

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

PETITION ENGAGEMENT

CITY OF BECKER, MINNESOTA

JANUARY 1, 2013, THROUGH DECEMBER 31, 2015

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CITY OF BECKER, MINNESOTA

January 1, 2013, through December 31, 2015



Petition Engagement

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

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**CITY OF BECKER
BECKER, MINNESOTA**

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PETITION REPORT

Petitioners
Mayor and Members of the City Council
City of Becker, Minnesota

INTRODUCTION

Registered voters of the City of Becker, Minnesota, petitioned the Office of the State Auditor (OSA) to examine the books, records, accounts, and affairs of the City as related to its golf course in accordance with Minn. Stat. § 6.54. The statute allows the OSA, in the public interest, to confine the scope of the examination to less than that requested by the petition. Communications with petitioner representatives assisted us in developing an understanding of the petitioners' areas of interest or concern. We established that some of the issues raised were not within the scope of this review. Our examination was limited to addressing the issues discussed below for the period January 1, 2013, through December 31, 2015.

The OSA has completed its examination into the concerns identified by the petitioners of the City of Becker. The objectives of the engagement were to address the concerns of, and to answer the questions raised by, the petitioners. Where applicable and appropriate, we make recommendations to the City in this report.

PETITIONERS' CONCERNS AND OUR FINDINGS

1. Golf Club Fees

The petitioners expressed concerns regarding accountability for golf club fees.

- Fee Schedule

The City Council approves golf club fees. On December 15, 2015, the City Council approved a fee schedule to be included in the City Code for the first time. The fee schedule can also be found on the City's website. Section 2.19.H. identifies specific fees under the following categories for the Pebble Creek Golf Club: daily play green fees, golf cars, season passes, punch cards, local 9 season passes, driving range, and club house rental.

- Free or Reduced Rates for Golf

The OSA requested all City policies. As part of the City's wellness program, Chapter 13 of the Personnel Manual identifies discounts provided to City employees at the golf club. General City employees can golf for a \$5 check-in fee, pay regular golf car rates, and use the driving range as available. Golf course employees need not pay check-in fees or golf car fees. If any employee is playing on a regular basis (determined by management discretion) or in league events, they must pay applicable green fees or purchase a season pass at one-half the regular rate, and the \$1 season pass check-in fee applies. The policy also allows the Director of Golf to make exceptions to the Pebble Creek Employee Wellness Package policy at any time.

The City Council minutes for May 19, 2015, approved removing the Pebble Creek Golf Club (wellness) benefit for elected City officials.

In addition to the employee golf rates allowed by City policy, the Director of Golf informed the OSA of circumstances where free rounds of golf are provided to other individuals and organizations as follows:

- a. Unlimited season pass holders each receive four free guest passes with their golf memberships. This is also noted on the Pebble Creek Golf Club website.
- b. The Director of Golf trades/barters free rounds of golf in exchange for advertising.
- c. For marketing purposes, local organizations are given free rounds of golf to give away at fundraising raffles.

The Director of Golf informed us that, as approval, he initials and dates the free passes he gives out. The free passes are not pre-numbered, and there is no record of how many are given out or to whom. Free passes are valid during the season they are issued. When free passes are redeemed for a round of golf, they are entered as such in the point-of-sale (POS) system used by the golf course.

The OSA inquired whether Golf Advisory Board members receive free or reduced golf rates. We were originally informed by the Director of Golf that golf discounts are not provided to members of the Golf Advisory Board. However, upon further review, information inconsistent with this was identified.

For 2015, the golf club implemented a new POS system. A payment history by individual can be reviewed from the system if information, such as a name, is collected from the purchaser at the time of the sale. The OSA requested to see the payment history for the 2015 golf season for the individual members of the Golf Advisory Board. The POS system showed one Golf Advisory Board member paying the full season pass rate. For the three other members, no purchase of a season pass, punch card, or daily green fee was identified in the system. However, check-in fees at the \$1 rate for season pass holders were recorded in the POS activity for each of these members during the 2015 golf season. It should be noted that we were later informed that one of these three members receives a season pass in a barter exchange for teaching golf lessons. Season pass holders are required to fill out an application. The OSA requested a copy of these applications. The Director of Golf informed us the applications are discarded after the end of every season and were, therefore, unavailable for inspection. Thus, there are no records to support any payment for a season pass by the two members.

Recommendation

We recommend the City Council approve a policy which identifies who has the authority to provide free rounds of golf and under what conditions they may be provided. If free rounds of golf are authorized, we recommend the free golf passes be pre-numbered and properly accounted for. The City should evaluate the significance of any services received in the form of nonmonetary transactions related to free rounds of golf provided and, if significant, record these transactions to conform with paragraphs 272 to 281 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The City should evaluate whether any income is reportable under IRS regulations. Also, the City should ensure that complete and accurate records support the activity and transactions of the golf club. See also Item 5.

2. Golf Lessons

The petitioners requested information about the accountability for golf lessons provided at the Pebble Creek Golf Club.

