 46,845
9,737	8,216	28,212	25,111
-	-	154,130	194,029
-	-	641	541
22,049	17,562	58,269	44,364
18,293	18,706	18,293	18,706
73,727	41,019	73,727	41,019
-	-	6,655,000	1,425,000
<u>125,429</u>	<u>92,126</u>	<u>7,018,556</u>	<u>1,795,615</u>
6,273	8,630	16,579	21,801
259,156	216,686	259,156	216,686
-	-	8,060,000	14,715,000
<u>265,429</u>	<u>225,316</u>	<u>8,335,735</u>	<u>14,953,487</u>
<u>390,858</u>	<u>317,442</u>	<u>15,354,291</u>	<u>16,749,102</u>
4,707,449	4,673,804	27,836,008	27,318,995
-	-	1,869,403	2,017,976
26,439	985	4,433,599	1,856,116
<u>\$ 4,733,888</u>	<u>\$ 4,674,789</u>	<u>\$ 34,139,010</u>	<u>\$ 31,193,087</u>

CITY OF BECKER, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise funds			
	600		610	
	Water		Sewer	
	2013	2012	2013	2012
OPERATING REVENUES				
Charges for services	\$ 533,497	\$ 498,398	\$ 1,446,421	\$ 1,216,412
OPERATING EXPENSES				
Wages and salaries	104,023	98,924	260,961	253,709
Employee benefits	38,078	37,337	105,007	103,906
Materials and supplies	53,707	43,951	129,831	163,074
Repairs and maintenance	9,241	7,620	103,484	96,851
Professional services	14,040	9,161	51,865	62,544
Utilities	42,325	44,884	280,662	240,944
Depreciation	252,665	252,033	845,051	829,457
Miscellaneous	10,596	11,612	15,802	28,415
Cost of merchandise sales	-	-	-	-
TOTAL OPERATING EXPENSES	<u>524,675</u>	<u>505,522</u>	<u>1,792,663</u>	<u>1,778,900</u>
OPERATING INCOME (LOSS)	<u>8,822</u>	<u>(7,124)</u>	<u>(346,242)</u>	<u>(562,488)</u>
NONOPERATING REVENUES (EXPENSES)				
Taxes	-	-	1,664,850	1,748,748
Interest on investments	(16,652)	14,565	6,237	11,253
Miscellaneous	-	-	42,382	-
Gain (loss) on sale of capital asset	-	(1,407)	8,514	3,987
Bond issuance costs	-	(15,394)	-	(72,370)
Interest expense	(9,543)	(26,273)	(369,355)	(525,386)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(26,195)</u>	<u>(28,509)</u>	<u>1,352,628</u>	<u>1,166,232</u>
INCOME (LOSS) BEFORE TRANSFERS	(17,373)	(35,633)	1,006,386	603,744
TRANSFERS IN	659,330	40,000	1,486,652	1,875
TRANSFER OF CAPITAL ASSETS	-	-	33,488	135,212
TRANSFERS OUT	<u>(60,000)</u>	<u>-</u>	<u>(221,659)</u>	<u>(322,979)</u>
CHANGE IN NET POSITION	581,957	4,367	2,304,867	417,852
NET POSITION, JANUARY 1	<u>7,754,793</u>	<u>7,750,426</u>	<u>18,763,505</u>	<u>18,345,653</u>
NET POSITION, DECEMBER 31	<u>\$ 8,336,750</u>	<u>\$ 7,754,793</u>	<u>\$ 21,068,372</u>	<u>\$ 18,763,505</u>

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

Business-type Activities - Enterprise funds

620

Golf Course		Totals	
2013	2012	2013	2012
\$ 828,710	\$ 884,973	\$ 2,808,628	\$ 2,599,783
334,799	356,162	699,783	708,795
106,224	98,321	249,309	239,564
89,224	95,053	272,762	302,078
76,411	63,362	189,136	167,833
9,702	20,447	75,607	92,152
71,312	72,216	394,299	358,044
250,139	220,728	1,347,855	1,302,218
97,355	120,952	123,753	160,979
75,707	78,740	75,707	78,740
<u>1,110,873</u>	<u>1,125,981</u>	<u>3,428,211</u>	<u>3,410,403</u>
<u>(282,163)</u>	<u>(241,008)</u>	<u>(619,583)</u>	<u>(810,620)</u>
-	-	1,664,850	1,748,748
(804)	-	(11,219)	25,818
-	-	42,382	-
(3,864)	8,025	4,650	10,605
-	-	-	(87,764)
<u>(13,183)</u>	<u>(12,110)</u>	<u>(392,081)</u>	<u>(563,769)</u>
<u>(17,851)</u>	<u>(4,085)</u>	<u>1,308,582</u>	<u>1,133,638</u>
(300,014)	(245,093)	688,999	323,018
359,113	154,000	2,505,095	195,875
-	-	33,488	135,212
<u>-</u>	<u>-</u>	<u>(281,659)</u>	<u>(322,979)</u>
59,099	(91,093)	2,945,923	331,126
<u>4,674,789</u>	<u>4,765,882</u>	<u>31,193,087</u>	<u>30,861,961</u>
<u>\$ 4,733,888</u>	<u>\$ 4,674,789</u>	<u>\$ 34,139,010</u>	<u>\$ 31,193,087</u>

