

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

YEAR ENDED DECEMBER 31, 2007

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Year Ended December 31, 2007



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

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	13
Statement of Activities	Exhibit 2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	17
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets-- Governmental Activities	Exhibit 4	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	26
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 7	28
Statement of Changes in Fiduciary Net Assets - County Cemetery Investment Trust Fund	Exhibit 8	29
Notes to the Financial Statements		30
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	71
Road and Bridge Special Revenue Fund	Schedule 2	73
Human Services Special Revenue Fund	Schedule 3	74
Sanitary Landfill/Recycling Center Special Revenue Fund	Schedule 4	75
Notes to the Required Supplementary Information		76

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
Financial Section (Continued)		
Supplementary Information		
Combining and Individual Fund Financial Statements		
Nonmajor Governmental Funds		
Combining Balance Sheet	Statement 1	77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement 2	78
Budgetary Comparison Schedules		
Capital Equipment Special Revenue Fund	Schedule 5	80
County Building Special Revenue Fund	Schedule 6	82
Green Lake Sewer Special Revenue Fund	Schedule 7	83
County Library Special Revenue Fund	Schedule 8	84
Health and Human Services Building Special Revenue Fund	Schedule 9	85
Agency Funds		
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	Statement 3	86
Other Schedules		
Tax Capacity, Tax Rates, Levies, and Percentage of Collections	Schedule 10	87
Schedule of Deposits and Investments	Schedule 11	93
Ditch Balance Sheet - Ditch Special Revenue Fund	Schedule 12	95
Schedule of Intergovernmental Revenue	Schedule 13	98
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 14	104
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		122
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		125
Schedule of Expenditures of Federal Awards	Schedule 15	128

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

ORGANIZATION
2007

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	Richard Falk	January 1999	January 2011
2nd District	Richard Larson**	January 1997	January 2009
3rd District	Dean Shuck	January 2003	January 2011
4th District	Dennis Peterson	January 1993	January 2009
5th District	Harlan Madsen*	January 1995	January 2011
Officers			
Elected			
Attorney	Boyd Beccue	January 1995	January 2011
Auditor/Treasurer	Sam Modderman	January 1995	January 2011
Recorder	Julie Kalkbrenner	January 1995	January 2011
Registrar of Titles	Julie Kalkbrenner	January 1995	January 2011
Sheriff	Dan Hartog	January 2003	January 2011
Surveyor	Duane Bonnema	January 2003	January 2011
Appointed			
Administrator	Larry Kleindl		Indefinite
Assessor	Tim Falkum	January 2005	December 2008
Examiner of Titles	Dean Anderson		Indefinite
Public Works Director	Gary Danielson	May 1994	May 2011
Veterans Service Officer	Trisha Appledorn	January 2006	January 2011
Human Services Director	Jay Kieft		Indefinite
Medical Examiner	Robert Boyd		Indefinite
Community Corrections Director	Debra West		Indefinite

*Chair

**Vice Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Kandiyohi County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County, Minnesota, as of and for the year ended December 31, 2007, including the Kandiyohi County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2007, which collectively comprise Kandiyohi County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kandiyohi County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kandiyohi County HRA, the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Kandiyohi County HRA, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the

aggregate remaining fund information of Kandiyohi County as of December 31, 2007, including the Kandiyohi County HRA as of June 30, 2007, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Kandiyohi County's basic financial statements. The supplementary information and the other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Kandiyohi County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2009, on our consideration of Kandiyohi County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the Kandiyohi County HRA, which was audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

January 15, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007
(Unaudited)**

Kandiyohi County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2007. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements (beginning with Exhibit 1).

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$125,694,007, of which \$76,888,306 is invested in capital assets, net of related debt, and \$3,680,761 is restricted to specific purposes.
- Kandiyohi County's net assets increased by \$10,711,353 for the year ended December 31, 2007. The net assets of the County's discretely presented component unit increased by \$238,188.
- The net cost of governmental activities was \$19,221,759 for the current fiscal year. The net cost was funded by general revenues totaling \$29,933,112.
- Governmental funds' fund balances increased by \$3,157,025.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Kandiyohi County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by

providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins with Exhibit 1. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors need to be considered, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two kinds of activities:

- Governmental activities--The County's basic services are reported here, including general government, public safety, highways and streets, human services, health, environmental services, culture and recreation, and conservation of natural resources. Property taxes and state and federal grants finance most of these activities.
- Component units--The County includes one separate legal entity in its report. The Kandiyohi County Housing and Redevelopment Authority, which is presented in a separate column. Although legally separate, this component unit is important because the County is financially accountable for it.

Fund Financial Statements

Our analysis of the County's major funds begins with Exhibit 3. The fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds--governmental and fiduciary--use different accounting methods.

- **Governmental funds**--The County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.
- **Fiduciary funds**--The County is the trustee, or fiduciary, over assets which can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on Exhibits 7 and 8. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were \$125,694,007 on December 31, 2007. (See Table A-1.)

Table A-1
Net Assets

	Governmental Activities		Percent (%) Change
	2007	2006	
Current and other assets	\$ 73,849,221	\$ 70,346,068	5.0
Capital assets	134,621,459	125,758,698	7.0
Total Assets	\$ 208,470,680	\$ 196,104,766	6.3
Current liabilities	\$ 5,752,574	\$ 6,257,622	(8.1)
Long-term liabilities	77,024,099	74,864,490	2.9
Total Liabilities	\$ 82,776,673	\$ 81,122,112	2.0
Net Assets			
Invested in capital assets, net of related debt	\$ 76,888,306	\$ 69,418,864	10.8
Restricted assets	3,680,761	4,298,956	(14.4)
Unrestricted	45,124,940	41,264,834	9.4
Total Net Assets	\$ 125,694,007	\$ 114,982,654	9.3

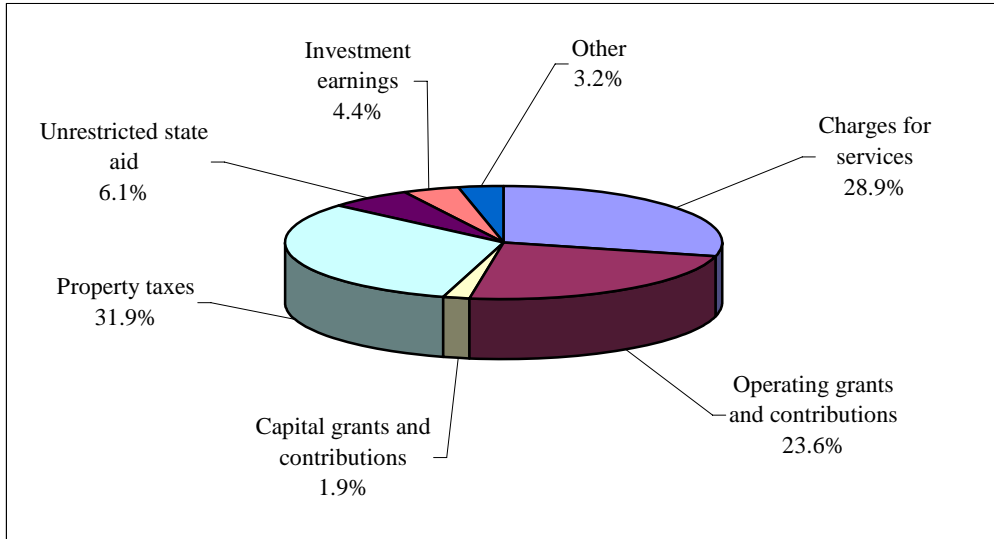
Changes in Net Assets

The county-wide total revenues were \$65,685,473 for the year ended December 31, 2007. Property taxes and intergovernmental revenues accounted for 63.5 percent of total revenues for the year. (See Figures A-3 and A-4.)

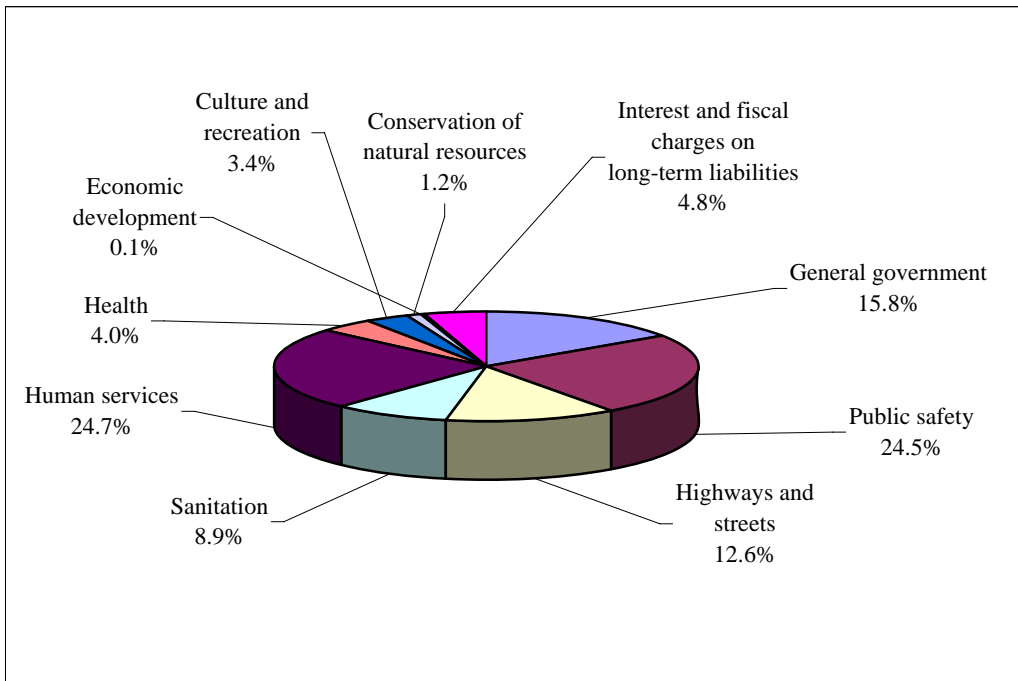
Table A-2
Changes in Net Assets

	Governmental Activities for Fiscal Year Ended December 31		Total Percent (%) Change
	2007	2006	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 18,976,302	\$ 15,986,115	18.7
Operating grants and contributions	15,521,253	18,955,976	(18.1)
Capital grants and contributions	1,254,806	2,661,271	(52.8)
General revenues			
Property taxes	20,948,154	19,622,276	6.8
Unrestricted state aid	3,973,310	4,071,515	(2.4)
Investment earnings	2,893,775	2,012,412	43.8
Other	2,117,873	1,816,981	16.6
Total Revenues	<u>\$ 65,685,473</u>	<u>\$ 65,126,546</u>	0.9
Expenses			
General government	\$ 8,669,072	\$ 6,455,970	34.3
Public safety	13,481,305	12,803,422	5.3
Highways and streets	6,944,396	10,566,635	(34.3)
Sanitation	4,908,690	3,912,346	25.5
Human services	13,554,899	12,381,478	9.5
Health	2,227,555	2,150,768	3.6
Culture and recreation	1,882,546	1,075,522	75.0
Conservation of natural resources	640,294	1,217,321	(47.4)
Economic development	16,902	26,124	(35.3)
Interest and fiscal charges on long-term liabilities	2,648,461	2,672,858	(0.9)
Total Expenses	<u>\$ 54,974,120</u>	<u>\$ 53,262,444</u>	3.2
Increase in Net Assets	\$ 10,711,353	\$ 11,864,102	(9.7)
Beginning Net Assets	<u>114,982,654</u>	<u>103,118,552</u>	11.5
Ending Net Assets	<u>\$ 125,694,007</u>	<u>\$ 114,982,654</u>	9.3

**Figure A-3
Sources of County Revenues for Fiscal Year 2007**



**Figure A-4
Sources of County Expenses During Fiscal Year 2007**



Total revenues and special items surpassed expenses, increasing net assets \$10,711,353 over last year.