Upon inquiry, the Director of Golf informed the OSA that, through 2015, only he provided lessons in association with the golf course. Typically, fees collected for lessons are accounted for in the golf club's POS system and processed through the City's accounting records. The City then pays the Director of Golf through the payroll system for the fees collected for the lessons. The City does not get a share of the fees associated with lessons provided by the Director of Golf. In the less frequent cases where lessons were paid in cash or checks made out directly to the Director of Golf, the funds went to the Director without being accounted for in the City's accounting or payroll records.

The OSA requested of the City Administrator to see the Director of Golf's employment contract with the City and was told there is no such contract. The OSA also requested to see the job description of the Director of Golf and was told that one did not exist. The OSA was provided with no City policies regarding golf lessons.

For the 2016 golf season, a newly employed golf professional provides lessons at the Pebble Creek Golf Club. The OSA was originally informed that 25 percent of these lesson fees will be retained by the City and 75 percent will be paid to the new golf professional. Further information provided to us showed this split was actually 20 and 80 percent, respectively. The Director of Golf informed us that he would rarely be giving lessons any more, but that if he did, he would still receive all of the lesson fee.

Individuals other than the Director of Golf are identified on the Pebble Creek Golf Club website as providing golf lessons. The Director of Golf originally informed us that free or reduced rates for golf are not provided to anyone giving golf lessons. Upon further inquiry, we were informed that one of these instructors is a golf course employee and paid a wage, which is the same whether it is for working in the Pro Shop or for giving lessons. As an employee, he is eligible for applicable golf benefits of the City's wellness package. There is a barter exchange of a season pass for teaching golf lessons with the other instructor, who is also a Golf Advisory Board member.

Recommendation

We recommend there be a formal documented employment agreement and job description between the City and Director of Golf that identifies such things as the requirements, responsibilities, authority, compensation, benefits, and term for the position of the Director of Golf. The agreement should address golf lessons, including the handling of fees collected for them.

3. Pro Shop Merchandise

The petitioners expressed concerns regarding accountability for Pro Shop merchandise.

- Discounts

Chapter 13 of the City's Personnel Manual identifies, as part of the Pebble Creek Employee Wellness Package, that City employees may purchase Pro Shop merchandise at ten percent over cost. The Director of Golf informed the OSA that only he and one other employee are supposed to ring up an employee discount transaction in the POS system. The Director of Golf is unaware whether the POS system can restrict access to apply discounts to transactions. Transactions entered in the POS system can be reviewed in the POS system by name or date.

The OSA was informed by the Director of Golf that season pass holders also receive 15 percent off at the Pro Shop.

Recommendation

We recommend the City discontinue the practice of providing Pro Shop merchandise discounts to employees, as the OSA is not aware of any specific authority that would allow the City to do so. Minnesota Statutes, Section 15.054 addresses the sale of public property to employees. When selling public property, public employees are not to have any advantage over the general public because of their public employment. The employee merchandise discounts allowed in the City's policy are inconsistent with this statute. In addition, the practice of allowing season pass holders to receive a Pro Shop discount should be authorized by an approved policy.

- Internal Controls Over Inventory

The Director of Golf orders inventory and approves invoices for such. Inventory items are entered into the POS system using bar codes; this is typically performed by a supervising seasonal employee. The cost of the inventory is included in the inventory listing. The price at which inventory is sold is determined by the Director of Golf and his staff. They attempt to make inventory items competitively priced by reviewing prices online and setting prices at or below that of other local stores. The POS system then tracks each item in stock and removes it from the inventory listing when sold.

According to the Director of Golf, physical counts of inventory are typically performed twice for a golf season - once in October and again after the Christmas sale, usually in January or February. The OSA requested documentation for the most recent physical count of inventory. We were informed that count sheets or other documentation is not maintained. We were further informed that the January/February count had not yet been performed as of January 26, 2016, when we were on-site. The OSA requested the POS system adjustments which should have occurred after the physical inventory count was performed in October 2015. The Director of Golf reviewed the POS system but was unable to provide support showing that any adjustments were made.

The Director of Golf stated that he believed the inventory system is capable of producing variance reports, but that function had not yet been utilized.

While on-site, the OSA requested a printout of inventory on hand and counted selected inventory items. The results of our counts were as follows:

<u>Item Counted</u>	<u>Amount on Inventory Listing</u>	<u>Amount Counted by OSA</u>	<u>Item Cost</u>	<u>Total Inventory \$ Variance</u>
Wr62 watch	1	1	\$ 120.48	\$ -
Bead	1	1	1.10	-
Sundog Zone #435301	1	1	28.22	-
Towel logo	30	30	193.50	-
Bridgestone winter golf hat	1	0	17.00	(17.00)
Dr. Comfort assorted ankle socks	12	9	5.00	(15.00)

Recommendation

We recommend periodic inventory counts be performed and that documentation of the counts be maintained. Variances between the actual inventory counts and the inventory maintained in the POS system should be investigated. Any adjustments to the inventory on the POS system resulting from the physical counts should be recorded, documented, and maintained. See also Item 5.