CITY OF BECKER, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise funds			
	600		610	
	Water		Sewer	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 551,344	\$ 565,255	\$ 1,459,516	\$ 1,174,484
Payments to suppliers	(127,875)	(116,827)	(593,893)	(612,128)
Payments to employees	(139,412)	(135,682)	(365,968)	(353,627)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	284,057	312,746	499,655	208,729
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	40,000	100,000	1,875
Transfers to other funds	(60,000)	-	(221,659)	(322,979)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(60,000)	40,000	(121,659)	(321,104)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	659,330	-	1,386,652	-
Property taxes	-	-	1,672,586	1,761,952
Proceeds from sale of capital assets	-	-	8,514	6,000
Acquisition of property and equipment	(145,504)	(100,554)	(48,798)	(107,905)
Payment to escrow agent for crossover refunding	-	-	-	(5,298,599)
Proceeds of bonds issued, net of issuance costs	-	824,606	-	5,162,630
Capital lease proceeds	-	-	-	-
Payment for arbitrage	-	-	-	(141,297)
Interest paid on bonds	(12,913)	(38,525)	(334,178)	(347,861)
Principal paid on bonds	(85,000)	(1,090,000)	(1,340,000)	(1,295,000)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	415,913	(404,473)	1,344,776	(260,080)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid) on investments	(16,652)	14,565	6,237	11,228
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	623,318	(37,162)	1,729,009	(361,227)
CASH AND CASH EQUIVALENTS, JANUARY 1	1,684,104	1,721,266	2,105,391	2,466,618
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 2,307,422	\$ 1,684,104	\$ 3,834,400	\$ 2,105,391
RECONCILIATION TO THE STATEMENTS OF NET POSITION				
Cash and temporary investments	\$ 2,305,326	\$ 1,583,997	\$ 1,967,093	\$ 187,522
Restricted cash and temporary investments	2,096	100,107	1,867,307	1,917,869
Total	\$ 2,307,422	\$ 1,684,104	\$ 3,834,400	\$ 2,105,391

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

Business-type Activities - Enterprise funds

620			
Golf Course		Totals	
2013	2012	2013	2012
\$ 801,325	\$ 882,818	\$ 2,812,185	\$ 2,622,557
(420,108)	(459,826)	(1,141,876)	(1,188,781)
<u>(437,372)</u>	<u>(446,973)</u>	<u>(942,752)</u>	<u>(936,282)</u>
(56,155)	(23,981)	727,557	497,494
359,113	154,000	459,113	195,875
<u>-</u>	<u>-</u>	<u>(281,659)</u>	<u>(322,979)</u>
359,113	154,000	177,454	(127,104)
-	-	2,045,982	-
-	-	1,672,586	1,761,952
8,583	14,501	17,097	20,501
(371,409)	(92,217)	(565,711)	(300,676)
-	-	-	(5,298,599)
-	-	-	5,987,236
151,864	-	151,864	-
-	-	-	(141,297)
(13,183)	(12,110)	(360,274)	(398,496)
<u>(76,686)</u>	<u>(39,034)</u>	<u>(1,501,686)</u>	<u>(2,424,034)</u>
(300,831)	(128,860)	1,459,858	(793,413)
(804)	-	(11,219)	25,793
1,323	1,159	2,353,650	(397,230)
<u>2,886</u>	<u>1,727</u>	<u>3,792,381</u>	<u>4,189,611</u>
<u>\$ 4,209</u>	<u>\$ 2,886</u>	<u>\$ 6,146,031</u>	<u>\$ 3,792,381</u>
\$ 4,209	\$ 2,886	\$ 4,276,628	\$ 1,774,405
<u>-</u>	<u>-</u>	<u>1,869,403</u>	<u>2,017,976</u>
<u>\$ 4,209</u>	<u>\$ 2,886</u>	<u>\$ 6,146,031</u>	<u>\$ 3,792,381</u>

CITY OF BECKER, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise funds			
	600, 310		610	
	Water		Sewer	
	2013	2012	2013	2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO				
NET CASH PROVIDED (USED) BY				
OPERATING ACTIVITIES				
Operating income (loss)	\$ 8,822	\$ (7,124)	\$ (346,242)	\$ (562,488)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	-	-	42,382	-
Depreciation	252,665	252,033	845,051	829,457
(Increase) decrease in assets				
Accounts receivable	(507)	(12,035)	(30,985)	(45,129)
Special assessment receivable	26,187	78,994	3,540	3,936
Due from other governments	(7,833)	(102)	(1,842)	(735)
Inventories	-	-	-	-
Prepaid items	544	(1,203)	(4,742)	934
Increase (decrease) in liabilities				
Accounts payable	1,097	(187)	(12,658)	(21,234)
Salaries payable	393	1,791	1,187	1,021
Compensated absences	2,589	579	3,964	2,967
Customer deposits payable	100	-	-	-
Unearned revenue	-	-	-	-
	<u>\$ 284,057</u>	<u>\$ 312,746</u>	<u>\$ 499,655</u>	<u>\$ 208,729</u>
NET CASH PROVIDED (USED) BY				
OPERATING ACTIVITIES				
SCHEDULE OF NONCASH				
CAPITAL FINANCING ACTIVITIES				
Capital contribution from governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,488</u>	<u>\$ 135,212</u>
Disposal of capital assets	<u>\$ -</u>	<u>\$ 1,407</u>	<u>\$ -</u>	<u>\$ 2,013</u>

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

Business-type Activities - Enterprise funds

620

Golf Course		Totals	
2013	2012	2013	2012
\$ (282,163)	\$ (241,008)	\$ (619,583)	\$ (810,620)
-	-	42,382	-
250,139	220,728	1,347,855	1,302,218
(26,972)	(4,650)	(58,464)	(61,814)
-	-	29,727	82,930
-	-	(9,675)	(837)
451	(8,363)	451	(8,363)
4,152	594	(46)	325
(5,000)	(1,287)	(16,561)	(22,708)
1,521	1,464	3,101	4,276
2,130	6,046	8,683	9,592
-	-	100	-
(413)	2,495	(413)	2,495
<u>\$ (56,155)</u>	<u>\$ (23,981)</u>	<u>\$ 727,557</u>	<u>\$ 497,494</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,488</u>	<u>\$ 135,212</u>
<u>\$ 12,447</u>	<u>\$ 6,476</u>	<u>\$ 12,447</u>	<u>\$ 9,896</u>

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CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Becker, Minnesota, operates under “Optional Plan A” as defined in the State of Minnesota statutes. The City is governed by an elected mayor and four City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

- Blended Component Units- Reported as if they were part of the City.
- Joint Ventures and Jointly Governed Organizations- The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

Blended component unit. The Becker Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Becker EDA is reported as if it were part of the primary government because it receives accounting and administrative services exclusively from the City. Separate financial statements are not prepared for the Becker EDA.

