

# KOOCHICHING COUNTY

# SUMMARY FINANCIAL STATEMENT

## FOR THE YEAR ENDED DECEMBER 31, 2013

**To the Citizens and Taxpayers of Koochiching County:**

The purpose of this Report is to provide a summary of financial information concerning Koochiching County for interested citizens. Responsibility for the accuracy, the completeness and the fairness of the presented data rests with the County. In summary form, the data presented is accurate in all material respects and fairly presents the County's financial position and results of its operations.

A FULL AND COMPLETE COPY OF THE COUNTY FINANCIAL STATEMENT WILL BE AVAILABLE UPON REQUEST BY CALLING 218-283-1107, OR BY WRITING TO THE DIRECTOR, KOOCHICHING COUNTY, 715 4TH STREET, INTERNATIONAL FALLS, MN 56649

Hoffman, Dale & Swenson audited Koochiching County. The certified public accounts analyzed the books and procedures in an effort to ensure the County complied with applicable Federal and State laws, followed generally accepted accounting principles, utilized an adequate system of internal controls and followed applicable legal provision so that the County's statements fairly present financial information.

Respectfully submitted,  
Teresa Briggs, Director  
Koochiching County, Minnesota

## A USER'S GUIDE TO COUNTY FINANCIAL STATEMENTS

## MAJOR GOVERNMENTAL FUNDS

The General Fund is the primary operating fund of the county. It accounts for and reports all financial resources of the general government not accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for and report revenues and expenditures of the County Highway Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Financing is provided by annual tax levy, intergovernmental revenue, and charges for services restricted, committed and assigned for highways and streets purposes.

The Community Services Special Revenue Fund is used to account for and report economic assistance and community social services programs. Financing is provided by annual tax levy and intergovernmental revenues committed and assigned to various income maintenance and social services purposes.

The Forfeited Tax Special Revenue Fund is used to account for and report proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minnesota Statutes, Chapter 282 and various forest and timber management grants. The net proceeds, after deducting allowable expenses, are assigned to various County funds and taxing districts. Titles to the tax-forfeit lands remains with the State until the lands are sold by the County.

The Wastewater Debt Service Fund is used to account for and report the financial resources that are restricted for the payment of long-term debt principal, interest and related costs for the Jackfish Bay wastewater project debt.

**NONMAJOR GOVERNMENTAL FUNDS:**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

County Development Special Revenue Fund– is used to account for and report intergovernmental revenue assigned for specific development purposes of the County.

Environmental Service Special Revenue Fund –is used to account for and report financial transactions assigned to environmental services of the County.

Koochiching Development Authority Special Revenue Fund – is used to account for and report financial transactions assigned for economic development activities of the Development Authority authorized by Minnesota Laws 1987, Chapter 182

Special Assessment Special Revenue Fund – is used to account for and report all revenues restricted for the maintenance and capital outlay of West Koochiching water line.

Public Health Special Revenue Fund – is used to account for and report all revenues used for health and nursing services.

Land and Forestry Special Revenue Fund – is used to account for and report financial transactions assigned for the operations of the County forest. Financing is provided by state grants, payments in lieu of taxes, forfeited tax sales, and other miscellaneous receipts.

Capital Projects Fund

The Capital Project Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**AGENCY FUNDS:**

Agency Funds are used to account for assets the County holds for others in an agency capacity.

## MAJOR CATEGORIES OF COUNTY EXPENDITURES

Current Expenditures include all expenditures other than capital outlays and debt service on county bonds.

Capital Outlay Expenditures include all expenditures for the construction of county facilities or the purchase of buildings or major equipment by the county.

The General Government activities include expenditures for general county activities such as the county commissioners' salaries and expenses, the county administration office, the county attorney's office, the county auditor-treasurer's office, the county assessor's office, the court administration, the recorder's office, and other county general service offices.

The Public Safety activities include expenditures for correction activities, the operation of the sheriff's office and the county jail.

The Human Service activities include the administration of all federal, state and county human services programs, including child support collection activities, social service programs such as child protection services.