- Inventory Sold Wholesale

We were informed by the Director of Golf that there was a wholesale liquidation of Pro Shop merchandise inventory at a sale held at another local golf course in 2011. We were informed the City has no formal policies or procedures in place authorizing merchandise liquidations, and it only occurred the one time in 2011. We were provided with no documentation to support the items brought to the sale, the cost of those items, the items sold, the sale prices, or the items returned to inventory, if any. The amount deposited to the City’s account from this sale totaled \$1,936.83. We were informed there are no further plans to liquidate Pro Shop merchandise inventory.

Recommendation

If there is a need to liquidate Pro Shop merchandise inventory in the future, we recommend that it be authorized by the City Council and that documentation of the inventory items sold, the cost of those items, and the sale prices be maintained. See also Item 5.

4. Preventive Health Program

During our examination of items requested by the petitioners, the City's Pebble Creek Employee Wellness Package was reviewed as it sets forth various employee discounts for golfing privileges, including discounts on employee season passes, family season passes, and purchases of merchandise at the Pro Shop. As a "preventive health program," it does not have any stated goals or objectives, nor does it have any procedures set forth that the City would follow to achieve the program objectives.

Minnesota Statute Section 15.46 states:

"A county or a statutory or home rule charter city may establish and operate a program of preventive health and employee recognition services for its employees and may provide necessary staff, equipment, and facilities and may expend funds as necessary to achieve the objectives of the program."

The State Auditor's Statement of Position on *Employee Recognition Programs and Events* (which can be found on the Office of the State Auditor website) states the following regarding programs of preventive health and employee recognition:

"Properly established programs should be in writing and approved by the county board or city council. They should include clear wellness and recognition objectives."

A 2008 letter from the State Auditor's Office to the Mayor of Becker pointed out the long-held position of the Minnesota Attorney General that "in-kind" benefits to employees of statutory cities (such as golfing memberships) must be expressly authorized by statute. The City declined our recommendation to seek an Attorney General Opinion, if needed, regarding its program but did state in a letter dated December 18, 2008, that it intended to review the "program" and possibly implement better defined goals and objectives.

Recommendation

If the City wishes to continue providing employees with golf privileges as part of a wellness program, we recommend the City:

- consider obtaining an Attorney General's Opinion regarding the City's authority to offer these benefits to employees, and
- adopt a "program" for preventive health services
 - that includes clear wellness objectives, and
 - is in writing and approved by the City Council.

5. Destruction or Disposal of Government Records

As previously indicated in Items 1 and 3, various government records were not available during our examination of golf course records. These included season pass applications, Pro Shop merchandise physical inventory counts, and sales records for merchandise liquidation.

Minnesota Statutes Section 15.17 requires public employees and officers to create and maintain all records necessary for a “full and accurate knowledge” of their official duties. These government records can only be destroyed pursuant to a duly adopted and approved record retention schedule or specific permission from the Minnesota Records Disposition Panel. *See* Minn. Stat. Sections 138.17-.225.

The City of Becker has adopted the General Records Retention Schedule for Minnesota Cities. It does not appear that season pass applications and physical inventory count records are provided for in the adopted schedule. Therefore, absent approval by the Minnesota Records Retention Disposition Panel, these records should be maintained indefinitely as City records. For documentation related to the sale of personal property, Section FIN 02200 of the City of Becker’s record retention schedule provides a six-year retention period. This should have applied to the records related to items sold by the City in the 2011 merchandise liquidation. This destruction or disposal of government records violates City policy and state law.

Recommendation

We recommend the City retain government records for the time provided in its record retention schedule, and if the City creates government records not identified in the schedule, those records must be retained indefinitely or until permission is granted to destroy them.

6. Food and Beverages

The petitioners were concerned that the City may be absorbing the cost of some food and beverages associated with certain practices of the golf club.

We were informed by the Director of Golf that it is common practice at the golf club grill and bar to provide a 50 percent discount to golf course employees for food and fountain drinks. The discount is only to be provided during an employee’s working shift.

The OSA reviewed general ledger reports, City credit card payments, and information from the POS system for meal expenses. We saw no evidence that meals purchased by staff at the golf course were charged to, or reimbursed by, the City. We would be unable to verify if meals were being provided at no charge and were bypassing the POS system.

We noted a limited number of off-site meals charged to the golf course through City credit card use or request for reimbursement. We tested these meal expenses for compliance with the City's policies and Minnesota statutes and noted that itemized receipts were not always obtained for meals and the public purpose was not always explained.

Recommendation

It is unclear whether the practice of allowing discounted meals for golf course employees while working is permissible by Minnesota statutes. The City Council should consult with its attorney and, if a determination is made that golf course employee discounts on meals is permissible, a policy should be approved by the City Council. The policy should include such items as when and to whom the discount applies and the discount allowed.

We recommend the City more closely monitor the documentation submitted by employees for credit card purchases and meal reimbursements. The public purpose of each disbursement should be documented along with the support for that disbursement.