Joint ventures and jointly governed organizations. The City has a joint powers agreement with the Township of Becker for fire protection services. The Becker Fire Department Joint Powers Board is a legal entity separate from the City. Although legally separate, the Becker Fire Department Joint Powers Board is reported as if it were part of the primary government because the City provides the majority of the funding necessary for operations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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 for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

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

The *Fire Department fund* accounts account for financial resources used in operations of the Cities fire department.

The *Community Center fund* accounts property taxes and charges that are committed for the Community Center operations.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Revolving Capital fund* accounts for resources accumulated and payments made to purchase capital during the year.

The City reports the following major enterprise funds:

The *Water fund* accounts for the activities of the City's water distribution system.

The *Sewer fund* accounts for the activities of the City's sewer collection operations.

The *Golf Course fund* accounts for the activities of the City's golf course.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's electric and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the City are reported at fair value. The broker money market investment pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool share.

The Minnesota Municipal Money Market (4M) fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Financial statements of the 4M fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street Suite 2300, Minneapolis, MN 55402-1240.

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2013. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Interfund receivables and payables

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

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

Inventories and prepaid items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

Assets held for resale

These assets represent land owned by the City with the intent to sell to developers. This land is recorded at the lessor of historical cost or net realizable value.

CITY OF BECKER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Intangible assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an indefinite useful life. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition on infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

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. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

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

Assets	Useful Lives in Years
Buildings	20 - 50
Building improvements	10 - 20
Light vehicles	4 - 13
Machinery and equipment	3 - 20
Fire trucks	15 - 18
Utility distribution system	30 - 50
Land improvements	10 - 20
Infrastructure	20 - 50

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is also a provision for payout of unpaid accumulated sick leave when an employee separates from service with the City. All vacation pay is accrued when incurred in the governmental and proprietary funds. It is expected the vacation pay will be liquidated with expendable available financial resources. A liability for accumulated sick leave is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 delayed and amortized over the life of the bonds using the straight-line method for governmental activities. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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.

Deferred inflows of resources

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

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items, due from other funds, and land held for resale.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator or Treasurer.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unrestricted fund balance of 40 percent of the next year's budgeted operating expenditures for cash-flow timing needs.

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Positions

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net assets are displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets”.

Comparative data/reclassifications

Comparative data for the prior year have been presented only for the individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

The City Council adopts an annual budget. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Budget requests are submitted by all department heads to the City Administrator. The City Administrator and Treasurer compile the budget requests into an overall preliminary City budget.
2. The City Administrator and Treasurer present the proposed budget to the City Council. The budget resolution adopted by the City Council sets forth the budgets at the fund level for the General, Special Revenue and Debt Service funds.
3. Formal budgetary integration is employed as a management control device during the year for the General, special revenue and Debt Service funds. Budgetary control for Capital Projects funds is accomplished through the use of project controls.
4. The budgets for the General, special revenue and Debt Service funds are adopted on a basis consistent with U.S. generally accepted accounting principles generally accepted in the United States of America. Annual appropriations lapse at year-end.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No funds budget can be increased without City Council approval. The City Council may authorize transfers of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.

There were no budget amendments made by the City during the year.

CITY OF BECKER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Deficit fund equity

The following fund had a fund balance deficit at December 31, 2013:

Fund	Amount
Major	
Community Center	\$ 74,394

The deficit in the fund will be eliminated with future revenues.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City’s deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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. The selection should be approved by the City.

At year end, the City’s carrying amount of deposits was \$2,343,969 and the bank balance was \$2,372,103. Of the bank balance, \$910,924 was covered by federal depository insurance; the remaining bank balance was covered by collateral held by the City’s agent in the City’s name.

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2013, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name.

<u>Types of Investments</u>	<u>Credit Quality/ Ratings (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Carrying Amount</u>
Pooled investments			
Money Market Mutual funds	N/A	less than 6 months	\$ 1,339,703
4M fund	N/A	less than 6 months	<u>4,762,597</u>
Total pooled investments			<u>6,102,300</u>
Non-pooled investments			
Brokered CD's	N/A	less than 6 months	746,576
Brokered CD's	N/A	6 months to 1 year	889,673
Brokered CD's	N/A	1 to 3 years	1,142,843
Brokered CD's	N/A	more than 3 years	<u>982,797</u>
Total Brokered CD's			3,761,889
U.S. Government Securities	AA+	more than 3 years	4,983,871
U.S. Treasury Securities	AAA	less than 6 months	<u>5,226,918</u>
Total non-pooled investments			<u>13,972,678</u>
Total investments			<u><u>\$ 20,074,978</u></u>

(1) Ratings were provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk disclosed using the segmented time distribution method.

N/A Indicated not applicable or available

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. In accordance with its investment policy, the City limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not address concentration of credit risk, placing no limit on the amount that may be invested in any one issuer. The City has invested more than 5 percent (\$4,372,416) in Federal Home Loan Bank (FHLB).
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting long term investments of the portfolio. The maturity of the long term investments cannot exceed ten years.

CITY OF BECKER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash summary

A reconciliation of cash as shown on the Statement of Net Position for the City follows:

Carrying amount of deposits	\$ 2,343,969
Investments	20,074,978
Cash on hand	<u>2,350</u>
Total	<u><u>\$ 22,421,297</u></u>
As presented on the Statement of Net Position	
Cash and temporary investments	\$ 15,324,976
Cash held with fiscal agent	5,226,918
Restricted cash and temporary investments	<u>1,869,403</u>
Total	<u><u>\$ 22,421,297</u></u>

B. Receivables

Notes receivable

The City built a new fire station which Becker Township will be reimbursing for their share of the project. The note is due and payable semiannually with interest accruing. The bond related to the project was refunded in 2011 and the receivable was recorded in the G.O. Fire Station Refunding Bonds, Series 2011A fund. The principal balance of \$230,000 at December 31, 2013 has been offset by deferred inflows of resources because it is not available to finance current operations.