The county-wide cost of all governmental activities this year was \$54,974,120.

- Some of the cost was paid by the users of the County’s programs (\$18,976,302).
- The federal and state governments subsidized certain programs with grants and contributions (\$16,776,059).
- Some of the County’s costs (\$19,221,759), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$20,948,154 in property taxes, \$3,973,310 of state aid, and investment earnings, other general revenues, and special items.

Table A-5 presents the cost of each of the County’s program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table A-5
Governmental Activities**

	Total Cost of Services		Percent (%) Change	Net Cost of Services		Percent (%) Change
	2007	2006		2007	2006	
General government	\$ 8,669,072	\$ 6,455,970	34.3	\$ 5,364,087	\$ 3,590,808	49.4
Public safety	13,481,305	12,803,422	5.3	9,240,465	7,963,768	16.0
Highways and streets	6,944,396	10,566,635	(34.3)	(2,903,790)	(1,320,262)	119.9
Sanitation	4,908,690	3,912,346	25.5	(2,265,471)	(3,578,163)	(36.7)
Human services	13,554,899	12,381,478	9.5	6,323,494	5,137,836	23.1
Health	2,227,555	2,150,768	3.6	(310,555)	192,550	(261.3)
Culture and recreation	1,882,546	1,075,522	75.0	1,603,836	445,044	260.4
Conservation of natural resources	640,294	1,217,321	(47.4)	64,591	822,999	(92.2)
Economic development	16,902	26,124	(35.3)	(543,359)	(268,356)	102.5
Interest and fiscal charges on long-term liabilities	2,648,461	2,672,858	(0.9)	2,648,461	2,672,858	(0.9)
Total	\$ 54,974,120	\$ 53,262,444		\$ 19,221,759	\$ 15,659,082	

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$49,456,129.

Revenues for the County’s governmental funds were \$64,963,727, while total expenditures were \$74,790,296. During 2007, the County also issued bonds, loans, and capital leases included as other financing sources.

GENERAL FUND

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects.

Table A-6 presents a summary of General Fund revenues.

**Table A-6
General Fund Revenues**

	Year Ended December 31		Change	
	2007	2006	Increase (Decrease)	Percent (%)
	Taxes	\$ 9,922,229	\$ 8,946,727	\$ 975,502
Intergovernmental	4,723,271	5,289,838	(566,567)	(10.7)
Charges for services	5,562,354	5,642,890	(80,536)	(1.4)
Investment earnings	1,133,921	1,132,917	1,004	0.1
Miscellaneous and other	1,528,544	1,246,994	281,550	22.6
Total General Fund Revenue	\$ 22,870,319	\$ 22,259,366	\$ 610,953	2.7

Table A-7 presents a summary of General Fund expenditures.

**Table A-7
General Fund Expenditures**

	Year Ended December 31		Change	
	2007	2006	Increase (Decrease)	Percent (%)
	General government	\$ 6,083,901	\$ 6,073,292	\$ 10,609
Public safety	12,973,983	12,219,978	754,005	6.2
Health	2,210,966	2,122,084	88,882	4.2
Culture and recreation	443,972	425,361	18,611	4.4
Conservation of natural resources	617,281	560,621	56,660	10.1
Economic development	16,902	26,124	(9,222)	(35.3)
Insurance	1,282,788	824,878	457,910	55.5
Debt service	77,064	48,372	28,692	59.3
Total General Fund Expenditures	\$ 23,706,857	\$ 22,300,710	\$ 1,406,147	6.3

General Fund Budgetary Highlights

- Actual revenues were \$1,563,919 more than expected.
- Actual expenditures were \$550,557 more than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the County had invested over \$163,726,796 in a broad range of capital assets, including land, landfill, buildings, computers, equipment, and infrastructure. (See Table A-8.) (More detailed information about capital assets can be found in Note 3.A.3. to the financial statements.) Total depreciation expense for the year was \$3,338,549.

**Table A-8
Capital Assets**

	2007	2006	Percent (%) Change
Land	\$ 4,754,695	\$ 4,591,330	3.6
Landfill	3,239,593	3,217,047	0.7
Infrastructure	84,889,426	74,834,393	13.4
Buildings	39,342,931	36,082,695	9.0
Machinery, vehicles, furniture, and equipment	11,158,886	10,562,197	5.6
Construction in progress	20,341,265	22,570,361	(9.9)
Less: accumulated depreciation	<u>(29,105,337)</u>	<u>(26,099,325)</u>	11.5
Total Capital Assets	<u>\$ 134,621,459</u>	<u>\$ 125,758,698</u>	7.0

Debt

At year-end, the County had outstanding debt of \$73,932,825 versus \$71,718,576 last year, an increase of 3.1 percent as shown in Table A-9.

**Table A-9
Outstanding Debt**

	2007	2006	Percent (%) Change
Installment purchase obligation	\$ 5,560,000	\$ 6,055,000	(8.2)
General obligation bonds	33,655,000	35,050,000	(4.0)
Special assessment bonds	6,300,000	7,065,000	(10.8)
Capital lease	3,710,000	-	100.0
Deferred (discount) premiums	(6,978)	(39,636)	(82.3)
Loans payable	20,569,237	19,742,983	4.2
Paving assessments	4,292	6,198	(30.8)
Estimated liability for landfill closure/postclosure	<u>4,141,274</u>	<u>3,839,031</u>	7.9
Total Long-Term Liabilities	<u>\$ 73,932,825</u>	<u>\$ 71,718,576</u>	3.1

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the Legislature may decrease revenues again.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the County Administrator, Larry Kleindl, Health and Human Services Building, 2200 - 23rd Street N.E., Willmar, Minnesota 56201.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	Primary Government Governmental Activities	Component Unit Kandiyohi County Housing and Redevelopment Authority
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 43,500,224	\$ 630,916
Cash with escrow agent	7,503,389	-
Taxes receivable		
Prior - net	391,574	117,066
Special assessments receivable - prior	79,467	-
Accounts receivable - net	283,062	25,742
Accrued interest receivable	201,013	-
Loans receivable	5,621,334	-
Note receivable - current	-	8,376
Due from other governments	2,712,493	-
Inventories	380,220	-
Noncurrent assets		
Special assessments receivable - noncurrent	12,771,441	-
Deferred charges	129,671	11,683
Long-term receivable - note	275,333	86,915
Restricted assets		
Cash and pooled investments	-	28,852
Capital assets		
Non-depreciable	25,095,960	82,359
Depreciable - net of accumulated depreciation	109,525,499	1,096,287
Total Assets	\$ 208,470,680	\$ 2,088,196
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 1,374,817	\$ 14,352
Salaries payable	793,028	-
Accrued payroll taxes	-	21,354
Contracts payable	341,763	-
Retainage payable	782,388	-
Due to other governments	816,053	754
Accrued interest payable	894,193	-
Other accrued liabilities	-	13,918
Unearned revenue	750,332	59,870
Liabilities payable from restricted assets		
Accounts payable	-	11,580
Long-term liabilities		
Due within one year	3,752,758	30,414
Due in more than one year	73,271,341	1,341,590
Total Liabilities	\$ 82,776,673	\$ 1,493,832

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	Primary Government Governmental Activities	Component Unit Kandiyohi County Housing and Redevelopment Authority
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 76,888,306	\$ (193,358)
Restricted for		
General government	274,443	-
Public safety	408,034	-
Debt service	2,998,284	-
Unrestricted	45,124,940	787,722
Total Net Assets	\$ 125,694,007	\$ 594,364

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 8,669,072	\$ 1,881,379
Public safety	13,481,305	3,515,675
Highways and streets	6,944,396	3,673,838
Sanitation	4,908,690	7,174,161
Human services	13,554,899	661,013
Health	2,227,555	800,842
Culture and recreation	1,882,546	273,596
Conservation of natural resources	640,294	435,537
Economic development	16,902	560,261
Interest and fiscal charges	2,648,461	-
Total primary government	\$ 54,974,120	\$ 18,976,302
Component unit		
Kandiyohi County Housing and Redevelopment Authority	\$ 1,391,811	\$ 430,902

General Revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Grants and contributions not restricted to specific programs
- Payments in lieu of tax
- Investment income
- Miscellaneous

Special Item

- Gain on sale of Group Homes

Total general revenues and special item

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Discretely Presented Component Unit
\$ 1,401,542	\$ 22,064	\$ (5,364,087)	
725,165	-	(9,240,465)	
4,941,606	1,232,742	2,903,790	
-	-	2,265,471	
6,570,392	-	(6,323,494)	
1,737,268	-	310,555	
5,114	-	(1,603,836)	
140,166	-	(64,591)	
-	-	543,359	
-	-	(2,648,461)	
\$ 15,521,253	\$ 1,254,806	\$ (19,221,759)	
\$ 1,186,400	\$ -		\$ 225,491
		\$ 19,687,144	\$ -
		1,261,010	-
		3,973,310	-
		337,843	-
		2,893,775	12,697
		1,766,231	-
		13,799	-
		\$ 29,933,112	\$ 12,697
		\$ 10,711,353	\$ 238,188
		114,982,654	356,176
		\$ 125,694,007	\$ 594,364

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 9,031,343	\$ 3,589,920	\$ 6,663,955
Cash with escrow agent	-	-	-
Taxes receivable			
Prior	185,141	56,301	94,579
Special assessments receivable			
Prior	6,075	159	-
Noncurrent	775,021	14,027	-
Accounts receivable	51,723	-	154,483
Accrued interest receivable	113,436	3,448	-
Loans receivable	317,798	-	-
Due from other funds	60,290	298,401	82
Due from other governments	355,288	1,501,520	620,896
Inventories	-	380,220	-
Long-term receivable	-	-	-
	\$ 10,896,115	\$ 5,843,996	\$ 7,533,995

EXHIBIT 3

<u>Sanitary Landfill/ Recycling Center</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 10,148,712	\$ 2,890,019	\$ 3,405,591	\$ 8,327,167	\$ 44,056,707
-	7,503,389	-	-	7,503,389
-	24,605	-	36,911	397,537
34,024	31,698	297	8,424	80,677
-	8,984,907	505,539	2,686,941	12,966,435
62,052	9,014	-	5,790	283,062
43,954	-	-	40,175	201,013
-	5,303,536	-	-	5,621,334
1,200	-	-	202,162	562,135
27	52,256	-	182,506	2,712,493
-	-	-	-	380,220
-	-	-	275,333	275,333
<u>\$ 10,289,969</u>	<u>\$ 24,799,424</u>	<u>\$ 3,911,427</u>	<u>\$ 11,765,409</u>	<u>\$ 75,040,335</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Road and Bridge	Human Services
<u>Liabilities and Fund Balances</u>			
Liabilities			
Cash overdraft	\$ -	\$ -	\$ -
Accounts payable	426,159	167,470	103,979
Salaries payable	463,498	78,895	204,241
Contracts payable	-	42,950	-
Retainage payable	-	540,818	-
Due to other funds	39,068	42,502	23,210
Due to other governments	333,078	19,665	57,709
Deferred revenue - unavailable	918,050	1,216,882	72,221
Deferred revenue - unearned	695,490	-	-
	\$ 2,875,343	\$ 2,109,182	\$ 461,360
Fund Balances			
Reserved for			
Encumbrances	\$ -	\$ 1,269,496	\$ -
Inventories	-	380,220	-
Loans receivable	317,798	-	-
Recorder's equipment purchases	264,606	-	-
Sheriff's contingency	80,003	-	-
Debt service	137,376	-	-
Enhanced 911	328,031	-	-
Election equipment grant	9,837	-	-
Long-term receivable	-	-	-
Unreserved			
Designated for debt service	-	-	-
Designated for petty cash funds	1,640	-	-
Designated for unrealized gains on investments	46,772	-	-
Undesignated	6,834,709	2,085,098	7,072,635
Unreserved, reported in nonmajor			
Special revenue funds	-	-	-
	\$ 8,020,772	\$ 3,734,814	\$ 7,072,635
Total Liabilities and Fund Balances	\$ 10,896,115	\$ 5,843,996	\$ 7,533,995