7. Accounting for Golf Club Receipts

The petitioners requested information regarding the process of accounting for golf club receipts.

Receipts for golfing and Pro Shop merchandise sales are entered into the POS system, and the payment is placed in the cash register. At the end of each day, the person closing the golf course for that day counts the cash and checks in the register and stores them in the safe at the golf course. The next day, the person opening the golf course generates a POS report from the system and reconciles this with the amounts collected. That person then prepares or updates the bank deposit slip and either puts it back in the safe with the funds collected or delivers the deposit slip and funds collected to the bank. It is possible that this could either be performed by the same employee closing the golf course the night before or by a different employee. Once receipts are deposited in the bank, a copy of the deposit slip and POS reports are delivered to the City Finance Department. Monthly, the Finance Department inputs information into the general ledger based on deposit slips and POS reports. We were informed the golf course does not have a separate checking account.

The OSA reviewed bank deposit slips for the month of May 2015. We noted that food and beverage deposits from the golf course grill and bar were made daily. For golfing fees and Pro Shop merchandise sales, we noted that receipts were deposited on the following days: May 4, 7, 12, 15, and 22, and June 5. For the most part, golfing fees and Pro Shop merchandise sales receipts were deposited at least weekly. However, the receipts from May 23 through May 31 were deposited on June 5.

Recommendation

We recommend the City Council and management be aware of the lack of segregation of duties between reconciling cash receipts to the POS system, preparing the deposit, and delivering the deposit to the bank. Where possible, the City should implement oversight procedures to ensure that internal control policies and procedures are being followed by staff to the extent possible. We also recommend the City ensure that golfing fees and Pro Shop merchandise sales receipts be deposited as often as possible, preferably daily.

8. Golf Club Sales Reported to City Council

The petitioners requested information on how often the City Council receives reports on golf club sales.

We were informed by the City Treasurer that, beginning with the second quarter of 2015, the City Council receives quarterly general ledger budget-to-actual financial information on all City departments, including the golf club. We were further informed that the Golf Committee, which includes two City Council members, receives financial information on the golf club monthly and that the minutes of the Golf Committee meetings are shared with all City Council members.

9. Hunters Ridge at Pebble Creek

The petitioners requested information about the terms of the agreement with Hunters Ridge at Pebble Creek (Hunters Ridge). The lease was terminated when Hunters Ridge was in arrears for a prolonged period on its contractual obligations to the City. The petitioners' request included information on the timeliness of notification to the City Council that Hunters Ridge was in arrears, and under what authority the debt was forgiven.

On October 2, 2012, the City of Becker entered into a lease agreement with Hunters Ridge to operate a restaurant at the Pebble Creek Golf Club. The leased premises included the restaurant/banquet facility, kitchen, bar and lounge, Sapphire Room, office space, snack bar (including beverage cart service), downstairs storage space, and upper level restrooms. According to the lease agreement, Hunters Ridge was to pay base rent of \$3,000 per month for the months of June through October 2013 and 2014, and \$2,500 per month for the months of January through December 2015, 2016, and 2017. In addition, Hunters Ridge was to pay to the City one percent of gross revenue in excess of \$500,000 in the years 2015 and 2016. For 2017, the final year of the lease, Hunters Ridge was to pay to the City three percent of all gross revenue plus an additional one percent of gross revenue in excess of \$500,000.

In addition to the base rent, Hunters Ridge was responsible to pay a portion of utility and other costs for the shared building with the City for costs incurred beginning October 3, 2012, as follows:

- Electricity - 75 percent year round.
- Heating (natural gas) - 100 percent for the months of April through October and 75 percent for the months of November through March.
- Water and sewer - 75 percent for the months of May through October and 90 percent for the months of November through April.
- Security service - 50 percent.
- Other costs - Hunters Ridge was responsible to pay for installation, operation, and use of its telephone system; salt for the water softener; cable television and computer hook-up connections and monthly service fees; garbage and refuse costs; and all other expenses and costs associated with its operation of the leased premises.

As of early 2014, Hunters Ridge was current on its rent through 2013. However, the delinquency on utilities had become large. The City Council meeting minutes indicate the Council was notified of the delinquency via email in January 2014. The meeting minutes further indicate that, at that time, Hunters Ridge was allowed to continue operations through 2014 for the following reasons:

- A new business needs time to establish itself, and the third and fourth quarters were traditionally difficult in that venue;
- Bookings for 2014 looked good, offering Hunters Ridge an opportunity to make good on the amounts owed to the City; and
- If the lease were to be terminated, it would have left the golf club without a tenant to run the restaurant and bar for the 2014 golf season.

The City Council meeting minutes indicate that, in April and May of 2014, the City Administrator and City Attorney worked with Hunters Ridge on how to pay the amounts owed to the City. The topic was brought up to the entire City Council on June 3, 2014, where it was reported that a repayment plan had been drafted by the City Attorney and that the plan had been given to Hunters Ridge's management and attorney.