The City has an outstanding note receivable to satisfy a mortgage and special utility assessment. The note is due and payable annually. The note was recorded as a receivable in the Economic Development special revenue fund. The principal balance of \$5,400 at December 31, 2013 has been offset by nonspendable fund balance because it is not available to finance current operations.

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,602,621	\$ -	\$ -	\$ 2,602,621
Construction in progress	7,666	-	(7,666)	-
Total capital assets, not being depreciated	<u>2,610,287</u>	<u>-</u>	<u>(7,666)</u>	<u>2,602,621</u>
Capital assets, being depreciated				
Buildings	9,339,412	-	-	9,339,412
Infrastructure	19,547,578	559,904	-	20,107,482
Improvements other than buildings	1,185,469	33,627	-	1,219,096
Machinery and equipment	5,091,067	965,478	(344,744)	5,711,801
Total capital assets being depreciated	<u>35,163,526</u>	<u>1,559,009</u>	<u>(344,744)</u>	<u>36,377,791</u>
Less accumulated depreciation for				
Buildings	(3,162,248)	(200,895)	-	(3,363,143)
Infrastructure	(9,004,713)	(844,596)	-	(9,849,309)
Improvements other than buildings	(659,734)	(41,897)	-	(701,631)
Machinery and equipment	(2,993,063)	(317,593)	308,346	(3,002,310)
Total accumulated depreciation	<u>(15,819,758)</u>	<u>(1,404,981)</u>	<u>308,346</u>	<u>(16,916,393)</u>
Total capital assets, being depreciated, net	<u>19,343,768</u>	<u>154,028</u>	<u>(36,398)</u>	<u>19,461,398</u>
Governmental activities capital assets, net	<u>\$ 21,954,055</u>	<u>\$ 154,028</u>	<u>\$ (44,064)</u>	<u>\$ 22,064,019</u>

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 3,728,765	\$ -	\$ -	\$ 3,728,765
Construction in progress	135,212	145,505	(135,213)	145,504
	<u>3,863,977</u>	<u>145,505</u>	<u>(135,213)</u>	<u>3,874,269</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated				
Buildings	2,026,710	-	-	2,026,710
Water System	9,461,126	-	-	9,461,126
Sewer System	33,556,542	168,700	-	33,725,242
Improvements other than buildings	1,120,671	148,423	-	1,269,094
Machinery and equipment	2,015,138	271,784	(158,748)	2,128,174
	<u>48,180,187</u>	<u>588,907</u>	<u>(158,748)</u>	<u>48,610,346</u>
Total capital assets, being depreciated				
Less accumulated depreciation for				
Buildings	(1,437,970)	(73,094)	-	(1,511,064)
Water System	(2,682,863)	(240,607)	-	(2,923,470)
Sewer System	(7,218,501)	(822,857)	-	(8,041,358)
Improvements other than buildings	(836,680)	(45,151)	-	(881,831)
Machinery and equipment	(1,450,074)	(166,146)	146,301	(1,469,919)
	<u>(13,626,088)</u>	<u>(1,347,855)</u>	<u>146,301</u>	<u>(14,827,642)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>34,554,099</u>	<u>(758,948)</u>	<u>(12,447)</u>	<u>33,782,704</u>
Business-type activities capital assets, net	<u>\$ 38,418,076</u>	<u>\$ (613,443)</u>	<u>\$ (147,660)</u>	<u>\$ 37,656,973</u>

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

Governmental activities	
General government	\$ 65,807
Public safety	202,524
Public works	935,584
Culture and recreation	201,066
	<u>1,404,981</u>
Total depreciation expense - governmental activities	<u>\$ 1,404,981</u>
Business-type activities	
Water	\$ 252,665
Sewer	845,051
Golf Course	250,139
	<u>1,347,855</u>
Total depreciation expense - business-type activities	<u>\$ 1,347,855</u>

CITY OF BECKER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund receivables, payables and transfers

Interfund balances

The compositions of interfund balances as of year-end December 31, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Community Center	\$ 77,049
General	Fire Department	21,591
		<hr/>
Total		<u>\$ 98,640</u>

The Community Center fund received an interfund loan from the General fund to cover a deficit cash balance. The interfund loan from the General fund to the Fire Department is to account for transactions flowing through the General fund that relate directly to the Fire Department.

Interfund transfers

The following interfund transfers were made during 2013:

<u>Fund</u>	<u>Transfers in</u>		
	<u>General</u>	<u>Revolving Capital</u>	<u>Water Enterprise</u>
Transfers out			
General	\$ -	\$ 1,087,100	\$ -
Revolving Capital	3,179	-	-
Community Center	-	59,500	-
Nonmajor governmental	-	1,500	659,330
Water enterprise	-	-	-
Sewer enterprise	-	221,659	-
	<hr/>	<hr/>	<hr/>
Total transfers in	<u>\$ 3,179</u>	<u>\$ 1,369,759</u>	<u>\$ 659,330</u>

<u>Fund</u>	<u>Transfers in</u>		
	<u>Sewer Enterprise</u>	<u>Golf Course Enterprise</u>	<u>Total</u>
Transfers out			
General	\$ -	\$ -	\$ 1,087,100
Revolving Capital	1,386,652	359,113	1,748,944
Community Center	-	-	59,500
Nonmajor governmental	40,000	-	700,830
Water enterprise	60,000	-	60,000
Sewer enterprise	-	-	221,659
	<hr/>	<hr/>	<hr/>
Total transfers in	<u>\$ 1,486,652</u>	<u>\$ 359,113</u>	<u>\$ 3,878,033</u>

The City annually budgets for transfers between funds. These annual budgeted transfers are made for certain funds portion of debt service payments, to cover administrative fees and to fund certain capital improvement projects. The City's fund balance policy identifies a fund balance goal for the General fund, and excess amounts are transferred to other funds as approved by Council. Unbudgeted transfers were approved by City Council resolution to close Debt Service funds and transfers for capital related purchases.