EXHIBIT 3
(Continued)

Sanitary Landfill/ Recycling Center	Debt Service	Capital Projects	Nonmajor Funds	Total
\$ -	\$ -	\$ -	\$ 556,483	\$ 556,483
404,739	-	130,618	141,852	1,374,817
16,017	-	-	30,377	793,028
101,844	-	185,230	11,739	341,763
-	-	241,570	-	782,388
9,084	-	175,000	273,271	562,135
13,950	101,800	-	289,851	816,053
27,575	14,333,327	505,687	2,533,465	19,607,207
51,342	-	-	3,500	750,332
\$ 624,551	\$ 14,435,127	\$ 1,238,105	\$ 3,840,538	\$ 25,584,206
\$ -	\$ -	\$ 2,651,572	\$ -	\$ 3,921,068
-	-	-	-	380,220
-	-	-	-	317,798
-	-	-	-	264,606
-	-	-	-	80,003
-	8,073,681	-	-	8,211,057
-	-	-	-	328,031
-	-	-	-	9,837
-	-	-	275,333	275,333
-	2,290,616	-	-	2,290,616
-	-	-	-	1,640
25,191	-	-	-	71,963
9,640,227	-	21,750	-	25,654,419
-	-	-	7,649,538	7,649,538
\$ 9,665,418	\$ 10,364,297	\$ 2,673,322	\$ 7,924,871	\$ 49,456,129
\$ 10,289,969	\$ 24,799,424	\$ 3,911,427	\$ 11,765,409	\$ 75,040,335

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Fund balances - total governmental funds (Exhibit 3) \$ 49,456,129

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 134,621,459

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.

Revenue deferred as unavailable	\$ 19,607,207	
Allowance for uncollectible receivables included in deferred revenue	(202,167)	19,405,040

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Installment purchase obligations	\$ (5,560,000)	
General obligation bonds	(33,655,000)	
Discount and premium	6,978	
Deferred debt issuance costs	129,671	
Special assessment bonds	(6,300,000)	
Paving special assessments	(4,292)	
Capital leases payable	(3,710,000)	
Loans payable	(20,569,237)	
Landfill closure/postclosure liability	(4,141,274)	
Compensated absences	(3,091,274)	
Accrued interest payable	(894,193)	(77,788,621)

Net Assets of Governmental Activities (Exhibit 1) \$ 125,694,007

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 9,922,229	\$ 3,060,381	\$ 4,911,104
Special assessments	80,078	5,816	-
Licenses and permits	407,575	-	-
Intergovernmental	4,723,271	7,348,401	8,016,696
Charges for services	5,562,354	2,830,030	482,913
Fines and forfeits	-	-	-
Gifts and contributions	23,334	-	-
Investment earnings	1,133,921	300,029	-
Miscellaneous	1,017,557	-	178,100
Total Revenues	\$ 22,870,319	\$ 13,544,657	\$ 13,588,813
Expenditures			
Current			
General government	\$ 6,083,901	\$ -	\$ -
Public safety	12,973,983	-	-
Highways and streets	-	12,684,423	-
Sanitation	-	-	-
Human services	-	-	13,380,011
Health	2,210,966	-	-
Culture and recreation	443,972	-	-
Conservation of natural resources	617,281	-	-
Economic development	16,902	-	-
Insurance	1,282,788	-	-
Intergovernmental			
Highways and streets	-	250,965	-
Sanitation	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	64,840	215,000	-
Interest	12,224	224,831	-
Bond issuance costs	-	-	-
Administrative (fiscal) charges	-	496	-
Total Expenditures	\$ 23,706,857	\$ 13,375,715	\$ 13,380,011
Excess of Revenues Over (Under) Expenditures	\$ (836,538)	\$ 168,942	\$ 208,802

EXHIBIT 5

Sanitary Landfill/ Recycling Center	Debt Service	Capital Projects	Nonmajor Funds	Total
\$ -	\$ 1,260,791	\$ -	\$ 1,751,050	\$ 20,905,555
879,195	990,476	32,560	514,629	2,502,754
700	-	-	-	408,275
98,890	248,410	900,000	440,700	21,776,368
2,377,691	1,130,951	-	802,554	13,186,493
-	-	-	10,491	10,491
-	-	-	1,571	24,905
584,787	626,132	-	248,906	2,893,775
1,396	847,501	175,000	1,035,557	3,255,111
\$ 3,942,659	\$ 5,104,261	\$ 1,107,560	\$ 4,805,458	\$ 64,963,727
\$ -	\$ -	\$ -	\$ 2,004,931	\$ 8,088,832
-	-	-	239,556	13,213,539
-	-	-	622,191	13,306,614
2,928,427	-	-	953,962	3,882,389
-	-	-	-	13,380,011
-	-	-	8,919	2,219,885
-	-	-	1,099,300	1,543,272
-	-	-	259,866	877,147
-	-	-	-	16,902
-	-	-	-	1,282,788
-	-	-	-	250,965
-	101,800	-	-	101,800
-	-	-	325,001	325,001
-	-	2,808,197	-	2,808,197
705,000	9,738,000	-	64,352	10,787,192
59,206	2,267,770	-	39,535	2,603,566
-	42,843	-	-	42,843
1,217	57,640	-	-	59,353
\$ 3,693,850	\$ 12,208,053	\$ 2,808,197	\$ 5,617,613	\$ 74,790,296
\$ 248,809	\$ (7,103,792)	\$ (1,700,637)	\$ (812,155)	\$ (9,826,569)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ 994,700	\$ -	\$ -
Transfers out	(174,500)	-	-
Refunding bonds issued	-	-	-
Loans issued	223,636	-	-
Premium on bond issuance	-	-	-
Capital lease issued	-	-	-
Total Other Financing Sources (Uses)	\$ 1,043,836	\$ -	\$ -
Special Item			
Proceeds from sale of Group Homes	\$ -	\$ -	\$ -
Net Changes in Fund Balances	\$ 207,298	\$ 168,942	\$ 208,802
Fund Balances - January 1	7,813,474	3,475,548	6,863,833
Increase (decrease) in reserved for inventories	-	90,324	-
Fund Balances - December 31	\$ 8,020,772	\$ 3,734,814	\$ 7,072,635

EXHIBIT 5
(Continued)

Sanitary Landfill/ Recycling Center	Debt Service	Capital Projects	Nonmajor Funds	Total
\$ -	\$ 971,835	\$ 58,259	\$ 674,500	\$ 2,699,294
(994,700)	(58,259)	-	(1,471,835)	(2,699,294)
-	7,100,000	-	-	7,100,000
-	-	1,632,904	-	1,856,540
-	37,054	-	-	37,054
-	-	3,535,000	175,000	3,710,000
\$ (994,700)	\$ 8,050,630	\$ 5,226,163	\$ (622,335)	\$ 12,703,594
\$ -	\$ -	\$ -	\$ 280,000	\$ 280,000
\$ (745,891)	\$ 946,838	\$ 3,525,526	\$ (1,154,490)	\$ 3,157,025
10,411,309	9,417,459	(852,204)	9,079,361	46,208,780
-	-	-	-	90,324
\$ 9,665,418	\$ 10,364,297	\$ 2,673,322	\$ 7,924,871	\$ 49,456,129

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 3,157,025

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable, net of allowances for uncollectibles.

Deferred revenue - December 31	\$ 19,607,207	
Less: allowance for uncollectible receivables	(202,167)	
Deferred revenue - January 1	(18,872,372)	
Less: allowance for uncollectible receivables	175,279	707,947

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 12,664,031	
Net book value of assets disposed of	(462,721)	
Current year depreciation	(3,338,549)	8,862,761

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Debt issued		
General obligation refunding bonds	\$ (7,100,000)	
Capital lease	(3,710,000)	
Loans	(1,856,540)	
Debt issuance costs	42,843	
Premium	(37,054)	(12,660,751)

Principal repayments		
Installment purchase obligations	\$ 495,000	
General obligation bonds	8,495,000	
Special assessment bonds	765,000	
Paving special assessments	1,906	
Loans payable	1,030,286	10,787,192

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

Change in accrued interest payable	\$ 20,829	
Current year amortization of premium on bonds issued	10,370	
Current year amortization of discount on bonds issued	(5,974)	
Current year amortization of deferred debt issuance costs	(10,767)	
Change in compensated absences	54,640	
Change in inventories	90,324	
Change in landfill closure/postclosure liability	(302,243)	(142,821)
Change in Net Assets of Governmental Activities (Exhibit 2)		<u>\$ 10,711,353</u>

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FIDUCIARY FUNDS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007**

	County Cemetery Investment Trust	Agency
<u>Assets</u>		
Cash and pooled investments	\$ 29,105	\$ 1,154,357
Receivables		
Taxes - delinquent	-	347
Accrued interest	300	3,065
Due from other governments	500	42,084
Total Assets	\$ 29,905	\$ 1,199,853
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 8,432
Due to other governments	-	1,191,421
Total Liabilities	\$ -	\$ 1,199,853
<u>Net Assets</u>		
Net assets, held in trust for perpetual care - expendable	\$ 29,905	

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
COUNTY CEMETERY INVESTMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Additions</u>	
Investment earnings	
Interest	\$ 1,154
Miscellaneous	500
	<hr/>
Total Additions	\$ 1,654
<u>Deductions</u>	
Payments in accordance with trust agreements	1,250
	<hr/>
Change in net assets	\$ 404
Net Assets - January 1	29,501
	<hr/>
Net Assets - December 31	\$ 29,905
	<hr/> <hr/>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Kandiyohi County was established March 20, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. Kandiyohi County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Auditor/Treasurer, elected on a County-wide basis, serves as a clerk of the Board but does not vote in its decisions.

For financial reporting purposes, Kandiyohi County has included all funds, organizations, agencies, boards, commissions, and authorities, and has considered all potential component units for which the County is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. 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 County to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

As required by accounting principles generally accepted in the United States of America, these financial statements present Kandiyohi County (primary government) and its component units for which the County is financially accountable.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Blended Component Unit

Blended component units are legally separate organizations that are so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Kandiyohi County has one blended component unit.

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
The Kandiyohi County Building Authority provides space for the County's offices.	County Commissioners are the members of the Kandiyohi County Building Authority Board.	Separate financial statements are not prepared.

Discretely Presented Component Unit

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. Kandiyohi County has one discretely presented component unit.

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
The Kandiyohi County Housing and Redevelopment Authority (HRA) administers the public housing programs authorized by the United States Housing Act of 1937, as amended. The HRA also provides assistance grants to eligible families of the Section 8 programs.	The County appoints a voting majority of the HRA's Board of Directors and approves the HRA's budget.	Kandiyohi County HRA Kandiyohi County Health and Human Services Building 2200 - 23rd St. N.E., Suite 2090 Willmar, Minnesota 56201

Joint Ventures

The County participates in four joint ventures described in Note 5.D. The County also participates in the jointly-governed organizations described in Note 5.E.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported in a single column.

In the government-wide statement of net assets, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Sanitary Landfill/Recycling Center Special Revenue Fund is used to account for the County's landfill operations and for funds used in the connection and operation of the County Recycling Center. Financing for the sanitary landfill is provided by special assessments, user charges, and the sale of solid waste bonds. Financing for the construction of the County Recycling Center is provided by the sale of solid waste bonds and a grant from the State of Minnesota under the capital assistance program.

The Debt Service Fund is used to account for financial resources to be used to account for the payment of principal, interest, and related costs of the County's debt obligations.