On November 18, 2014, the matter was fully discussed at the City Council meeting, including the notification that Hunters Ridge had ended its operations at the golf club in October 2014 when the amounts owed the City reached \$63,500. On April 7, 2015, the City Council, upon counsel from its attorney, approved an agreement with Hunters Ridge that satisfied amounts owed to the City with a transfer of assets worth \$20,971. The City's attorney indicated there were no additional assets or money to be obtained; they were dealing with a limited liability company (LLC) where there is protection of personal assets.

10. Chamber of Commerce Golf Tournaments

The petitioners were concerned the City is paying for employees to play in the Becker Chamber of Commerce golf tournaments.

The OSA noted that \$440 was spent by the Golf Course Enterprise Fund to pay for employees to participate in the Becker Chamber of Commerce golf tournament in 2013. No such payments were identified for 2014 or 2015.

Recommendation

The OSA was unable to determine the public purpose or legal authority for the 2013 expenditure for employees to play in the Becker Chamber of Commerce golf tournament. We recommend the City follow the public purpose doctrine, which is based on the Minnesota State Constitution, Art. X § 1. Pursuant to the doctrine, public entities may spend public funds only “[i]f the purpose is a public one for which tax money may be used, and there is authority to make the expenditure, and the use is genuine. . . .” *Tousley v. Leach*, 180 Minn. 293, 296; 230 N.W. 788 (1930). Thus, for an expenditure of a public entity to be proper, the public entity must first have the authority to make the expenditure. Even if it has become common practice or custom for the public entity to expend public funds on certain times or events, this does not convert such expenditures into legal expenditures. *State ex rel Johnson v. Smith*, 84 Minn. 295, 299 (1901). In addition to the appropriate authority, the expenditure must also be made for a public purpose. The definition of “public purpose” is not a precise definition; however, the courts have generally construed it to mean “such an activity as will serve as a benefit to the community as a body and which, at the same time, is directly related to the functions of government.” *Visina v. Freeman*, 252 Minn. 177, 184; 89 N.W. 2d 635 (1958). If the primary objective of the expenditure is to further a private end, then the expenditure is illegal even if it incidentally serves some public purpose. *City of Pipestone v. Madsen*, 178 N.W. 2d 594, 599 (Minn. 1970).

11. High School Golf Practices and Fees

The petitioners requested information regarding use of the golf course by students through high schools, including amounts paid and the amount of time spent at the golf course.

The OSA was informed by the Director of Golf that both the Becker and Big Lake High School golf teams practice at the golf course after school, generally starting around 2:45 p.m. Practice is a minimum of three days per week and typically takes 2½ to 3 hours.

Becker High School and Big Lake High School paid lump sums of \$2,600 and \$3,500, respectively, in 2015 for use of the golf course for the 2015 season. Part of the lump sum payment is for hosting a conference meet for each of the teams. Big Lake High School does not host an invitational meet during the high school golf season. Becker High School hosts an invitational meet for both boys and girls. For each of these two events, each participating team pays \$140 regardless of which school they attend.

12. Donated Flag Poles

The petitioners requested the City's recorded value of flag poles donated to the City.

On October 20, 2015, the City Council accepted a donation of flagpoles at the Pebble Creek Golf Club. The OSA requested City records showing the value of the donated flagpoles. The City Treasurer stated a value was not provided to the City when donated. Because the City estimated that the donated flagpoles were below the City's capital asset threshold of \$10,000, they were not capitalized, and a value of the flagpoles was not recorded. The OSA inquired about insurance considerations related to the flag poles. The City Treasurer stated that insurance would be based on the possible damage that a flagpole may cause if it were to fall. The City's current insurance policy has \$500,000 in coverage on open spaces, so additional insurance would not be required.

13. Thefts by Golf Club Employees

The petitioners requested information on whether any golf club employees were terminated due to allegations of theft.

The OSA inquired whether there had been any terminations of employment at the golf club due to allegations of theft. We were informed that two golf club employees were terminated for theft - one was terminated in 2010 and the other in 2011. The City should have provided information regarding these allegations of theft to the OSA at the time, as required by Minn. Stat. § 609.456, subd. 1, but did not.

Recommendation

We recommend the City comply with Minn. Stat. § 609.456, subd. 1, which states that whenever “a public employee or public officer of a political subdivision . . . discovers evidence of theft, embezzlement, unlawful use of public funds or property, or misuse of public funds by a charter commission or any person authorized to expend public funds, the employee or officer shall promptly report to law enforcement and shall promptly report in writing to the State Auditor a detailed description of the alleged incident or incidents.”

14. Lot Fund

The petitioners requested a summary of Lot Fund transactions.