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

General obligation bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental activities					
G.O. Fire Station Bonds, Series 2011A	\$1,335,000	0.50 - 2.15 %	11/15/11	02/01/19	<u>\$ 1,155,000</u>
Business-type activities					
2005A Wastewater Treatment Facility Bonds	8,975,000	3.75 - 3.89	09/01/05	02/01/22	5,745,000
2008A Wastewater Treatment Facility Bonds	1,460,000	2.90 - 3.75	02/01/08	02/01/22	1,015,000
2009A Wastewater Treatment Facility Refunding Bonds	2,965,000	1.85 - 2.60	03/15/09	02/01/15	1,040,000
2010B Wastewater Treatment Facility Refunding Bonds	1,355,000	0.70 - 2.00	12/01/10	02/01/17	925,000
2012A Wastewater Treatment Facility Refunding Bonds	5,235,000	0.70 - 2.00	04/01/12	02/01/22	<u>5,235,000</u>
Total business-type G.O. bonds					<u>13,960,000</u>
Total G.O. bonds					<u><u>\$ 15,115,000</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 185,000	\$ 16,624	\$ 201,624	\$ 6,575,000	\$ 243,043	\$ 6,818,043
2015	185,000	14,913	199,913	1,490,000	113,053	1,603,053
2016	190,000	12,612	202,612	970,000	79,885	1,049,885
2017	195,000	9,721	204,721	980,000	80,778	1,060,778
2018	195,000	6,260	201,260	760,000	67,662	827,662
2019-2022	<u>205,000</u>	<u>2,204</u>	<u>207,204</u>	<u>3,185,000</u>	<u>134,034</u>	<u>3,319,034</u>
Total	<u>\$ 1,155,000</u>	<u>\$ 62,334</u>	<u>\$ 1,217,334</u>	<u>\$13,960,000</u>	<u>\$ 718,455</u>	<u>\$14,678,455</u>

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future revenues pledged from the Water fund and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require over 18 percent of revenues from the fund. For 2013, principal and interest paid and total customer revenues for the Water fund were \$97,913 and \$533,497, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2012A Water Revenue Refunding Bonds	\$ 840,000	0.55 - 2.00 %	04/01/12	02/01/23	<u>\$ 755,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2014	\$ 80,000	\$ 8,948	\$ 88,948
2015	85,000	8,452	93,452
2016	85,000	7,835	92,835
2017	90,000	7,045	97,045
2018	90,000	6,077	96,077
2019-2023	<u>325,000</u>	<u>15,464</u>	<u>340,464</u>
Total	<u>\$ 755,000</u>	<u>\$ 53,821</u>	<u>\$ 808,821</u>

G.O. special assessment bonds

The following bonds were issued to finance capital improvements in governmental funds. They will be retired from the collection of taxes and special assessments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2010A Assessment Improvement Bonds	\$ 1,860,000	1.00 - 4.80 %	12/01/10	02/01/26	<u>\$ 1,740,000</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 120,000	\$ 58,898	\$ 178,898
2015	120,000	57,023	177,023
2016	125,000	54,566	179,566
2017	125,000	51,441	176,441
2018	125,000	47,847	172,847
2019-2023	680,000	170,316	850,316
2024-2026	<u>445,000</u>	<u>31,540</u>	<u>476,540</u>
Total	<u>\$ 1,740,000</u>	<u>\$ 471,631</u>	<u>\$ 2,211,631</u>

CITY OF BECKER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital lease obligation

The City is obligated under a capital lease for golf equipment entered into on October 13, 2011. The lease agreement with PNC Equipment has an interest rate of 4.15 percent, and will mature May 7, 2017.

The City is obligated under a capital lease of lawn mowers entered into on February 15, 2013. The lease agreement with MTI Distributing and has an interest rate of 3.55 percent, and will mature October 27, 2017.

The assets and liabilities under the capital leases listed above are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets.

The assets acquired through the capital lease are as follows:

	Business-type Activities
Asset	
Golf Carts	\$ 296,739
Lawn mowers	151,864
Less: Accumulated depreciation	(153,897)
Total	\$ 294,706

Minimum future lease payments under the capital lease in the aggregate are as follows:

Year Ending December 31	Business-type Activities
2014	\$ 84,372
2015	84,373
2016	84,373
2017	107,056
Total minimum lease payments	360,174
Less: amount representing interest	(27,291)
Present value of minimum lease payments	\$ 332,883

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. improvement bonds	\$ 1,335,000	\$ -	\$ (180,000)	\$ 1,155,000	\$ 185,000
G.O. special assessment bonds	1,860,000	-	(120,000)	1,740,000	120,000
Total bonds payable	3,195,000	-	(300,000)	2,895,000	305,000
Compensated absences	159,850	151,650	(135,760)	175,740	135,760
Governmental activity long-term liabilities	<u>\$ 3,354,850</u>	<u>\$ 151,650</u>	<u>\$ (435,760)</u>	<u>\$ 3,070,740</u>	<u>\$ 440,760</u>
Business-type activities					
Bonds payable					
G.O. revenue bonds	\$ 840,000	\$ -	\$ (85,000)	\$ 755,000	\$ 80,000
G.O. improvement bonds	15,300,000	-	(1,340,000)	13,960,000	6,575,000
Total bonds payable	16,140,000	-	(1,425,000)	14,715,000	6,655,000
Capital lease	257,705	151,864	(76,686)	332,883	73,727
Compensated absences	66,165	66,952	(58,269)	74,848	58,269
Business-type activity long-term liabilities	<u>\$ 16,463,870</u>	<u>\$ 218,816</u>	<u>\$ (1,559,955)</u>	<u>\$ 15,122,731</u>	<u>\$ 6,786,996</u>