The Capital Projects Fund is used to account for financial resources to be used for the construction of major capital facilities of the County.

Additionally, the County reports the following fund types:

Fiduciary Funds

The County Cemetery Investment Trust Fund is used to account for the collection and distribution of funds to the County Cemetery Association.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements

Fiduciary Funds (Continued)

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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. Kandiyohi County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2007 were \$874,809.

Kandiyohi County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC) but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables in the government-wide statements, including those of the discretely presented component unit, are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

4. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The purchase of computer software and most communications equipment are not capitalized due to their estimated lives of less than five years. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1 Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Landfill	50
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	5 - 20

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables and revenues not considered to be available to liquidate liabilities of the current period.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Twenty-seven of 109 drainage systems of the Ditch Special Revenue Fund have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the unreserved, undesignated fund balance as of December 31, 2007:

Account balances	\$	609,163
Account deficits		(213,336)
 Fund Balance	 \$	 <u>395,827</u>

The Regional Treatment Center Special Revenue Fund has a deficit fund balance at December 31, 2007, of \$415,933. The deficit is expected to be eliminated through the collection of future lease payments from lessees and possible transfers from other County funds.

B. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2007:

	Expenditures	Final Budget	Excess
General Fund	\$ 23,706,857	\$ 23,156,300	\$ 550,557
Special Revenue Funds			
Sanitary Landfill/Recycling Center	3,693,850	2,965,100	728,750
Capital Equipment	995,920	-	995,920
County Building	1,272,826	786,500	486,326
County Library	495,928	488,100	7,828
Health and Human Services Building	541,649	473,600	68,049

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 43,500,224
Cash with escrow agent	7,503,389
Statement of fiduciary net assets	
Cash and pooled investments	<u>1,183,462</u>
Total Cash and Investments	<u><u>\$ 52,187,075</u></u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2007, \$11,816 of the County's bank balances of \$15,724,059 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>11,816</u>
--------------------------------	------------------

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer.

The following table presents the County's deposit and investment balances at December 31, 2007, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Percent (%) of Portfolio	Maturity Date	
Mutual Funds	N/R	N/A	1.5%		\$ 532,687
Federal Home Loan Bank	Aaa	Moody		12/26/2008	\$ 298,032
Federal Home Loan Bank	Aaa	Moody		06/30/2009	150,234
Federal Home Loan Bank	Aaa	Moody		01/16/2009	49,641
Federal Home Loan Bank	Aaa	Moody		06/25/2012	173,507
Federal Home Loan Bank	Aaa	Moody		11/05/2012	100,813
Federal Home Loan Bank	Aaa	Moody		12/17/2012	251,095
Federal Home Loan Bank	Aaa	Moody		01/20/2009	699,783
Federal Home Loan Bank	Aaa	Moody		12/06/2012	500,315
Federal Home Loan Bank	Aaa	Moody		12/26/2008	99,344
Federal Home Loan Bank	Aaa	Moody		02/13/2009	99,844
Federal Home Loan Bank	Aaa	Moody		12/17/2012	200,812
Federal Home Loan Bank	Aaa	Moody		04/11/2008	1,728,892
Federal Home Loan Bank	Aaa	Moody		05/25/2018	1,954,845
Federal Home Loan Bank	Aaa	Moody		09/24/2008	503,065
Federal Home Loan Bank	Aaa	Moody		06/18/2008	1,003,709
Federal Home Loan Bank	Aaa	Moody		12/29/2022	1,008,274
Federal Home Loan Bank	Aaa	Moody		09/24/2008	1,006,129
Federal Home Loan Bank	Aaa	Moody		12/29/2022	1,008,274
Federal Home Loan Bank	Aaa	Moody		06/05/2015	1,107,541
Federal Home Loan Bank	Aaa	Moody		05/22/2013	248,055
Total Federal Home Loan Bank			45.1%		\$ 12,192,204

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Percent (%) of Portfolio	Maturity Date	
Federal National Mortgage Association	Aaa	Moody		12/01/2031	\$ 12,886
Federal National Mortgage Association	Aaa	Moody		03/21/2012	200,688
Federal National Mortgage Association	Aaa	Moody		04/20/2009	502,030
Federal National Mortgage Association	Aaa	Moody		05/04/2009	100,594
Federal National Mortgage Association	Aaa	Moody		05/04/2009	1,508,910
Federal National Mortgage Association	Aaa	Moody		06/02/2009	188,871
Federal National Mortgage Association	Aaa	Moody		03/21/2012	200,688
Federal National Mortgage Association	Aaa	Moody		01/19/2010	101,344
Federal National Mortgage Association	Aaa	Moody		10/01/2028	12,551
Federal National Mortgage Association	Aaa	Moody		09/18/2009	1,533,395
Federal National Mortgage Association	Aaa	Moody		11/28/2022	299,250
Total Federal National Mortgage Association			17.2%		\$ 4,661,207
Federal Home Loan Mortgage Corporation	Aaa	Moody		02/28/2011	\$ 501,046
Federal Home Loan Mortgage Corporation	Aaa	Moody		10/23/2008	498,075
Federal Home Loan Mortgage Corporation	Aaa	Moody		02/28/2011	1,002,092
Federal Home Loan Mortgage Corporation	Aaa	Moody		05/23/2012	100,446
Total Federal Home Loan Mortgage Corporation			7.8%		\$ 2,101,659
Total U.S. Government Securities/Bonds					\$ 19,487,757
Investment pools					
MAGIC Fund	N/A	N/A	N/A	N/A	2,412,442
Repurchase agreement	N/A	N/A	N/A	N/A	5,705,298
Total Investments					\$ 27,605,497
Checking					458,993
Savings					5,759,300
Money market					8,179,789
Certificates of deposit					3,038,807
Uninvested cash with escrow					6,970,702
Departmental cash					171,472
Petty cash					2,515
Total Cash and Investments					\$ 52,187,075

N/A - Not Applicable

N/R - Not Rated

<5% - Concentration is less than 5% of investments

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2007, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Funds		
Receivables		
Taxes	\$ 397,537	\$ -
Special assessments	13,047,112	10,388,496
Accounts	283,062	-
Accrued interest	201,013	-
Loans	5,621,334	5,217,149
Due from other governments	2,712,493	-
Long-term	275,333	256,673
Total gross receivables	\$ 22,537,884	\$ 15,862,318
Less: allowance for uncollectibles	(202,167)	
Net Receivables	\$ 22,335,717	

In November 2007, the County sold the Boy's Group Home and the Girl's Group Home on a contract for deed. The sales price was \$280,000. This amount is to be paid over 15 years, with no interest. Future collections are to be received in monthly installments of \$1,556.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 4,591,330	\$ 423,365	\$ 260,000	\$ 4,754,695
Construction in progress	<u>22,570,361</u>	<u>1,956,670</u>	<u>4,185,766</u>	<u>20,341,265</u>
Total capital assets not depreciated	<u>\$ 27,161,691</u>	<u>\$ 2,380,035</u>	<u>\$ 4,445,766</u>	<u>\$ 25,095,960</u>
Capital assets depreciated				
Landfill	\$ 3,217,047	\$ 22,546	\$ -	\$ 3,239,593
Buildings	36,082,695	3,260,236	-	39,342,931
Machinery, vehicles, furniture, and equipment	10,562,197	1,092,930	496,241	11,158,886
Infrastructure	<u>74,834,393</u>	<u>10,094,050</u>	<u>39,017</u>	<u>84,889,426</u>
Total capital assets depreciated	<u>\$ 124,696,332</u>	<u>\$ 14,469,762</u>	<u>\$ 535,258</u>	<u>\$ 138,630,836</u>
Less: accumulated depreciation for				
Landfill	\$ 697,922	\$ 64,873	\$ -	\$ 762,795
Buildings	6,686,163	783,046	-	7,469,209
Machinery, vehicles, furniture, and equipment	6,231,323	802,236	332,537	6,701,022
Infrastructure	<u>12,483,917</u>	<u>1,688,394</u>	<u>-</u>	<u>14,172,311</u>
Total accumulated depreciation	<u>\$ 26,099,325</u>	<u>\$ 3,338,549</u>	<u>\$ 332,537</u>	<u>\$ 29,105,337</u>
Total capital assets depreciated, net	<u>\$ 98,597,007</u>	<u>\$ 11,131,213</u>	<u>\$ 202,721</u>	<u>\$ 109,525,499</u>
Governmental Activities Capital Assets, Net	<u>\$ 125,758,698</u>	<u>\$ 13,511,248</u>	<u>\$ 4,648,487</u>	<u>\$ 134,621,459</u>

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

Governmental Activities	
General government	\$ 426,768
Public safety	513,688
Highways and streets, including depreciation of infrastructure assets	1,425,022
Sanitation	782,144
Human services	19,440
Health	7,670
Culture and recreation	17,308
Conservation of natural resources	<u>146,509</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,338,549</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General	Road and Bridge	\$ 25,958	Charges for services rendered and supplies provided
	Human Services	23,210	Charges for services rendered and supplies provided
	Sanitary Landfill/ Recycling Center	8,081	One-half of interest earned on Morgan Keegan FNMA
	Other governmental	<u>3,041</u>	Charges for services rendered and supplies provided
Total due to General Fund		<u>\$ 60,290</u>	
Road and Bridge	General	\$ 38,667	Charges for services rendered
	Other governmental	<u>259,734</u>	Charges for services rendered
Total due to Road and Bridge Fund		<u>\$ 298,401</u>	
Human Services	General	<u>\$ 82</u>	Miscoding of revenue
Sanitary Landfill/Recycling Center	Road and Bridge	\$ 994	Charges for services rendered and supplies provided
	Other governmental	<u>206</u>	Charges for services rendered and supplies provided
Total due to Sanitary Landfill/Recycling Center Fund		<u>\$ 1,200</u>	
Other governmental	General	\$ 319	Miscoding of revenue
	Road and Bridge	15,550	Charges for services rendered and supplies provided and ditch special assessments
	Sanitary Landfill/ Recycling Center	1,003	Charges for services rendered
	Capital Projects	175,000	Capitalized interest
	Other governmental	<u>10,290</u>	Miscoding of rental revenue
Total due to other governmental funds		<u>\$ 202,162</u>	
Total Due To/From Other Funds		<u>\$ 562,135</u>	

The above interfund balances are expected to be paid within a year.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfer to General Fund from Sanitary Landfill/Recycling Center	\$ 994,700	Provide funds for operations
Transfers to Debt Service Fund from Other nonmajor governmental funds	\$ 971,835	Provide funds for debt service
Transfers to Capital Projects Fund from Debt Service Fund	\$ 58,259	Provide funds for capital projects
Transfers to nonmajor governmental funds from General Fund	\$ 174,500	Provide funds for operations
Other nonmajor governmental funds	500,000	Provide funds for operations
Total transfers to nonmajor governmental funds	\$ 674,500	
Total Interfund Transfers	\$ 2,699,294	

C. Liabilities

1. Payables

Payables at December 31, 2007, were as follows:

	Governmental Funds	Fiduciary Funds
Accounts	\$ 1,374,817	\$ 8,432
Salaries	793,028	-
Contracts	341,763	-
Due to other governments	816,053	1,191,421
Contracts retainage	782,388	-
Total Payables	\$ 4,108,049	\$ 1,199,853

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Other Postemployment Benefits - Retirees

The County provides postemployment health care benefits for certain retirees. The County contributes one year of single coverage paid health insurance for every three years of service, not to exceed \$442.50 per month per participant, until age 65. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of year-end, the County had 27 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2007, the County expended \$93,546 for these benefits.