The Lot Fund was opened in 1993 to fund necessary improvements to the Pebble Creek Golf Club. Initial funding was provided by the sale of lots adjacent to the golf course. City staff informed us that the Lot Fund was an account within the Revolving Capital Fund. Although separate general ledger codes were not maintained for the transactions recorded in this fund, City staff maintained separate records that tracked the activity. We were provided with the following summary of transactions in the Lot Fund:

	<u>Amount</u>
Revenues	
Lot sales (1993 through 2003)	\$ 622,647
Investment income (1994 through 2012)	<u>448,934</u>
Total Revenues	<u>\$ 1,071,581</u>
Expenditures	
Miscellaneous (1993, 1994, 1997, and 1998)	<u>\$ (33,082)</u>
Transfers Out to the Golf Course Enterprise Fund	
1994	\$ (17,818)
2009	(157,000)
2010	(199,777)
2011	(179,060)
2012	(154,000)
2013	<u>(350,000)</u>
Total Transfers Out	<u>\$ (1,057,655)</u>
Balance - December 31, 2013	<u>\$ (19,156)</u>

The \$350,000 transfer to the Golf Course Enterprise Fund made in 2013 depleted the Lot Fund. No other transactions occurred in 2013 or thereafter related to the Lot Fund. It is the understanding of City staff that the Lot Fund portion of the Revolving Capital Fund is now closed.

15. Interfund Transfers Involving the Golf Course Enterprise Fund

The petitioners requested a summary of transfers to the Golf Course Enterprise Fund and the authority for the transfers.

For the year ended December 31, 2013, there were two transfers to the Golf Course Enterprise Fund. One of the transfers was a regular operating transfer from the golf reserve account in the Revolving Capital Fund in the amount of \$9,113 to reimburse the Golf Course Enterprise Fund for storm damage. The second transfer, also from the golf reserve account in the Revolving Capital Fund, in the amount of \$350,000 was approved by the City Council as part of Resolution 14-07 on January 21, 2014. The purpose of this transfer, as identified in the City Council minutes, was for negative cash flow, equipment purchases, capital lease principal payments, and continued master plan improvements. According to the minutes, these purchases were approved during the 2013 budget cycle. During 2013, we also noted a \$75,000 transfer from the General Fund to the golf reserve account in the Revolving Capital Fund.

For the year ended December 31, 2014, there was one transfer from the golf reserve account in the Revolving Capital Fund to the Golf Course Enterprise Fund in the amount of \$130,000, approved by the City Council as part of Resolution 15-16 on February, 17, 2015. There was no further explanation for this transfer in the City Council minutes. Also noted as part of Resolution 15-16 was a transfer in the amount of \$50,000 from the General Fund to the golf reserve account in the Revolving Capital Fund.

For the year ended December 31, 2015, there were two transfers from the golf reserve account in the Revolving Capital Fund to the Golf Course Enterprise Fund approved as part of Resolution 16-10 on February 16, 2016. The first transfer, in the amount of \$91,000, was made to cover capital lease payments. A second transfer, in the amount of \$150,000, was authorized as part of Resolution 16-10; there was no explanation for its purpose. Also noted as part of Resolution 16-10 was a transfer in the amount of \$75,000 from the General Fund to the golf reserve account in the Revolving Capital Fund.

As long as they are approved by the City Council and not otherwise restricted, funds may be transferred to the Golf Course Enterprise Fund.

16. Budget-to-Actual Reports

The petitioners requested the OSA provide budget-to-actual reports for the Golf Course Enterprise Fund for the years ended December 31, 2013 through 2015.

Generally accepted accounting principles do not require budget-to-actual reporting for enterprise funds. As such, the City does not include budget-to-actual reports for the Golf Course Enterprise Fund in its annual financial report. Based on information from the City's general ledger, the OSA prepared the requested information, which is presented in Appendix 1 of this report.

CONCLUSION

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that we would have reported to you.

This report has been prepared solely for the information and use of the petitioners of the City of Becker and City Council members, but is a matter of public record, and its distribution is not limited.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER
DEPUTY STATE AUDITOR

April 13, 2016

APPENDIX 1

**CITY OF BECKER
BECKER, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
GOLF COURSE ENTERPRISE FUND
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014, AND 2015**

	2013		
	Budget	Actual	Variance
Revenues			
Course fees			
Tournaments	\$ 80,000	\$ 96,426	\$ 16,426
Daily user fees	415,000	334,237	(80,763)
Seasonal user fees	120,000	94,319	(25,681)
Miscellaneous	-	451	451
Total course fees	\$ 615,000	\$ 525,433	\$ (89,567)
Carts			
Tournaments	\$ 20,000	\$ 26,210	\$ 6,210
Daily user fees	125,000	108,475	(16,525)
Seasonal user fees	20,000	26,153	6,153
Total carts	\$ 165,000	\$ 160,838	\$ (4,162)
Driving range			
Lessons	\$ 10,000	\$ 6,150	\$ (3,850)
Daily user fees	20,000	15,916	(4,084)
Seasonal user fees	5,000	8,361	3,361
Total driving range	\$ 35,000	\$ 30,427	\$ (4,573)
Pro shop			
Merchandise sales	\$ 100,000	\$ 94,967	\$ (5,033)
Equipment rental	-	2,045	2,045
Total pro shop	\$ 100,000	\$ 97,012	\$ (2,988)
Food and beverage			
Facility rental	\$ 15,000	\$ 15,000	\$ -
Food and beverage sales	-	-	-
Building contract rental	-	-	-
Total food and beverage	\$ 15,000	\$ 15,000	\$ -
Investment income (loss)	\$ -	\$ (804)	\$ (804)
Total Revenues	\$ 930,000	\$ 827,906	\$ (102,094)