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Components of fund balance

At December 31, 2013, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Fire Department	Community Center	Debt Service
Nonspendable				
Notes receivable	\$ -	\$ -	\$ -	\$ -
Due from other funds	98,640	-	-	-
Land held for resale	-	-	-	-
Prepaid items	29,309	2,621	1,941	-
Total nonspendable	<u>127,949</u>	<u>2,621</u>	<u>1,941</u>	<u>-</u>
Restricted for				
Debt service	-	-	-	776,194
Economic development	-	-	-	-
Capital improvements	-	-	-	-
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>776,194</u>
Assigned to				
Fire department operations	-	470,897	-	-
Economic development	-	-	-	-
Benefits payable	135,760	-	-	-
Capital improvements	-	-	-	-
Total assigned	<u>135,760</u>	<u>470,897</u>	<u>-</u>	<u>-</u>
Unassigned	<u>946,533</u>	<u>-</u>	<u>(76,335)</u>	<u>-</u>
Total fund balance	<u>\$ 1,210,242</u>	<u>\$ 473,518</u>	<u>\$ (74,394)</u>	<u>\$ 776,194</u>
		Revolving Capital	Other Governmental Funds	Total
Nonspendable				
Notes receivable		\$ -	\$ 5,400	\$ 5,400
Due from other funds		-	-	98,640
Land held for resale		330,300	-	330,300
Prepaid items		-	551	34,422
Total nonspendable		<u>330,300</u>	<u>5,951</u>	<u>468,762</u>
Restricted for				
Debt service		-	-	776,194
Economic development		-	65,523	65,523
Capital improvements		-	885,673	885,673
Total restricted		<u>-</u>	<u>951,196</u>	<u>1,727,390</u>
Assigned to				
Fire department operations		-	-	470,897
Economic development		-	177,612	177,612
Benefits payable		-	5,392	141,152
Capital improvements		6,738,825	278,784	7,017,609
Total assigned		<u>6,738,825</u>	<u>461,788</u>	<u>7,807,270</u>
Unassigned		<u>-</u>	<u>-</u>	<u>870,198</u>
Total fund balance		<u>\$ 7,069,125</u>	<u>\$ 1,418,935</u>	<u>\$ 10,873,620</u>

CITY OF BECKER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G. Conduit debt obligations

Conduit debt obligations are certain limited obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued various revenue bonds to provide funding to private sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2013, the City's conduit debt is detailed as follows:

Variable Rate Demand Industrial Development Revenue Bonds (Plymouth Foam Project), Series 2004	\$ 1,335,000
Senior Housing Revenue Bonds (Shepherd of Grace Project), Series 2006	<u>8,135,000</u>
Total	<u><u>\$ 9,470,000</u></u>

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by Minnesota statute are covered by the PEPFF.

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of the 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 is 2.2 percent of average salary for each of the first 10 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 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERS and PEPFF. That report may be obtained on the web at www.mnpera.org, by writing to PERA, 60 Empire Street, #200, St. Paul, Minnesota 55102 or by calling (651) 296-7460 or (800) 652-9026.

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERS Basic Plan members and Coordinated Plan members are required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2013. PEPFF members are required to contribute 9.6 percent of their annual covered salary in 2012 and 2013. In 2012 and 2013, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members, 7.25 percent for Coordinated Plan GERS members, and 14.4 percent for PEPFF members. The City's contributions to the General Employees Retirement Fund for the year ended December 31, 2013, 2012 and 2011 were \$118,613, \$121,342, and \$113,296, respectively. The City's contributions to the PEPFF for the years ending December 31, 2013, 2012, and 2011 were \$40,925, \$34,389, and \$45,583, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

C. Defined contribution plan

Elected officials of the City of Becker are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota statutes, chapter 353D.03, specify the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee 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 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2013 and 2012 were \$613 and \$635, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

CITY OF BECKER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5: OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Legal debt margin

The City's statutory debt limit is computed as 3 percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. The 2013 taxable market value of property was \$856,969,800 and the debt limit was \$25,709,094. The City is well below the legal debt margin.

**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS**

CITY OF BECKER
BECKER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF BECKER, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	<u>Special Revenue</u>	<u>Capital Projects</u>			<u>Total</u>
	<u>210</u>	<u>401</u>	<u>425</u>	<u>431</u>	
	<u>Economic Development</u>	<u>Trunk Facilities</u>	<u>2011 Industrial Park Street and Utility Improvements</u>	<u>Fossum Fields Road Pedestrian Path</u>	
ASSETS					
Cash and temporary investments	\$ 255,724	\$ 243,099	\$ 885,673	\$ 240,127	\$ 1,624,623
Receivables					
Taxes	1,164	-	-	-	1,164
Notes	5,400	-	-	-	5,400
Due from other governments	741	-	-	-	741
Prepaid items	551	-	-	-	551
TOTAL ASSETS	<u>\$ 263,580</u>	<u>\$ 243,099</u>	<u>\$ 885,673</u>	<u>\$ 240,127</u>	<u>\$ 1,632,479</u>
LIABILITIES					
Accounts payable	\$ 10,830	\$ -	\$ -	\$ -	\$ 10,830
Accrued salaries and benefits payable	2,500	-	-	-	2,500
Deposits payable	-	-	-	199,050	199,050
TOTAL LIABILITIES	<u>13,330</u>	<u>-</u>	<u>-</u>	<u>199,050</u>	<u>212,380</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - taxes	1,164	-	-	-	1,164
FUND BALANCES					
Nonspendable	5,951	-	-	-	5,951
Restricted	65,523	-	885,673	-	951,196
Assigned	177,612	243,099	-	41,077	461,788
TOTAL FUND BALANCES	<u>249,086</u>	<u>243,099</u>	<u>885,673</u>	<u>41,077</u>	<u>1,418,935</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 263,580</u>	<u>\$ 243,099</u>	<u>\$ 885,673</u>	<u>\$ 240,127</u>	<u>\$ 1,632,479</u>