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
Installment Purchase Obligation 1998 Refunding Certificates of Participation	2016	\$455,000 - \$735,000	4.20 - 4.80	<u>\$ 6,985,000</u>	<u>\$ 5,560,000</u>
General Obligation Bonds					
1999 G.O. State-Aid Highway Bonds	2014	\$125,000 - \$290,000	4.10 - 4.13	\$ 3,250,000	\$ 1,795,000
2000 G.O. Law Enforcement Facility Bonds	2021	\$245,000 - \$1,370,000	5.00 - 5.80	8,820,000	7,155,000
2000 G.O. Solid Waste Refunding Bonds	2011	\$225,000 - \$290,000	4.30 - 4.70	2,560,000	995,000
2004 Taxable G.O. Tax Abatement Bonds	2022	\$270,000 - \$540,000	3.125 - 5.30	6,135,000	5,865,000
2004 G.O. Law Enforcement Facility Refunding Bonds	2021	\$385,000 - \$1,340,000	3.375 - 4.15	7,045,000	7,045,000
2005 G.O. Road Reconstruction Bonds	2027	\$125,000 - \$270,000	3.75 - 4.25	3,700,000	3,700,000
2007 G.O. Law Enforcement Facility Refunding Bonds	2020	\$435,000 - \$695,000	4.00	<u>7,100,000</u>	<u>7,100,000</u>
Total General Obligation Bonds				<u>\$ 38,610,000</u>	<u>\$ 33,655,000</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
Special Assessment Bonds with Government Commitment					
2001B G.O. Sewer and Water Revenue Bonds	2022	\$30,000 - \$495,000	2.65 - 4.85	\$ 6,000,000	\$ 5,420,000
2002A Green Lake Sewer and Water Revenue Bonds	2023	\$15,000 - \$80,000	3.50 - 4.85	1,000,000	880,000
Total Special Assessment Bonds with Government Commitment				<u>\$ 7,000,000</u>	<u>\$ 6,300,000</u>
Capital Leases with Government Commitment					
16-Bed Community Behavioral Health Hospital	2018	\$84,752 - \$233,166	4.57	<u>\$ 3,710,000</u>	<u>\$ 3,710,000</u>

Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
2000 Public Facilities Authority Clean Water G.O. Revenue Note	2020	\$5,119 - \$460,119	2.25	\$ 7,188,360	\$ 5,192,000
2001 Public Facilities Authority Clean Water G.O. Revenue Note	2021	\$2,565 - \$230,565	2.25	3,648,450	2,769,000
2002 Public Facilities Authority Clean Water G.O. Revenue Note	2021	\$428 - \$40,428	2.14	651,000	493,000
2006A Public Facilities Authority Clean Water G.O. Revenue Note	2026	\$1,080 - \$217,080	1.00	3,761,876	3,644,537
1999 Public Facilities Authority Drinking Water G.O. Revenue Note	2019	\$5,540 - \$318,540	3.54	4,446,000	3,124,000
2000 Public Facilities Authority Drinking Water G.O. Revenue Note	2019	\$2,805 - \$161,255	3.54	2,262,450	1,582,450

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Loans Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
2001 Public Facilities Authority Drinking Water G.O. Revenue Note	2020	\$1,239 - \$71,239	3.54	1,012,260	746,000
2002 Public Facilities Authority Drinking Water G.O. Revenue Note	2021	\$283 - \$16,283	3.54	233,000	180,000
2006B Public Facilities Authority Wastewater Infrastructure G.O. Revenue Note	2032	\$9,124 - \$109,000	0.00	1,172,942	1,172,942
Hawk Creek Watershed Clean Water Partnership Project	2014	\$8,599	2.00	155,169	104,334
Hawk Creek Watershed Continuation Clean Water Partnership Project	2014	\$5,813	-	154,389	154,389
Shakopee Creek Watershed Clean Water Partnership Project	2015	\$12,907	2.00	232,906	178,950
Hawk Creek Watershed Continuation Clean Water Partnership Project	2017	\$17,290	2.00	307,260	279,212
Shakopee Creek Watershed Continuation Clean Water Partnership Project	2018	\$11,526	2.00	140,869	140,869
Boiler Replacement Loan	2012	\$9,233	5.00	870,000	807,554
Total Loans Payable				<u>\$ 26,236,931</u>	<u>\$ 20,569,237</u>

Paving Special Assessments

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
1999 Paving Special Assessments	2009	\$1,516 - \$2,164	6.50	\$ 14,238	\$ 2,847
2000 Paving Special Assessments	2010	\$517 - \$796	7.25	4,819	1,445
Total Special Assessments				<u>\$ 19,057</u>	<u>\$ 4,292</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Year Ending December 31	Installment Purchase Obligation		General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 510,000	\$ 245,613	\$ 1,625,000	\$ 1,476,742	\$ 300,000	\$ 275,098
2009	535,000	222,616	2,060,000	1,399,934	310,000	263,656
2010	560,000	198,113	2,155,000	1,311,405	320,000	251,425
2011	585,000	172,204	2,250,000	1,216,493	340,000	238,268
2012	615,000	144,750	2,065,000	1,122,928	350,000	224,181
2013 - 2017	2,755,000	270,548	10,785,000	4,198,912	2,015,000	872,114
2018 - 2022	-	-	11,485,000	1,537,646	2,585,000	341,835
2023 - 2027	-	-	1,230,000	134,173	80,000	1,940
2028 - 2032	-	-	-	-	-	-
Total	\$ 5,560,000	\$ 1,253,844	\$ 33,655,000	\$ 12,398,233	\$ 6,300,000	\$ 2,468,517

Year Ending December 31	Loans		Paving Special Assessments		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 1,253,511	\$ 475,039	\$ 1,906	\$ 290	\$ -	\$ 169,504
2009	1,312,575	452,937	1,905	163	300,220	166,113
2010	1,360,778	418,447	481	35	314,093	152,240
2011	1,395,207	382,900	-	-	328,607	137,726
2012	1,840,353	325,615	-	-	343,792	122,541
2013 - 2017	6,916,760	1,104,102	-	-	1,972,462	359,203
2018 - 2022	4,582,450	262,076	-	-	450,826	15,506
2023 - 2027	952,661	21,400	-	-	-	-
2028 - 2032	954,942	-	-	-	-	-
Total	\$ 20,569,237	\$ 3,442,516	\$ 4,292	\$ 488	\$ 3,710,000	\$ 1,122,833

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Installment purchase obligation	\$ 6,055,000	\$ -	\$ 495,000	\$ 5,560,000	\$ 510,000
General obligation bonds	35,050,000	7,100,000	8,495,000	33,655,000	1,625,000
Special assessment debt with government commitment	7,065,000	-	765,000	6,300,000	300,000
Deferred (discount)/premiums	(39,636)	43,028	10,370	(6,978)	4,396
Total bonds payable	\$ 48,130,364	\$ 7,143,028	\$ 9,765,370	\$ 45,508,022	\$ 2,439,396

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Changes in Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Paving special assessments	6,198	-	1,906	4,292	1,906
Capital lease	-	3,710,000	-	3,710,000	-
Loans payable	19,742,983	1,856,540	1,030,286	20,569,237	1,253,511
Estimated liability for landfill closure/postclosure	3,839,031	302,243	-	4,141,274	-
Compensated absences	3,145,914	73,632	128,272	3,091,274	57,945
Governmental Activities Long-Term Liabilities	<u>\$ 74,864,490</u>	<u>\$ 13,085,443</u>	<u>\$ 10,925,834</u>	<u>\$ 77,024,099</u>	<u>\$ 3,752,758</u>

Long-term debt was liquidated by payments from the following funds:

General	\$ 64,840
Road and Bridge	215,000
Sanitary Landfill/Recycling Center	705,000
Debt Service	9,738,000
Other governmental funds	<u>64,352</u>
Total Debt Reductions	<u>\$ 10,787,192</u>

6. Current Refunding

On February 13, 2008, Kandiyohi County issued \$7,100,000 in General Obligation Law Enforcement Facility Refunding Bonds, Series 2007A, to refund \$2,245,000 of outstanding General Obligation Law Enforcement Facility Bonds, Series 1998, and to refund \$4,835,000 of outstanding General Obligation Law Enforcement Facility Bonds, Series 1999. Kandiyohi County completed the refunding to reduce its total debt service payments by \$323,112 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$249,088.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Crossover Refunding

In 2004, the County issued \$7,045,000 G.O. Law Enforcement Facility Refunding Bonds to refund the G.O. Law Enforcement Facility Bonds, Series 2000. These refunding bonds were used to purchase U.S. government, state, and local government securities that were placed in an irrevocable trust for the purpose of generating resources to make principal payments of \$6,830,000 after the crossover date of February 8, 2008. In 2008, the 2000 bonds will be called, and the first payments on the 2004 bonds will be in 2009.

4. Employee Retirement Systems and Pension Plans

A. Plan Description

All full-time and certain part-time employees of Kandiyohi County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute 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 Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	2007	2008
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2007	\$ 907,939	\$ 233,459	\$ 181,918
2006	878,398	210,155	177,311
2005	775,168	171,394	173,517

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although the majority of the closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each year-end. The County estimated the cost of closure and postclosure care to be \$4,141,274 with no remaining capacity to be filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and, at December 31, 2007, cash and investments of \$4,714,828 are held for these purposes. The County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

B. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance coverage from the prior year. The amount of settlements did not exceed insurance coverage for any of the past three fiscal years.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$400,000 and \$410,000 per claim in 2007 and 2008, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

Kandiyohi County has a program to self-insure a dental insurance plan for participating employees. The County has contracted with Minnesota Dental Benefits, a third-party administrator, to process claims against the plan.

The County contributed \$30 per payroll period for each participating employee in 2007. The County deposits the County contributions and employee deductions with the administrator. Any claims paid by the administrator in excess of the deposits are billed to the County. The County also pays an administrative charge for the services rendered by the administrator. Financial transactions relating to the self-insurance plan are recorded in the General Fund.

The County has not had an actuarial study of the self-insurance dental plan; it has concluded that the risk of any major losses covered by self-insurance under this plan is covered by the general taxing powers of the County. There were no accrued benefits at December 31, 2007 and 2006. The following discloses the claims activity during fiscal years 2007 and 2006.

	Year Ended December 31	
	2007	2006
Beginning liability	\$ -	\$ -
Current year claims	257,612	242,244
Claim payments	(257,612)	(242,244)
End of Year Liability	\$ -	\$ -

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

C. Contingent Liabilities

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

D. Joint Ventures

Kandiyohi - Region 6W Community Corrections Agencies Detention Center (Prairie Lakes Youth Programs)

Kandiyohi County entered into a joint powers agreement to create and operate the Kandiyohi - Region 6W Community Corrections Agencies Detention Center (commonly referred to as the Prairie Lakes Youth Programs) pursuant to Minn. Stat. § 471.59. The Detention Center provides detention services to juveniles under the jurisdiction of the counties who are parties to the agreement (Chippewa, Lac qui Parle, Swift, and Yellow Medicine, all of which are served by the Region 6W Community Corrections Agency) and Kandiyohi County.

Control of the Youth Program is vested in a Joint Board, which is composed of one Commissioner from each participating county. An Advisory Board has also been established, which is composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections Agency, and the directors of the family services or human services departments of the counties participating in the agreement. The Youth Program is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Kandiyohi - Region 6W Community Corrections Agencies Detention Center (Prairie Lakes Youth Programs) (Continued)

At December 31, 2007, the Youth Program had long-term debt of \$444,594. This debt consisted of \$169,261 related to compensated absences and \$275,333 for a contract for deed. Financing is provided by charges for services to member and nonmember counties. Complete financial information can be obtained from the Youth Program's Office, P. O. Box 894, Willmar, Minnesota 56201.

Minnesota River Board

Kandiyohi County entered into a joint powers agreement with other counties to create the Minnesota River Board. The Board promotes the orderly water quality improvement and management of the Minnesota River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans which counties may develop and implement pursuant to Minn. Stat. §§ 103B.311 and 103B.315.