The Conservation of Natural Resources activities include expenditures relating to soil and water conservation and the county extension service.

| A SUMMARY BALANCE SHEET OF GOVERNMENTAL FUNDS<br>DECEMBER 31, 2013 |                    |                     |                    |                              |                          |                          |                     | SUMMARY OF GOVERNMENTAL FUNDS<br>REVENUES AND EXPENDITURES<br>FOR THE YEAR ENDED DECEMBER 31, 2013 |                    |                       |                     |                              |                          |                          |                     |
|--|--------------------|---------------------|--------------------|------------------------------|--------------------------|--------------------------|---------------------|--|--------------------|-----------------------|---------------------|------------------------------|--------------------------|--------------------------|---------------------|
| Special Revenue Funds  |                    |                     |                    |                              |                          |                          |                     |  |                    |                       |                     |                              |                          |                          |                     |
| General Fund   | Road and Bridge    | Community Services  | Forfeited Tax      | Wastewater Debt Service Fund | Other Governmental Funds | Total Governmental Funds |                     | General Fund   | Road and Bridge    | Community Services    | Forfeited Tax       | Wastewater Debt Service Fund | Other Governmental Funds | Total Governmental Funds |                     |
| <b>Assets</b>  |                    |                     |                    |                              |                          |                          |                     | <b>Revenues</b>  |                    |                       |                     |                              |                          |                          |                     |
| Cash and pooled investments  | \$5,089,580        | \$5,940,951         | \$1,623,390        | \$2,279,527                  | \$133,649                | \$2,609,412              | \$17,676,509        | Taxes  | \$2,128,373        | \$494,001             | \$1,163,701         | \$-                          | \$-                      | \$186,818                | \$3,972,893         |
| Taxes receivable - prior   | 71,685             | 22,417              | 46,861             | -                            | -                        | 7,551                    | 148,514             | Special assessments  | -                  | -                     | -                   | -                            | 101,768                  | 469,514                  | 571,282             |
| Special assessments receivable - prior                             | -                  | -                   | -                  | -                            | 2,101                    | 49,449                   | 51,550              | Licenses and permits   | 12,342             | -                     | -                   | -                            | -                        | -                        | 12,342              |
| Accounts receivable  | 4,291              | 1,577               | 9,966              | -                            | -                        | 92,780                   | 108,614             | Intergovernmental  | 3,020,769          | 1,812,466             | 2,291,322           | -                            | -                        | 1,797,332                | 8,921,889           |
| Loans receivable   | 120,184            | -                   | -                  | -                            | -                        | -                        | 120,184             | Charges for services   | 164,290            | 23,980                | 71,881              | -                            | 123,620                  | 709,247                  | 1,093,018           |
| Accrued interest receivable  | 66,233             | -                   | -                  | -                            | -                        | 38                       | 66,271              | Investment earnings  | 111,352            | -                     | -                   | -                            | 2,870                    | 171                      | 114,393             |
| Due from other funds   | 849,560            | 224,468             | 233                | -                            | -                        | 353,066                  | 1,427,327           | Land and timber sales  | -                  | -                     | -                   | 3,072,181                    | -                        | -                        | 3,072,181           |
| Due from other governments   | 179,322            | 4,338,528           | 273,100            | -                            | 60,717                   | 152,620                  | 5,004,287           | Miscellaneous  | 850,702            | 46,096                | 372,212             | -                            | -                        | 74,565                   | 1,343,575           |
| Inventories  | -                  | 704,742             | -                  | -                            | -                        | -                        | 704,742             |  |                    |                       |                     |                              |                          |                          |                     |
| Prepaid items  | -                  | -                   | 29,461             | -                            | -                        | -                        | 29,461              |  |                    |                       |                     |                              |                          |                          |                     |
| Special assessments - noncurrent                                   | -                  | -                   | -                  | -                            | 1,116,611                | -                        | 1,116,611           |  |                    |                       |                     |                              |                          |                          |                     |
| <b>Total Assets</b>  | <b>\$6,380,855</b> | <b>\$11,232,683</b> | <b>\$1,983,011</b> | <b>\$2,279,527</b>           | <b>\$1,313,078</b>       | <b>\$3,264,916</b>       | <b>\$26,454,070</b> | <b>Total Revenues</b>  | <b>\$6,287,828</b> | <b>\$2,376,543</b>    | <b>\$3,899,116</b>  | <b>\$3,072,181</b>           | <b>\$228,258</b>         | <b>\$3,237,647</b>       | <b>\$19,101,573</b> |