CITY OF BECKER, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Special Revenue</u>	<u>Capital Projects</u>			<u>Total</u>
	<u>210</u>	<u>401</u>	<u>425</u>	<u>431</u>	
	<u>Economic Development</u>	<u>Trunk Facilities</u>	<u>2011 Industrial Park Street and Utility Improvements</u>	<u>Fossum Fields Road Pedestrian Path</u>	
REVENUES					
Taxes	\$ 121,809	\$ -	\$ -	\$ -	\$ 121,809
Charges for services	-	71,448	-	-	71,448
Interest on investments	(2,087)	(9,356)	(9,041)	(2,485)	(22,969)
TOTAL REVENUES	<u>119,722</u>	<u>62,092</u>	<u>(9,041)</u>	<u>(2,485)</u>	<u>170,288</u>
EXPENDITURES					
Current					
Economic development	97,419	-	-	-	97,419
Capital outlay					
Public works	-	-	950	-	950
TOTAL EXPENDITURES	<u>97,419</u>	<u>-</u>	<u>950</u>	<u>-</u>	<u>98,369</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,303	62,092	(9,991)	(2,485)	71,919
OTHER FINANCING USES					
Transfer out	(1,500)	(699,330)	-	-	(700,830)
NET CHANGE IN FUND BALANCES	20,803	(637,238)	(9,991)	(2,485)	(628,911)
FUND BALANCES, JANUARY 1	228,283	880,337	895,664	43,562	2,047,846
FUND BALANCES, DECEMBER 31	<u>\$ 249,086</u>	<u>\$ 243,099</u>	<u>\$ 885,673</u>	<u>\$ 41,077</u>	<u>\$ 1,418,935</u>

CITY OF BECKER, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013			Variance with Final Budget	2012
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
Property taxes	\$ 2,040,730	\$ 2,040,730	\$ 2,045,413	\$ 4,683	\$ 1,910,169
Franchise fees	34,000	34,000	27,753	(6,247)	46,013
Total	<u>2,074,730</u>	<u>2,074,730</u>	<u>2,073,166</u>	<u>(1,564)</u>	<u>1,956,182</u>
Licenses and permits	<u>44,000</u>	<u>44,000</u>	<u>184,736</u>	<u>140,736</u>	<u>80,570</u>
Intergovernmental					
State					
Fire state aid	60,000	60,000	78,776	18,776	54,960
Police state aid	30,000	30,000	33,176	3,176	33,441
PERA aid	-	-	7,288	7,288	7,288
Other grants and aids	401,500	401,500	402,804	1,304	409,593
Total	<u>491,500</u>	<u>491,500</u>	<u>522,044</u>	<u>30,544</u>	<u>505,282</u>
Charges for services					
General government	54,550	54,550	74,762	20,212	56,795
Public safety	600	600	192	(408)	8,600
Public works	18,000	18,000	19,021	1,021	20,108
Culture and recreation	-	-	-	-	476
Total	<u>73,150</u>	<u>73,150</u>	<u>93,975</u>	<u>20,825</u>	<u>85,979</u>
Special assessments	<u>-</u>	<u>-</u>	<u>94,082</u>	<u>94,082</u>	<u>54,070</u>
Fines and forfeitures	<u>10,500</u>	<u>10,500</u>	<u>12,000</u>	<u>1,500</u>	<u>8,312</u>
Interest on investments	<u>6,000</u>	<u>6,000</u>	<u>(8,381)</u>	<u>(14,381)</u>	<u>10,932</u>
Miscellaneous					
Contributions and donations	-	-	-	-	2,050
Other	30,400	30,400	23,216	(7,184)	62,152
Total	<u>30,400</u>	<u>30,400</u>	<u>23,216</u>	<u>(7,184)</u>	<u>64,202</u>
TOTAL REVENUES	<u>2,730,280</u>	<u>2,730,280</u>	<u>2,994,838</u>	<u>264,558</u>	<u>2,765,529</u>

CITY OF BECKER, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)

EXPENDITURES	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current					
General government					
Mayor and Council					
Personal services	\$ 29,590	\$ 29,590	\$ 30,193	\$ (603)	\$ 29,130
Supplies	400	400	596	(196)	290
Other services and charges	1,200	1,200	762	438	1,203
Total	31,190	31,190	31,551	(361)	30,623
Administration					
Personal services	153,300	153,300	154,761	(1,461)	147,622
Other services and charges	3,800	3,800	2,329	1,471	277
Total	157,100	157,100	157,090	10	147,899
City hall					
Personal services	94,350	94,350	77,778	16,572	90,860
Supplies	20,500	20,500	26,773	(6,273)	26,140
Other services and charges	64,650	64,650	65,842	(1,192)	59,186
Total	179,500	179,500	170,393	9,107	176,186
Finance					
Personal services	107,550	107,550	107,090	460	101,332
Other services and charges	1,665	1,665	870	795	1,710
Total	109,215	109,215	107,960	1,255	103,042
City attorney					
Other services and charges	15,000	15,000	21,425	(6,425)	13,896
Planning					
Personal services	78,400	78,400	77,445	955	71,121
Supplies	300	300	109	191	164
Other services and charges	6,700	6,700	5,457	1,243	6,186
Total	85,400	85,400	83,011	2,389	77,471
Other general government					
Other services and charges	155,995	155,995	153,598	2,397	176,736
Total general government	733,400	733,400	725,028	8,372	725,853

CITY OF BECKER, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police					
Personal services	\$ 557,300	\$ 557,300	\$ 515,117	\$ 42,183	\$ 525,329
Supplies	50,450	50,450	43,858	6,592	43,134
Other services and charges	59,050	59,050	52,826	6,224	47,979
Total	666,800	666,800	611,801	54,999	616,442
Fire					
Other services and charges	60,000	60,000	80,776	(20,776)	59,960
Other public safety					
Personal services	6,030	6,030	5,981	49	5,692
Supplies	200	200	157	43	-
Other services and charges	16,200	16,200	44,200	(28,000)	13,848
Total	22,430	22,430	50,338	(27,908)	19,540
Total public safety	749,230	749,230	742,915	6,315	695,942
Public works					
Street and Highways					
Personal services	375,500	375,500	319,775	55,725	311,803
Supplies	97,500	97,500	85,169	12,331	55,043
Other services and charges	194,300	194,300	187,609	6,691	141,559
Total public works	667,300	667,300	592,553	74,747	508,405
Culture and recreation					
Personal services	61,350	61,350	87,371	(26,021)	68,672
Supplies	13,500	13,500	22,694	(9,194)	14,143
Other services and charges	42,400	42,400	44,331	(1,931)	30,094
Total culture and recreation	117,250	117,250	154,396	(37,146)	112,909
Total current expenditures	2,267,180	2,267,180	2,214,892	52,288	2,043,109