The County is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project. In the event of termination of the agreement, all property, real and personal, held by the Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an Executive Board of five officers elected from the membership of the Board, consisting of one representative and alternate from each County Board of Commissioners included in this agreement.

Complete financial information for the Minnesota River Board can be obtained from its administrative offices at 184 Trafton Science Center S., Minnesota State University, Mankato, Minnesota 56001.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium

In November 1997, the County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Lac qui Parle, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon and Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium under the authority of Minn. Stat. § 471.59. The Consortium is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host. The Consortium shall take actions and enter into such agreements as may be necessary to plan and develop within the Consortium's geographic jurisdiction, a system of care that will serve the needs of adults with serious and persistent mental illness. The governing Board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium can be obtained at Cottonwood County Family Services Agency, Windom, Minnesota 56101.

Crow River Watershed

In April 1999, the County entered into a joint powers agreement with other counties to promote the orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans which counties may develop and implement pursuant to Minn. Stat. §§ 103B.311 and 103B.315. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds. Current financial information is not available.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

E. Jointly-Governed Organizations

Kandiyohi County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

Coordinated Enforcement Effort (CEE) VI Task Force

The CEE VI Task Force was established to receive and expend federal, state, and local grants and other related funds for the purpose of investigation of burglary, theft, narcotics, stolen property, and crimes of violence. Kandiyohi County has no operational or financial control over the CEE VI Task Force. During the year, Kandiyohi County did not contribute any funds to the Task Force. In an agent capacity, Kandiyohi County reports the cash transactions of the CEE VI Task Force as an agency fund on its financial statements.

Regional Library

Kandiyohi County participates in the Western Plains Library System in order to provide efficient and improved regional public library service.

The financial activities of the Western Plains Library System are reported as part of the Pioneerland Regional Library System. Financial information for the Library System is not available.

Putting All Communities Together (PACT) 4 Families Collaborative

PACT 4 was established in 1996 by a joint powers agreement among Kandiyohi, Meeker, Renville, and Yellow Medicine Counties. The agreement was established to provide coordinated services to children and families.

Kandiyohi County has no operational or financial control over PACT 4.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Kandiyohi County and City of Willmar Economic Development Commission
(EDC)

The EDC was established on July 1, 2003, by a joint-powers agreement between Kandiyohi County and the City of Willmar by resolution pursuant to Minn. Laws 1989, First Special Session, ch. 1, Art. 17, § 21. The EDC was set up to encourage, attract, promote, and develop economically sound industry and commerce within the County and City.

The EDC has six members. Kandiyohi County appoints three members, and the City of Willmar appoints three members of the EDC. Each member is appointed to serve for three years.

Complete financial information for the EDC can be obtained at Kandiyohi County and City of Willmar Economic Development Commission, 312 Fourth Street S.W., Suite 2, P. O. Box 1783, Willmar, Minnesota 56201

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the HRA. The HRA is reporting as of and for the year ended June 30, 2007.

The accounts of the HRA are organized and operated on the basis of funds, with each fund having a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. These funds are used to account for operations of the HRA and are grouped into the proprietary category. Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies (Continued)

The HRA's government-wide financial statements (the statement of net assets and the statement of activities) are prepared using the economic resources measurement focus and the accrual basis of accounting.

B. Operating Revenues and Expenses

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash

For the purpose of the statement of cash flows, all cash deposits and temporary investments with original terms of three months or less are considered to be cash.

D. Property and Equipment

Property and equipment are stated at historical or estimated historical cost and are depreciated using the straight-line method over their estimated useful lives ranging from 8 to 40 years.

E. Bond Issuance Costs

Bond issuance costs are stated at historical cost and are amortized using the straight-line method over 30 years.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA) (Continued)

F. Deposits and Investments

The HRA's cash and investments as of June 30, 2007, are summarized as follows:

Unrestricted	
Cash on deposit	\$ 448,446
Investments (certificates of deposit)	182,470
Restricted	
Cash on deposit	<u>28,852</u>
Total	<u>\$ 659,768</u>

In accordance with Minnesota statutes, the HRA maintains deposits at depository banks authorized by the Board. All such depositories are federally insured. The carrying amount of the HRA's deposits with financial institutions was \$659,768 as of June 30, 2007; the bank balance was \$675,736. There were no uninsured balances as of June 30, 2007.

Minnesota statutes require that all HRA deposits be protected by insurance, surety bond, or collateral, and that securities pledged as collateral be legal instruments and be held in safekeeping by the HRA Treasurer or in a financial institution other than that furnishing the collateral. The market value of collateral pledged must generally exceed deposits not covered by insurance or bonds by at least ten percent. The HRA was in compliance with these Minnesota statutes at June 30, 2007.

The HRA is authorized to invest available funds as described in Minn. Stat. ch. 118A. The following types of investments are allowed by Minnesota statutes:

- (a) direct obligations or obligations guaranteed by the United States or its agencies;
- (b) shares of investment companies registered under the Federal Investment Company Act of 1940 whose only investments are in securities described in Minnesota statutes;
- (c) general obligations of the State of Minnesota or any of its municipalities and other state and local government obligations as listed in Minnesota statutes;

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

F. Deposits and Investments (Continued)

- (d) bankers' acceptances of United States banks, eligible for purchase by the Federal Reserve System;
- (e) commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less;
- (f) repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in United States government securities reporting to the Federal Reserve Bank of New York, certain Minnesota securities broker-dealers, or a bank qualified as a depository; and
- (g) guaranteed investment contracts issued or guaranteed by a United States commercial bank or domestic branch of a foreign bank or a United States insurance company or its Canadian or United States subsidiary, provided it ranks on a parity with the senior unsecured debt obligations of the issuer or guarantor and meets other requirements as stated in Minnesota statutes.

G. Receivables

Receivables for the HRA at June 30, 2007, were as follows:

Accounts	\$ 25,742
Taxes receivable	117,066
Note receivable	<u>95,291</u>
 Total Receivables	 <u>\$ 238,099</u>

Of the note receivable, \$86,915 is not expected to be collected within the next year.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA) (Continued)

H. Property and Equipment

The HRA's property and equipment activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 58,916	\$ -	\$ -	\$ 58,916
Landscaping	23,443	-	-	23,443
Total capital assets not depreciated	\$ 82,359	\$ -	\$ -	\$ 82,359
Capital assets depreciated				
Buildings	\$ 1,331,468	\$ -	\$ -	\$ 1,331,468
Carpeting	48,615	-	-	48,615
Machinery, furniture, and equipment	48,362	-	-	48,362
Total capital assets depreciated	\$ 1,428,445	\$ -	\$ -	\$ 1,428,445
Less: accumulated depreciation	289,238	42,920	-	332,158
Total capital assets depreciated, net	\$ 1,139,207	\$ (42,920)	\$ -	\$ 1,096,287
Total Capital Assets, Net	\$ 1,221,566	\$ (42,920)	\$ -	\$ 1,178,646

Depreciation expense of \$ 42,920 was charged to housing and redevelopment expense.

I. Payables

Payables for the HRA at June 30, 2007, were as follows:

Accounts	\$ 14,352
Accrued payroll taxes	21,354
Due to other governmental units, U.S. Department of Housing and Urban Development (HUD)	754
Other accrued liabilities	13,918
Total	\$ 50,378

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA) (Continued)

J. Property Taxes

Property tax levies are set by the HRA and are certified to the County each year for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Real property taxes are generally due from taxpayers in equal installments on May 15 and October 15. The County remits tax settlements to the HRA at various times during the year. Taxes collectible in a given calendar year are generally recognized as revenue during that fiscal year.

K. Long-Term Debt

Long-term debt outstanding at June 30, 2007, for the HRA consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
Essential Function Housing Development Bond of 1997	2030	5.25 - 8.75	<u>\$ 1,530,000</u>	<u>\$ 1,372,004</u>

The estimated debt service requirements as of June 30, 2007, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 30,414	\$ 66,837	\$ 97,251
2009	30,834	66,417	97,251
2010	32,411	64,840	97,251
2011	34,070	63,181	97,251
2012	35,813	61,438	97,251
2013 - 2017	208,495	277,760	486,255
2018 - 2022	267,574	218,681	486,255
2023 - 2027	343,393	142,862	486,255
2028 - 2030	<u>389,000</u>	<u>47,168</u>	<u>436,168</u>
Total	<u>\$ 1,372,004</u>	<u>\$ 1,009,184</u>	<u>\$ 2,381,188</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA) (Continued)

L. Lease Agreement

The HRA, operating under a shared services agreement with the Housing and Redevelopment Authority in and for the City of Willmar, Minnesota, (Willmar HRA) entered into a five-year lease commencing November 1, 2003, for office space with Kandiyohi County. Under the terms of the lease, the HRA and the Willmar HRA are required to make monthly lease payments to the County in the amount of \$3,092.

Under the shared services agreement with the Willmar HRA, each party to the agreement will pay 50 percent of the aforementioned lease agreement in addition to other cost-shared services. Total HRA rental expense for the year ended June 30, 2007, totaled \$18,550.

The HRA's portion of two-year future minimum rental payments is summarized as follows:

2008	\$ 18,552
2009	<u>6,184</u>
Total	<u>\$ 24,736</u>

M. Risk Management

The HRA is exposed to various risks of loss from torts; theft of, damage to, or destruction of assets; business interruption; errors or omissions; job-related illnesses or injuries to employees; and natural disasters. The HRA has purchased commercial insurance to mitigate its exposure for such losses. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximum coverages are exceeded, this could cause the HRA to suffer losses if a loss is incurred from such incidents. The ultimate outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. Settled claims to date have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with coverage in the prior year.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA) (Continued)

N. Contingencies

The HRA receives grant funds, principally from HUD for the Vouchers Choice program. Monies from HUD are received directly from the federal agency. Certain expenditures are subject to audit by HUD, and the HRA is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the HRA, no material refunds will be required as a result of expenditures disallowed by HUD.

7. Subsequent Events

The Board of County Commissioners, in its meeting on May 6, 2008, approved the signing of the General Obligation Note (MPCA) for improving the rural water quality in the Crow River Basin Project, Series 2008, in the amount of \$800,000.

The Board of County Commissioners, in its meeting on June 17, 2008, approved a motion to award a bond sale of \$9,650,000 General Obligation Bonds, Series 2008A.