| <b>Liabilities, Deferred Inflows and Fund Balances</b>             |                    |                     |                    |                              |                          |                          |                     | <b>Expenditures</b>  |                    |                       |                     |                              |                          |                          |                     |
| <b>Liabilities</b>   |                    |                     |                    |                              |                          |                          |                     | <b>Current</b>   |                    |                       |                     |                              |                          |                          |                     |
| Accounts payable   | \$85,206           | \$44,154            | \$119,870          | \$-                          | \$-                      | \$88,355                 | \$337,585           | General government   | \$3,148,921        | \$-                   | \$-                 | \$-                          | \$-                      | \$-                      | \$3,148,921         |
| Salaries payable   | 94,643             | 43,174              | 54,581             | -                            | -                        | 53,605                   | 246,003             | Public safety  | 2,359,169          | -                     | -                   | -                            | -                        | -                        | 2,359,169           |
| Contracts payable  | -                  | 24,081              | -                  | -                            | -                        | 37,960                   | 62,041              | Highways and streets   | -                  | 3,306,024             | -                   | -                            | -                        | -                        | 3,306,024           |
| Due to other funds   | 8,468              | 1,081               | 11,520             | 1,397,076                    | -                        | 9,182                    | 1,427,327           | Sanitation   | -                  | -                     | -                   | -                            | -                        | 1,214,604                | 1,214,604           |
| Due to other governments   | 7,505              | -                   | 35,588             | 882,451                      | -                        | 2,108                    | 927,652             | Human services   | -                  | -                     | 4,307,457           | -                            | -                        | -                        | 4,307,457           |
| <b>Total Liabilities</b>   | <b>\$195,822</b>   | <b>\$112,490</b>    | <b>\$221,559</b>   | <b>\$2,279,527</b>           | <b>\$-</b>               | <b>\$191,210</b>         | <b>\$3,000,608</b>  | Health   | -                  | -                     | -                   | -                            | -                        | 862,888                  | 862,888             |
| <b>Deferred Inflows</b>  |                    |                     |                    |                              |                          |                          |                     | Culture and recreation   | 169,353            | -                     | -                   | -                            | -                        | 9,712                    | 179,065             |
| Taxes  | \$54,348           | \$17,891            | \$37,400           | \$-                          | \$-                      | \$6,027                  | \$115,666           | Conservation of natural resources  | 115,876            | -                     | -                   | 907,524                      | -                        | 1,171,434                | 2,194,834           |
| Loans  | 120,184            | -                   | -                  | -                            | -                        | -                        | 120,184             | Economic development   | 411,908            | -                     | -                   | -                            | -                        | 788,565                  | 1,200,473           |
| Special assessments  | -                  | -                   | -                  | -                            | 1,118,712                | 49,449                   | 1,168,161           |  |                    |                       |                     |                              |                          |                          |                     |
| County State Aid Highway Allotment                                 | -                  | 4,531,453           | -                  | -                            | -                        | -                        | 4,531,453           |  |                    |                       |                     |                              |                          |                          |                     |
| <b>Total Deferred Inflows</b>                                      | <b>\$174,532</b>   | <b>\$4,549,344</b>  | <b>\$37,400</b>    | <b>\$-</b>                   | <b>\$1,118,712</b>       | <b>\$55,476</b>          | <b>\$5,935,464</b>  | <b>Total Current</b>   | <b>\$6,205,227</b> | <b>\$3,306,024</b>    | <b>\$4,307,457</b>  | <b>\$907,524</b>             | <b>\$-</b>               | <b>\$4,047,203</b>       | <b>\$18,773,435</b> |
| <b>Fund Balances</b>   |                    |                     |                    |                              |                          |                          |                     | <b>Debt Service</b>  |                    |                       |                     |                              |                          |                          |                     |
| Non-spendable  | -                  | \$704,742           | \$-                | \$-                          | \$-                      | \$-                      | \$704,742           | Principal retirement   | \$-                | \$-                   | \$-                 | \$-                          | \$221,000                | \$-                      | \$221,000           |
| Restricted for   |                    |                     |                    |                              |                          |                          |                     | Interest   | -                  | -                     | -                   | -                            | 30,550                   | -                        | 30,550              |
| Board of Water and Soil  |                    |                     |                    |                              |                          |                          |                     | <b>Total Debt Service</b>  | <b>\$-</b>         | <b>\$-</b>            | <b>\$-</b>          | <b>\$-</b>                   | <b>\$251,550</b>         | <b>\$-</b>               | <b>\$251,550</b>    |