APPENDIX I

2014			2015		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 80,000	\$ 78,802	\$ (1,198)	\$ 90,000	\$ 37,789	\$ (52,211)
421,000	319,518	(101,482)	460,000	373,980	(86,020)
95,000	88,783	(6,217)	100,000	80,980	(19,020)
-	3,070	3,070	-	6,192	6,192
\$ 596,000	\$ 490,173	\$ (105,827)	\$ 650,000	\$ 498,941	\$ (151,059)
\$ 22,500	\$ 26,153	\$ 3,653	\$ 25,000	\$ 30,057	\$ 5,057
125,000	104,361	(20,639)	125,000	118,006	(6,994)
22,500	23,223	723	25,000	20,727	(4,273)
\$ 170,000	\$ 153,737	\$ (16,263)	\$ 175,000	\$ 168,790	\$ (6,210)
\$ 5,000	\$ 5,436	\$ 436	\$ 5,000	\$ 5,065	\$ 65
20,000	18,115	(1,885)	20,000	19,070	(930)
5,000	6,150	1,150	5,000	5,841	841
\$ 30,000	\$ 29,701	\$ (299)	\$ 30,000	\$ 29,976	\$ (24)
\$ 98,000	\$ 112,836	\$ 14,836	\$ 100,000	\$ 114,533	\$ 14,533
-	1,850	1,850	-	-	-
\$ 98,000	\$ 114,686	\$ 16,686	\$ 100,000	\$ 114,533	\$ 14,533
\$ -	\$ -	\$ -	\$ 5,300	\$ 6,002	\$ 702
-	-	-	214,200	229,668	15,468
15,000	17,500	2,500	15,000	537	(14,463)
\$ 15,000	\$ 17,500	\$ 2,500	\$ 234,500	\$ 236,207	\$ 1,707
\$ -	\$ (362)	\$ (362)	\$ -	\$ (866)	\$ (866)
\$ 909,000	\$ 805,435	\$ (103,565)	\$ 1,189,500	\$ 1,047,581	\$ (141,919)

**CITY OF BECKER
BECKER, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
GOLF COURSE ENTERPRISE FUND
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014, AND 2015**

	2013		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenses			
Golf operations			
Wages and salaries	\$ 131,400	\$ 117,740	\$ 13,660
Employee benefits	39,950	31,819	8,131
Materials and supplies	12,700	11,225	1,475
Repairs and maintenance	5,000	9,297	(4,297)
Professional services	9,000	9,465	(465)
Utilities	16,000	13,471	2,529
Depreciation	64,515	69,137	(4,622)
Miscellaneous	114,500	95,261	19,239
Total golf operations	\$ 393,065	\$ 357,415	\$ 35,650
Maintenance			
Wages and salaries	\$ 212,100	\$ 198,808	\$ 13,292
Employee benefits	74,000	72,376	1,624
Materials and supplies	98,600	72,837	25,763
Repairs and maintenance	47,000	50,104	(3,104)
Professional services	360	237	123
Utilities	44,000	52,896	(8,896)
Depreciation	57,000	65,883	(8,883)
Miscellaneous	4,600	1,552	3,048
Loss on capital assets	-	3,864	(3,864)
Interest	3,500	2,994	506
Total maintenance	\$ 541,160	\$ 521,551	\$ 19,609
Carts			
Wages and salaries	\$ 26,200	\$ 17,816	\$ 8,384
Employee benefits	3,100	1,904	1,196
Materials and supplies	1,000	1,109	(109)
Repairs and maintenance	2,500	12,804	(10,304)
Utilities	4,500	4,945	(445)
Depreciation	67,700	67,706	(6)
Interest	10,000	10,189	(189)
Total carts	\$ 115,000	\$ 116,473	\$ (1,473)

APPENDIX I
(Continued)