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REQUIRED SUPPLEMENTARY INFORMATION

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 10,055,343	\$ 10,055,343	\$ 9,922,229	\$ (133,114)
Special assessments	44,900	44,900	80,078	35,178
Licenses and permits	442,100	442,100	407,575	(34,525)
Intergovernmental	4,078,744	4,078,744	4,723,271	644,527
Charges for services	5,535,013	5,535,013	5,562,354	27,341
Gifts and contributions	100	100	23,334	23,234
Investment earnings	550,000	550,000	1,133,921	583,921
Miscellaneous	600,200	600,200	1,017,557	417,357
Total Revenues	\$ 21,306,400	\$ 21,306,400	\$ 22,870,319	\$ 1,563,919
Expenditures				
Current				
General government				
Commissioners	\$ 318,300	\$ 318,300	\$ 330,959	\$ (12,659)
Courts	30,000	30,000	30,896	(896)
Law library	100,000	100,000	89,243	10,757
County administration	278,700	278,700	312,211	(33,511)
County auditor	1,157,900	1,157,900	1,087,896	70,004
County assessor	480,800	480,800	426,669	54,131
Elections	5,000	5,000	10,374	(5,374)
Records management	55,800	55,800	53,673	2,127
Data processing	788,300	788,300	1,010,298	(221,998)
Attorney	999,600	999,600	1,003,565	(3,965)
Recorder	459,000	459,000	435,656	23,344
Surveyor	57,500	57,500	69,342	(11,842)
Planning and zoning	478,500	478,500	640,259	(161,759)
Buildings and plant	453,200	453,200	454,386	(1,186)
Veterans service officer	131,000	131,000	128,474	2,526
Total general government	\$ 5,793,600	\$ 5,793,600	\$ 6,083,901	\$ (290,301)
Public safety				
Sheriff	\$ 4,792,500	\$ 4,792,500	\$ 4,661,398	\$ 131,102
Boat and water safety	41,900	41,900	56,642	(14,742)
Coroner	40,000	40,000	43,597	(3,597)
E-911 system	13,500	13,500	18,624	(5,124)
Group home	1,357,800	1,357,800	1,272,824	84,976
County jail	4,277,500	4,277,500	3,955,900	321,600
Law enforcement center	638,200	638,200	613,795	24,405
Community corrections	2,067,500	2,067,500	2,042,361	25,139
Civil defense	189,700	189,700	210,230	(20,530)
Total public safety	\$ 13,445,600	\$ 13,445,600	\$ 12,973,983	\$ 471,617
Health				
Nursing service	\$ 2,293,700	\$ 2,293,700	\$ 2,210,966	\$ 82,734

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Culture and recreation				
Historical society	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Parks	261,300	261,300	361,272	(99,972)
Other	22,800	22,800	22,700	100
Total culture and recreation	\$ 344,100	\$ 344,100	\$ 443,972	\$ (99,872)
Conservation of natural resources				
Cooperative extension	\$ 162,000	\$ 162,000	\$ 156,025	\$ 5,975
Soil and water conservation	124,900	124,900	124,900	-
Agricultural inspections	76,900	76,900	74,713	2,187
Agricultural society/County fair	20,000	20,000	20,000	-
Water planning	61,100	61,100	33,618	27,482
Environmental services	58,900	58,900	34,463	24,437
Land use	7,600	7,600	3,046	4,554
Other	138,800	138,800	170,516	(31,716)
Total conservation of natural resources	\$ 650,200	\$ 650,200	\$ 617,281	\$ 32,919
Economic development				
Community development	\$ 20,000	\$ 20,000	\$ 16,902	\$ 3,098
Unallocated				
Insurance	\$ 609,100	\$ 609,100	\$ 1,282,788	\$ (673,688)
Debt service				
Principal	\$ -	\$ -	\$ 64,840	\$ (64,840)
Interest	\$ -	\$ -	\$ 12,224	\$ (12,224)
Total Expenditures	\$ 23,156,300	\$ 23,156,300	\$ 23,706,857	\$ (550,557)
Excess of Revenues Over (Under) Expenditures				
	\$ (1,849,900)	\$ (1,849,900)	\$ (836,538)	\$ 1,013,362
Other Financing Sources (Uses)				
Transfers in	\$ 928,900	\$ 928,900	\$ 994,700	\$ 65,800
Transfers out	-	-	(174,500)	(174,500)
Loans issued	-	-	223,636	223,636
Total Other Financing Sources (Uses)	\$ 928,900	\$ 928,900	\$ 1,043,836	\$ 114,936
Net Change in Fund Balance	\$ (921,000)	\$ (921,000)	\$ 207,298	\$ 1,128,298
Fund Balance - January 1	7,813,474	7,813,474	7,813,474	-
Fund Balance - December 31	\$ 6,892,474	\$ 6,892,474	\$ 8,020,772	\$ 1,128,298

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,083,366	\$ 3,083,366	\$ 3,060,381	\$ (22,985)
Special assessments	-	-	5,816	5,816
Intergovernmental	10,468,634	10,468,634	7,348,401	(3,120,233)
Charges for services	500,000	500,000	2,830,030	2,330,030
Investment earnings	100,000	100,000	300,029	200,029
Total Revenues	\$ 14,152,000	\$ 14,152,000	\$ 13,544,657	\$ (607,343)
Expenditures				
Current				
Highways and streets				
Administration	\$ -	\$ -	\$ 711,351	\$ (711,351)
Maintenance	3,432,000	3,432,000	2,496,778	935,222
Construction	9,880,000	9,880,000	8,642,115	1,237,885
Equipment maintenance and shops	400,000	400,000	834,179	(434,179)
Total highways and streets	\$ 13,712,000	\$ 13,712,000	\$ 12,684,423	\$ 1,027,577
Intergovernmental				
Highways and streets	-	-	250,965	(250,965)
Debt service				
Principal	215,000	215,000	215,000	-
Interest	225,000	225,000	224,831	169
Administrative (fiscal) charges	-	-	496	(496)
Total Expenditures	\$ 14,152,000	\$ 14,152,000	\$ 13,375,715	\$ 776,285
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 168,942	\$ 168,942
Fund Balance - January 1	3,475,548	3,475,548	3,475,548	-
Increase (decrease) in reserved for inventories	-	-	90,324	90,324
Fund Balance - December 31	\$ 3,475,548	\$ 3,475,548	\$ 3,734,814	\$ 259,266

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,948,362	\$ 4,948,362	\$ 4,911,104	\$ (37,258)
Intergovernmental	7,644,938	7,644,938	8,016,696	371,758
Charges for services	448,694	448,694	482,913	34,219
Miscellaneous	147,200	147,200	178,100	30,900
Total Revenues	\$ 13,189,194	\$ 13,189,194	\$ 13,588,813	\$ 399,619
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,088,154	\$ 3,088,154	\$ 3,224,259	\$ (136,105)
Social services	10,389,007	10,389,007	10,155,752	233,255
Total Expenditures	\$ 13,477,161	\$ 13,477,161	\$ 13,380,011	\$ 97,150
Net Change in Fund Balance	\$ (287,967)	\$ (287,967)	\$ 208,802	\$ 496,769
Fund Balance - January 1	6,863,833	6,863,833	6,863,833	-
Fund Balance - December 31	\$ 6,575,866	\$ 6,575,866	\$ 7,072,635	\$ 496,769

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
SANITARY LANDFILL/RECYCLING CENTER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 910,000	\$ 910,000	\$ 879,195	\$ (30,805)
Licenses and permits	100	100	700	600
Intergovernmental	93,000	93,000	98,890	5,890
Charges for services	2,391,700	2,391,700	2,377,691	(14,009)
Investment earnings	150,000	150,000	584,787	434,787
Miscellaneous	-	-	1,396	1,396
Total Revenues	\$ 3,544,800	\$ 3,544,800	\$ 3,942,659	\$ 397,859
Expenditures				
Current				
Sanitation				
Solid waste	\$ 1,588,100	\$ 1,588,100	\$ 2,928,427	\$ (1,340,327)
Capital outlay				
Sanitation	611,000	611,000	-	611,000
Debt service				
Principal	705,000	705,000	705,000	-
Interest	61,000	61,000	59,206	1,794
Administrative (fiscal) charges	-	-	1,217	(1,217)
Total Expenditures	\$ 2,965,100	\$ 2,965,100	\$ 3,693,850	\$ (728,750)
Excess of Revenues Over (Under) Expenditures	\$ 579,700	\$ 579,700	\$ 248,809	\$ (330,891)
Other Financing Sources (Uses)				
Transfers in	\$ 177,000	\$ 177,000	\$ -	\$ (177,000)
Transfers out	(327,000)	(327,000)	(994,700)	(667,700)
Total Other Financing Sources (Uses)	\$ (150,000)	\$ (150,000)	\$ (994,700)	\$ (844,700)
Net Change in Fund Balance	\$ 429,700	\$ 429,700	\$ (745,891)	\$ (1,175,591)
Fund Balance - January 1	10,411,309	10,411,309	10,411,309	-
Fund Balance - December 31	\$ 10,841,009	\$ 10,841,009	\$ 9,665,418	\$ (1,175,591)

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Ditch, Eagle Lake Sewer, DARE, Forfeited Tax Sale, and Regional Treatment Center Special Revenue Funds; the Debt Service Fund; and the Capital Projects Fund. All annual appropriations lapse at fiscal year-end. Comparisons of estimated revenues and expenditures to actual are presented in the budgetary comparison schedules for the General Fund and the major special revenue funds.

The appropriated budget is prepared by fund, function, and department. Kandiyohi County's department heads may make transfers of appropriations within the department. Transfers of appropriations between departments require the approval of the Board of Commissioners. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level.

The Board of Commissioners did not revise the budgetary appropriations at the fund, function, or department level during the fiscal year.

Encumbrance accounting, under which commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the governmental funds. Encumbrances outstanding at year-end are reported as reserved fund balances since they do not constitute expenditures or liabilities. Encumbrances lapse at year-end and are rebudgeted the following year.

2. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2007:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 23,706,857	\$ 23,156,300	\$ 550,557
Sanitary Landfill/Recycling Center Special Revenue Fund	3,693,850	2,965,100	728,750

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes.

Capital Equipment Fund - to account for funds used to purchase capital equipment. Financing is provided by property taxes authorized by the County Board.

County Building Fund - to account for funds used for improvements to and purchases of County buildings. Financing is provided by property taxes authorized by the County Board.

Ditch Fund - to account for funds used by the various ditches. Financing is provided by special assessments.

Eagle Lake Sewer Fund - to account for funds used by the Eagle Lake sewer system. Financing is provided by special assessments.

Green Lake Sewer Fund - to account for funds used by the Green Lake sewer system. Financing is provided by special assessments and charges for services.

County Library Fund - to account for funds used by the library. Financing is provided primarily by property taxes authorized by the County Board.

DARE Fund - to account for funds used by the County to sponsor its Drug Abuse Resistance Education (DARE) program. Financing is provided by gifts and contributions from outside sources.

Health and Human Services Building Fund - to account for revenues collected from the lease of the County's Health and Human Services Building and the expenditures associated with the operation.

Forfeited Tax Sale Fund - to account for all funds received from the sale of land for forfeited taxes. Monies are held until disbursement to various entities.

Regional Treatment Center Fund - to account for revenues collected from the lease of the Regional Treatment Center Building and the expenditures associated with the operation.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2007**

	<u>Capital Equipment</u>	<u>County Building</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>
<u>Assets</u>				
Cash and pooled investments	\$ 2,259,953	\$ 3,360,859	\$ 183,221	\$ 327,596
Taxes receivable				
Prior	9,967	19,180	-	-
Special assessments receivable				
Prior	-	-	1,699	2,165
Noncurrent	-	-	398,949	124,906
Accounts receivable	-	-	298	-
Accrued interest receivable	28,194	4,779	2,013	5,189
Due from other funds	-	9,660	14,737	-
Due from other governments	-	4,830	101,059	-
Long-term receivable	-	275,333	-	-
Total Assets	<u>\$ 2,298,114</u>	<u>\$ 3,674,641</u>	<u>\$ 701,976</u>	<u>\$ 459,856</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	17,315	49,954	75
Salaries payable	-	-	-	142
Contracts payable	-	-	-	-
Due to other funds	-	252,091	9,714	-
Due to other governments	-	2,540	34,431	340
Deferred revenue - unavailable	7,887	14,975	212,050	125,616
Deferred revenue - unearned	-	-	-	-
Total Liabilities	<u>\$ 7,887</u>	<u>\$ 286,921</u>	<u>\$ 306,149</u>	<u>\$ 126,173</u>
Fund Balances				
Reserved for long-term receivable	\$ -	\$ 275,333	\$ -	\$ -
Unreserved				
Designated for unrealized gains on investments	36,459	2,326	-	-
Undesignated	2,253,768	3,110,061	395,827	333,683
Total Fund Balances	<u>\$ 2,290,227</u>	<u>\$ 3,387,720</u>	<u>\$ 395,827</u>	<u>\$ 333,683</u>
Total Liabilities and Fund Balances	<u>\$ 2,298,114</u>	<u>\$ 3,674,641</u>	<u>\$ 701,976</u>	<u>\$ 459,856</u>