| Resources Grant  | -                  | -                   | -                  | -                            | -                        | 65,260                   | 65,260              | <b>Capital Outlay</b>  |                    |                       |                     |                              |                          |                          |                     |
| DARE   | 7,280              | -                   | -                  | -                            | -                        | -                        | 7,280               | General government   | \$56,100           | \$-                   | \$-                 | \$-                          | \$-                      | \$-                      | \$56,100            |
| Debt service   | -                  | -                   | -                  | -                            | 144,050                  | -                        | 144,050             | Public safety  | 79,346             | -                     | -                   | -                            | -                        | -                        | 79,346              |
| Economic development   | -                  | -                   | -                  | -                            | -                        | 22,500                   | 22,500              | Highways and streets   | -                  | 423,102               | -                   | -                            | -                        | -                        | 423,102             |
| Employee benefits  | 108,504            | -                   | -                  | -                            | -                        | -                        | 108,504             | Sanitation   | -                  | -                     | -                   | -                            | -                        | 71,542                   | 71,542              |
| Enhanced 911   | 183,164            | -                   | -                  | -                            | -                        | -                        | 183,164             | Human services   | 19,906             | -                     | -                   | -                            | -                        | -                        | 19,906              |
| Fine contingency   | 2,946              | -                   | -                  | -                            | -                        | -                        | 2,946               | Health   | 19,906             | -                     | -                   | -                            | -                        | -                        | 19,906              |
| Forest development   | -                  | -                   | -                  | -                            | -                        | 421,655                  | 421,655             | Conservation of natural resources  | -                  | -                     | -                   | -                            | -                        | 43,655                   | 43,655              |
| Help America Vote Act  | 74,184             | -                   | -                  | -                            | -                        | -                        | 74,184              | <b>Total Capital Outlay</b>  | <b>\$175,258</b>   | <b>\$423,102</b>      | <b>\$-</b>          | <b>\$-</b>                   | <b>\$-</b>               | <b>\$115,197</b>         | <b>\$713,557</b>    |
| Infrastructure   | -                  | -                   | -                  | -                            | -                        | 70,635                   | 70,635              | <b>Total Expenditures</b>  | <b>\$6,380,485</b> | <b>\$3,729,126</b>    | <b>\$4,307,457</b>  | <b>\$907,524</b>             | <b>\$251,550</b>         | <b>\$4,162,400</b>       | <b>\$19,738,542</b> |
| Law library  | 22,327             | -                   | -                  | -                            | -                        | -                        | 22,327              | <b>Excess of Revenues Over (Under) Expenditures</b>  |                    |                       |                     |                              |                          |                          |                     |
| LGU holdings   | -                  | -                   | -                  | -                            | -                        | 11,993                   | 11,993              | <b>(Under) Expenditures</b>  | <b>\$ (92,657)</b> | <b>\$ (1,352,583)</b> | <b>\$ (408,341)</b> | <b>\$2,164,657</b>           | <b>\$ (23,292)</b>       | <b>\$ (924,753)</b>      | <b>\$ (636,969)</b> |
| Technology   | 89,921             | -                   | -                  | -                            | -                        | -                        | 89,921              | <b>Other Financing Sources (Uses)</b>  |                    |                       |                     |                              |                          |                          |                     |
| Veteran administration grant                                       | 10,000             | -                   | -                  | -                            | -                        | -                        | 10,000              | Transfers in   | \$839,340          | \$214,670             | \$93,689            | \$36,006                     | \$-                      | \$1,239,706              | \$2,423,411         |
| Zero tolerance attorney  | 9,429              | -                   | -                  | -                            | -                        | -                        | 9,429               | Transfers out  | (171,492)          | -                     | -                   | (2,200,663)                  | -                        | (51,256)                 | (2,423,411)         |
| Zero tolerance sheriff   | 31,018             | -                   | -                  | -                            | -                        | -                        | 31,018              | <b>Total Other Financing Sources (Uses)</b>  | <b>\$667,848</b>   | <b>\$214,670</b>      | <b>\$93,689</b>     | <b>\$ (2,164,657)</b>        | <b>\$-</b>               | <b>\$1,188,450</b>       | <b>\$-</b>          |
| Committed to   |                    |                     |                    |                              |                          |                          |                     | <b>Net Change in Fund Balance</b>  | <b>\$575,191</b>   | <b>\$ (1,137,913)</b> | <b>\$ (314,652)</b> | <b>\$-</b>                   | <b>\$ (23,292)</b>       | <b>\$263,697</b>         | <b>\$ (636,969)</b> |
| Budget reserves  | 3,891,685          | 1,293,982           | 300,000            | -                            | 19,640                   | 396,185                  | 5,901,492           | <b>Fund Balance - January 1</b>  | <b>\$5,435,310</b> | <b>\$7,417,997</b>    | <b>\$2,038,704</b>  | <b>\$-</b>                   | <b>\$217,658</b>         | <b>\$2,754,533</b>       | <b>\$17,864,202</b> |