CITY OF BECKER, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Capital outlay					
Public works	\$ 55,000	\$ 55,000	\$ 57,253	\$ (2,253)	\$ 167,339
Culture and recreation	1,000	1,000	1,791	(791)	14,404
Total capital outlay	<u>56,000</u>	<u>56,000</u>	<u>59,044</u>	<u>(3,044)</u>	<u>181,743</u>
TOTAL EXPENDITURES	<u>2,323,180</u>	<u>2,323,180</u>	<u>2,273,936</u>	<u>49,244</u>	<u>2,224,852</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>407,100</u>	<u>407,100</u>	<u>720,902</u>	<u>313,802</u>	<u>540,677</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	3,179	3,179	4,750
Transfers out	(407,100)	(407,100)	(1,087,100)	(680,000)	(159,900)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(407,100)</u>	<u>(407,100)</u>	<u>(1,083,921)</u>	<u>(676,821)</u>	<u>(155,150)</u>
NET CHANGE IN FUND BALANCES	-	-	(363,019)	(363,019)	385,527
FUND BALANCES, JANUARY 1	<u>1,573,261</u>	<u>1,573,261</u>	<u>1,573,261</u>	-	<u>1,187,734</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,573,261</u>	<u>\$ 1,573,261</u>	<u>\$ 1,210,242</u>	<u>\$ (363,019)</u>	<u>\$ 1,573,261</u>

CITY OF BECKER, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	316	320	
	G.O.	G.O.	
	Fire Station	Improvement	
	Refunding Bonds	Bonds	
	Series 2011A	Series 2010A	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments	\$ 176,203	\$ 598,865	\$ 775,068
Receivables			
Delinquent taxes	169	195	364
Notes	230,000	-	230,000
Special assessments	-	850,490	850,490
Due from other governments	1,341	210	1,551
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 407,713</u></u>	<u><u>\$ 1,449,760</u></u>	<u><u>\$ 1,857,473</u></u>
LIABILITIES			
Accounts payable	\$ -	\$ 425	\$ 425
	<u> </u>	<u> </u>	<u> </u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	169	195	364
Unavailable revenue - special assessments	-	850,490	850,490
Unavailable revenue - notes	230,000	-	230,000
	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>230,169</u>	<u>850,685</u>	<u>1,080,854</u>
FUND BALANCES			
Restricted for debt service	177,544	598,650	776,194
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 407,713</u></u>	<u><u>\$ 1,449,760</u></u>	<u><u>\$ 1,857,473</u></u>

CITY OF BECKER, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	316 G.O. Fire Station Refunding Bonds Series 2011A	320 G.O. Improvement Bonds Series 2010A	Total
REVENUES			
Taxes	\$ 172,133	\$ 35,388	\$ 207,521
Special assessments	-	579,422	579,422
Interest on investments	2,962	29,606	32,568
Miscellaneous	35,000	-	35,000
TOTAL REVENUES	<u>210,095</u>	<u>644,416</u>	<u>854,511</u>
EXPENDITURES			
Debt service			
Principal	180,000	120,000	300,000
Interest and other charges	18,393	34,971	53,364
TOTAL EXPENDITURES	<u>198,393</u>	<u>154,971</u>	<u>353,364</u>
NET CHANGE IN FUND BALANCES	11,702	489,445	501,147
FUND BALANCES, JANUARY 1	<u>165,842</u>	<u>109,205</u>	<u>275,047</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 177,544</u></u>	<u><u>\$ 598,650</u></u>	<u><u>\$ 776,194</u></u>

CITY OF BECKER, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Totals		Percent Increase (Decrease)
	2013	2012	
REVENUES			
Taxes	\$ 3,147,651	\$ 3,025,352	4.04 %
Licenses and permits	184,736	80,570	129.29
Intergovernmental	642,675	896,128	(28.28)
Charges for services	813,184	633,102	28.44
Fines and forfeits	12,000	8,312	44.37
Special assessments	673,504	155,945	331.89
Interest on investments	(86,493)	129,886	(166.59)
Miscellaneous	161,829	5,544,922	(97.08)
TOTAL REVENUES	\$ 5,549,086	\$ 10,474,217	(47.02) %
Per Capita	\$ 1,204	\$ 2,286	(47.34) %
EXPENDITURES			
Current			
General government	\$ 815,567	\$ 829,234	(1.65) %
Public safety	998,587	999,296	(0.07)
Public works	592,553	516,310	14.77
Culture and recreation	1,044,677	1,010,607	3.37
Economic development	97,419	127,334	(23.49)
Capital outlay			
General government	2,201	78,214	(97.19)
Public safety	703,107	86,171	715.94
Public works	1,312,798	650,767	101.73
Culture and recreation	179,148	188,501	18.80
Debt service			
Principal	300,000	10,275,000	(97.08)
Interest and other charges	53,364	524,247	(89.82)
TOTAL EXPENDITURES	\$ 6,099,421	\$ 15,285,681	(60.10) %
Per Capita	\$ 1,323	\$ 3,337	(60.34) %
Total Long-term Indebtedness	\$ 2,895,000	\$ 3,195,000	(9.39) %
Per Capita	628	697	(9.94)
General Fund Balance - December 31	\$ 1,210,242	\$ 1,573,261	(23.07) %
Per Capita	263	343	(23.54)

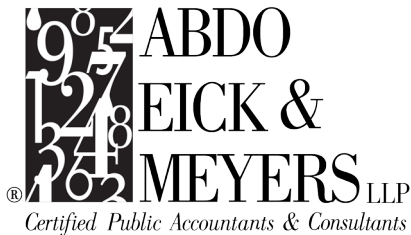
The complete financial statements may be examined at City Hall, 12060 Sherburne Avenue, Becker, MN 55308. Questions about this report should be directed to Greg Pruszinske, City Administrator at (763) 200-4244.

OTHER REQUIRED REPORTS

CITY OF BECKER
BECKER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Becker, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Becker, Minnesota (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with provisions for tax increment financing, as the City currently does not have any tax increment financing districts.

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

This report is intended solely for the information and use those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 7, 2014