2014			2015		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 148,200	\$ 125,632	\$ 22,568	\$ 151,700	\$ 130,362	\$ 21,338
38,200	38,134	66	43,250	45,043	(1,793)
12,450	12,862	(412)	12,450	14,472	(2,022)
7,500	7,282	218	7,500	11,835	(4,335)
9,000	8,918	82	7,000	16,427	(9,427)
12,500	6,815	5,685	19,000	26,822	(7,822)
69,000	68,132	868	69,000	67,271	1,729
77,500	135,865	(58,365)	73,753	79,206	(5,453)
\$ 374,350	\$ 403,640	\$ (29,290)	\$ 383,653	\$ 391,438	\$ (7,785)
\$ 207,600	\$ 191,714	\$ 15,886	\$ 222,800	\$ 215,831	\$ 6,969
76,400	68,190	8,210	85,950	73,572	12,378
83,600	61,262	22,338	76,100	48,449	27,651
41,000	40,583	417	39,000	53,738	(14,738)
360	519	(159)	500	274	226
41,000	40,587	413	43,500	37,772	5,728
65,000	64,368	632	79,000	64,368	14,632
4,600	4,750	(150)	4,600	3,541	1,059
-	75,682	(75,682)	-	-	-
-	1,996	(1,996)	6,500	3,633	2,867
\$ 519,560	\$ 549,651	\$ (30,091)	\$ 557,950	\$ 501,178	\$ 56,772
\$ 30,500	\$ 17,944	\$ 12,556	\$ 34,000	\$ 22,890	\$ 11,110
3,000	1,795	1,205	3,300	2,177	1,123
1,000	1,946	(946)	1,000	292	708
9,000	6,037	2,963	9,000	8,511	489
4,500	5,302	(802)	4,500	6,789	(2,289)
63,100	63,101	(1)	63,100	63,101	(1)
8,700	8,650	50	6,600	3,268	3,332
\$ 119,800	\$ 104,775	\$ 15,025	\$ 121,500	\$ 107,028	\$ 14,472

**CITY OF BECKER
BECKER, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
GOLF COURSE ENTERPRISE FUND
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014, AND 2015**

	2013		
	Budget	Actual	Variance
Expenses (Continued)			
Driving range			
Wages and salaries	\$ 4,800	\$ 435	\$ 4,365
Employee benefits	530	125	405
Materials and supplies	1,000	4,053	(3,053)
Repairs and maintenance	376	106	270
Professional services	2,000	-	2,000
Depreciation	694	925	(231)
Miscellaneous	600	542	58
Total driving range	\$ 10,000	\$ 6,186	\$ 3,814
Pro shop			
Materials and supplies	\$ 1,000	\$ -	\$ 1,000
Cost of merchandise	74,000	75,707	(1,707)
Total pro shop	\$ 75,000	\$ 75,707	\$ (707)
Food and beverage			
Wages and salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Materials and supplies	-	-	-
Repairs and maintenance	7,500	4,100	3,400
Professional services	-	-	-
Utilities	-	-	-
Depreciation	46,685	46,488	197
Miscellaneous	-	-	-
Cost of merchandise	-	-	-
Total food and beverage	\$ 54,185	\$ 50,588	\$ 3,597
Total Expenses	\$ 1,188,410	\$ 1,127,920	\$ 60,490
Income (Loss) Before Transfers	\$ (258,410)	\$ (300,014)	\$ (41,604)
Transfers In	-	359,113	359,113
Change in Net Position	\$ (258,410)	\$ 59,099	\$ 317,509
Net Position - January 1	4,674,789	4,674,789	-
Net Position - December 31	\$ 4,416,379	\$ 4,733,888	\$ 317,509

The 2015 budgets presented for the Food and Beverage Department have not been approved by the City Council. This was discussed at a Budget and Finance Committee meeting and was included here for informational purposes.

In 2015, the City was required to implement GASB Statement 68. This schedule does not reflect that.

APPENDIX I
(Continued)

2014			2015		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ 685	\$ (685)	\$ -	\$ 45	\$ (45)
85	111	(26)	85	7	78
5,000	5,059	(59)	3,000	395	2,605
500	123	377	500	736	(236)
-	52	(52)	-	-	-
925	-	925	925	-	925
500	1,200	(700)	500	103	397
\$ 7,010	\$ 7,230	\$ (220)	\$ 5,010	\$ 1,286	\$ 3,724
\$ 1,000	\$ 1,742	\$ (742)	\$ 1,000	\$ 2,146	\$ (1,146)
70,000	83,241	(13,241)	74,000	79,366	(5,366)
\$ 71,000	\$ 84,983	\$ (13,983)	\$ 75,000	\$ 81,512	\$ (6,512)
\$ -	\$ -	\$ -	\$ 96,120	\$ 96,376	\$ (256)
-	-	-	16,721	11,444	5,277
-	-	-	9,250	38,478	(29,228)
7,500	4,299	3,201	22,150	27,521	(5,371)
-	110	(110)	-	2,624	(2,624)
-	-	-	1,970	1,259	711
38,200	35,349	2,851	35,400	35,349	51
-	-	-	4,250	8,208	(3,958)
-	-	-	83,383	108,228	(24,845)
\$ 45,700	\$ 39,758	\$ 5,942	\$ 269,244	\$ 329,487	\$ (60,243)
\$ 1,137,420	\$ 1,190,037	\$ (52,617)	\$ 1,412,357	\$ 1,411,929	\$ 428
\$ (228,420)	\$ (384,602)	\$ (156,182)	\$ (222,857)	\$ (364,348)	\$ (141,491)
-	130,000	130,000	-	241,000	241,000
\$ (228,420)	\$ (254,602)	\$ (26,182)	\$ (222,857)	\$ (123,348)	\$ 99,509
4,733,888	4,733,888	-	4,479,286	4,479,286	-
\$ 4,505,468	\$ 4,479,286	\$ (26,182)	\$ 4,256,429	\$ 4,355,938	\$ 99,509