| Capital projects   | -                  | -                   | -                  | -                            | -                        | 23,480                   | 23,480              | <b>Increase (decrease) in inventories</b>  |                    |                       |                     |                              |                          |                          |                     |
| Compensated absences   | 929,293            | -                   | -                  | -                            | -                        | -                        | 929,293             | <b>\$-</b>   | <b>\$290,765</b>   | <b>\$-</b>            | <b>\$-</b>          | <b>\$-</b>                   | <b>\$-</b>               | <b>\$-</b>               | <b>\$290,765</b>    |
| Contingencies  | 550,000            | -                   | -                  | -                            | -                        | -                        | 550,000             | <b>Fund Balance - December 31</b>  | <b>\$6,010,501</b> | <b>\$6,570,849</b>    | <b>\$1,724,052</b>  | <b>\$-</b>                   | <b>\$194,366</b>         | <b>\$3,018,230</b>       | <b>\$17,517,998</b> |
| Motor pool   | 29,432             | -                   | -                  | -                            | -                        | -                        | 29,432              |  |                    |                       |                     |                              |                          |                          |                     |
| Safety account   | 3,674              | -                   | -                  | -                            | -                        | -                        | 3,674               |  |                    |                       |                     |                              |                          |                          |                     |
| Sheriff canteen  | 17,743             | -                   | -                  | -                            | -                        | -                        | 17,743              |  |                    |                       |                     |                              |                          |                          |                     |
| Sinking building   | 47,436             | -                   | -                  | -                            | -                        | -                        | 47,436              |  |                    |                       |                     |                              |                          |                          |                     |
| Veterans transportation  | 2,465              | -                   | -                  | -                            | -                        | -                        | 2,465               |  |                    |                       |                     |                              |                          |                          |                     |
| Assigned to  |                    |                     |                    |                              |                          |                          |                     |  |                    |                       |                     |                              |                          |                          |                     |
| Community services   | -                  | -                   | 1,424,052          | -                            | -                        | -                        | 1,424,052           |  |                    |                       |                     |                              |                          |                          |                     |
| County development   | -                  | -                   | -                  | -                            | -                        | 290,414                  | 290,414             |  |                    |                       |                     |                              |                          |                          |                     |
| Debt service   | -                  | -                   | -                  | -                            | 30,676                   | -                        | 30,676              |  |                    |                       |                     |                              |                          |                          |                     |
| Economic development   | -                  | -                   | -                  | -                            | -                        | 164,304                  | 164,304             |  |                    |                       |                     |                              |                          |                          |                     |
| Environmental service  | -                  | -                   | -                  | -                            | -                        | 1,060,958                | 1,060,958           |  |                    |                       |                     |                              |                          |                          |                     |
| Forest development   | -                  | -                   | -                  | -                            | -                        | 353,290                  | 353,290             |  |                    |                       |                     |                              |                          |                          |                     |
| Highways and streets   | -                  | 4,572,125           | -                  | -                            | -                        | -                        | 4,572,125           |  |                    |                       |                     |                              |                          |                          |                     |
| Public health  | -                  | -                   | -                  | -                            | -                        | 137,556                  | 137,556             |  |                    |                       |                     |                              |                          |                          |                     |
| <b>Total Fund Balances</b>   | <b>\$6,010,501</b> | <b>\$6,570,849</b>  | <b>\$1,724,052</b> | <b>\$-</b>                   | <b>\$194,366</b>         | <b>\$3,018,230</b>       | <b>\$17,517,998</b> |  |                    |                       |                     |                              |                          |                          |                     |
| <b>Total Liabilities, Deferred Inflows and Fund Balances</b>       | <b>\$6,380,855</b> | <b>\$11,232,683</b> | <b>\$1,983,011</b> | <b>\$2,279,527</b>           | <b>\$1,313,078</b>       | <b>\$3,264,916</b>       | <b>\$26,454,070</b> |  |                    |                       |                     |                              |                          |                          |                     |