Statement 1

Green Lake Sewer	County Library	DARE	Health and Human Services Building	Forfeited Tax Sale	Regional Treatment Center	Total
\$ 1,390,655	\$ 321,060	\$ 9,914	\$ 260,608	\$ 213,301	\$ -	\$ 8,327,167
-	5,238	-	2,526	-	-	36,911
4,560	-	-	-	-	-	8,424
2,163,086	-	-	-	-	-	2,686,941
5,492	-	-	-	-	-	5,790
-	-	-	-	-	-	40,175
-	2,375	-	390	-	175,000	202,162
56,646	-	1,079	9,233	-	9,659	182,506
-	-	-	-	-	-	275,333
<u>\$ 3,620,439</u>	<u>\$ 328,673</u>	<u>\$ 10,993</u>	<u>\$ 272,757</u>	<u>\$ 213,301</u>	<u>\$ 184,659</u>	<u>\$ 11,765,409</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 556,483	\$ 556,483
30,924	875	350	8,575	-	33,784	141,852
13,762	2,281	-	7,424	-	6,768	30,377
-	-	-	11,739	-	-	11,739
-	1,042	-	10,348	76	-	273,271
3,562	6,950	647	24,599	213,225	3,557	289,851
2,167,132	3,889	-	1,916	-	-	2,533,465
-	-	-	3,500	-	-	3,500
<u>\$ 2,215,380</u>	<u>\$ 15,037</u>	<u>\$ 997</u>	<u>\$ 68,101</u>	<u>\$ 213,301</u>	<u>\$ 600,592</u>	<u>\$ 3,840,538</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,333
-	-	-	-	-	-	38,785
1,405,059	313,636	9,996	204,656	-	(415,933)	7,610,753
<u>\$ 1,405,059</u>	<u>\$ 313,636</u>	<u>\$ 9,996</u>	<u>\$ 204,656</u>	<u>\$ -</u>	<u>\$ (415,933)</u>	<u>\$ 7,924,871</u>
<u>\$ 3,620,439</u>	<u>\$ 328,673</u>	<u>\$ 10,993</u>	<u>\$ 272,757</u>	<u>\$ 213,301</u>	<u>\$ 184,659</u>	<u>\$ 11,765,409</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Capital Equipment</u>	<u>County Building</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>
Revenues				
Taxes	\$ 442,858	\$ 909,063	\$ -	\$ -
Special assessments	-	-	389,236	123,616
Intergovernmental	87,641	195,528	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Gifts and contributions	-	-	-	-
Investment earnings	135,984	96,615	7,344	8,963
Miscellaneous	-	37,704	-	-
Total Revenues	\$ 666,483	\$ 1,238,910	\$ 396,580	\$ 132,579
Expenditures				
Current				
General government	\$ 136,666	\$ 340,907	\$ -	\$ -
Public safety	226,977	1,223	-	-
Highways and streets	622,191	-	-	-
Sanitation	-	-	-	131,664
Health	8,919	-	-	-
Culture and recreation	-	928,373	-	-
Conservation of natural resources	1,167	-	258,699	-
Intergovernmental				
Culture and recreation	-	-	-	-
Debt service				
Principal	-	1,906	-	-
Interest	-	417	-	-
Total Expenditures	\$ 995,920	\$ 1,272,826	\$ 258,699	\$ 131,664
Excess of Revenues Over (Under) Expenditures	\$ (329,437)	\$ (33,916)	\$ 137,881	\$ 915
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	(500,000)	-	-
Capital lease purchase	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ (500,000)	\$ -	\$ -
Special Item				
Proceeds from sale of Group Homes	\$ -	\$ 280,000	\$ -	\$ -
Net Change in Fund Balances	\$ (329,437)	\$ (253,916)	\$ 137,881	\$ 915
Fund Balances - January 1	2,619,664	3,641,636	257,946	332,768
Fund Balances - December 31	\$ 2,290,227	\$ 3,387,720	\$ 395,827	\$ 333,683

Statement 2

<u>Green Lake Sewer</u>	<u>County Library</u>	<u>DARE</u>	<u>Health and Human Services Building</u>	<u>Forfeited Tax Sale</u>	<u>Regional Treatment Center</u>	<u>Total</u>
\$ -	\$ 264,578	\$ -	\$ 134,551	\$ -	\$ -	\$ 1,751,050
1,777	-	-	-	-	-	514,629
-	130,943	-	26,588	-	-	440,700
801,262	-	-	1,292	-	-	802,554
-	-	10,491	-	-	-	10,491
-	-	1,571	-	-	-	1,571
-	-	-	-	-	-	248,906
9,467	29,340	-	562,289	4,331	392,426	1,035,557
\$ 812,506	\$ 424,861	\$ 12,062	\$ 724,720	\$ 4,331	\$ 392,426	\$ 4,805,458
\$ -	\$ -	\$ -	\$ 541,649	\$ 4,331	\$ 981,378	\$ 2,004,931
-	-	11,356	-	-	-	239,556
-	-	-	-	-	-	622,191
822,298	-	-	-	-	-	953,962
-	-	-	-	-	-	8,919
-	170,927	-	-	-	-	1,099,300
-	-	-	-	-	-	259,866
-	325,001	-	-	-	-	325,001
-	-	-	-	-	62,446	64,352
-	-	-	-	-	39,118	39,535
\$ 822,298	\$ 495,928	\$ 11,356	\$ 541,649	\$ 4,331	\$ 1,082,942	\$ 5,617,613
\$ (9,792)	\$ (71,067)	\$ 706	\$ 183,071	\$ -	\$ (690,516)	\$ (812,155)
\$ -	\$ 174,500	\$ -	\$ 500,000	\$ -	\$ -	\$ 674,500
(207,581)	-	-	(764,254)	-	-	(1,471,835)
-	-	-	-	-	175,000	175,000
\$ (207,581)	\$ 174,500	\$ -	\$ (264,254)	\$ -	\$ 175,000	\$ (622,335)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 280,000
\$ (217,373)	\$ 103,433	\$ 706	\$ (81,183)	\$ -	\$ (515,516)	\$ (1,154,490)
1,622,432	210,203	9,290	285,839	-	99,583	9,079,361
\$ 1,405,059	\$ 313,636	\$ 9,996	\$ 204,656	\$ -	\$ (415,933)	\$ 7,924,871

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 446,306	\$ 446,306	\$ 442,858	\$ (3,448)
Intergovernmental	83,194	83,194	87,641	4,447
Investment earnings	-	-	135,984	135,984
Total Revenues	\$ 529,500	\$ 529,500	\$ 666,483	\$ 136,983
Expenditures				
Current				
General government	\$ -	\$ -	\$ 136,666	\$ (136,666)
Public safety	-	-	226,977	(226,977)
Highways and streets	-	-	622,191	(622,191)
Health	-	-	8,919	(8,919)
Conservation of natural resources	-	-	1,167	(1,167)
Total Expenditures	\$ -	\$ -	\$ 995,920	\$ (995,920)
Net Change in Fund Balance	\$ 529,500	\$ 529,500	\$ (329,437)	\$ (858,937)
Fund Balance - January 1	2,619,664	2,619,664	2,619,664	-
Fund Balance - December 31	\$ 3,149,164	\$ 3,149,164	\$ 2,290,227	\$ (858,937)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 915,815	\$ 915,815	\$ 909,063	\$ (6,752)
Intergovernmental	170,685	170,685	195,528	24,843
Investment earnings	-	-	96,615	96,615
Miscellaneous	-	-	37,704	37,704
Total Revenues	\$ 1,086,500	\$ 1,086,500	\$ 1,238,910	\$ 152,410
Expenditures				
Current				
General government	\$ 132,000	\$ 132,000	\$ 340,907	\$ (208,907)
Public safety	400,000	400,000	1,223	398,777
Culture and recreation	254,500	254,500	928,373	(673,873)
Debt service				
Principal	-	-	1,906	(1,906)
Interest	-	-	417	(417)
Total Expenditures	\$ 786,500	\$ 786,500	\$ 1,272,826	\$ (486,326)
Excess of Revenues Over (Under) Expenditures	\$ 300,000	\$ 300,000	\$ (33,916)	\$ (333,916)
Other Financing Sources (Uses)				
Transfers out	(500,000)	(500,000)	(500,000)	-
Special Item				
Proceeds from sale of Group Homes	-	-	280,000	280,000
Net Change in Fund Balance	\$ (200,000)	\$ (200,000)	\$ (253,916)	\$ (53,916)
Fund Balance - January 1	3,641,636	3,641,636	3,641,636	-
Fund Balance - December 31	\$ 3,441,636	\$ 3,441,636	\$ 3,387,720	\$ (53,916)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
GREEN LAKE SEWER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ -	\$ -	\$ 1,777	\$ 1,777
Charges for services	796,550	796,550	801,262	4,712
Miscellaneous	7,100	7,100	9,467	2,367
Total Revenues	\$ 803,650	\$ 803,650	\$ 812,506	\$ 8,856
Expenditures				
Current				
Sanitation	833,250	833,250	822,298	10,952
Excess of Revenues Over (Under) Expenditures	\$ (29,600)	\$ (29,600)	\$ (9,792)	\$ 19,808
Other Financing Sources (Uses)				
Transfers out	(56,050)	(56,050)	(207,581)	(151,531)
Net Change in Fund Balance	\$ (85,650)	\$ (85,650)	\$ (217,373)	\$ (131,723)
Fund Balance - January 1	1,622,432	1,622,432	1,622,432	-
Fund Balance - December 31	\$ 1,536,782	\$ 1,536,782	\$ 1,405,059	\$ (131,723)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
COUNTY LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 266,332	\$ 266,332	\$ 264,578	\$ (1,754)
Intergovernmental	134,368	134,368	130,943	(3,425)
Miscellaneous	29,300	29,300	29,340	40
Total Revenues	\$ 430,000	\$ 430,000	\$ 424,861	\$ (5,139)
Expenditures				
Current				
Culture and recreation	\$ 174,500	\$ 174,500	\$ 170,927	\$ 3,573
Intergovernmental				
Culture and recreation	313,600	313,600	325,001	(11,401)
Total Expenditures	\$ 488,100	\$ 488,100	\$ 495,928	\$ (7,828)
Excess of Revenues Over (Under) Expenditures	\$ (58,100)	\$ (58,100)	\$ (71,067)	\$ (12,967)
Other Financing Sources (Uses)				
Transfers in	-	-	174,500	174,500
Net Change in Fund Balance	\$ (58,100)	\$ (58,100)	\$ 103,433	\$ 161,533
Fund Balance - January 1	210,203	210,203	210,203	-
Fund Balance - December 31	\$ 152,103	\$ 152,103	\$ 313,636	\$ 161,533

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 134,685	\$ 134,685	\$ 134,551	\$ (134)
Intergovernmental	25,915	25,915	26,588	673
Charges for services	-	-	1,292	1,292
Miscellaneous	575,000	575,000	562,289	(12,711)
Total Revenues	\$ 735,600	\$ 735,600	\$ 724,720	\$ (10,880)
Expenditures				
Current				
General government	473,600	473,600	541,649	(68,049)
Excess of Revenues Over (Under) Expenditures	\$ 262,000	\$ 262,000	\$ 183,071	\$ (78,929)
Other Financing Sources (Uses)				
Transfers in	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Transfers out	(762,000)	(762,000)	(764,254)	(2,254)
Total Other Financing Sources (Uses)	\$ (262,000)	\$ (262,000)	\$ (264,254)	\$ (2,254)
Net Change in Fund Balance	\$ -	\$ -	\$ (81,183)	\$ (81,183)
Fund Balance - January 1	285,839	285,839	285,839	-
Fund Balance - December 31	\$ 285,839	\$ 285,839	\$ 204,656	\$ (81,183)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

AGENCY FUNDS

Agency funds account for assets held in a custodial capacity for others and/or other funds.

Current School Fund - to account for the collection of taxes and penalties and their distribution to the various school districts.

Deed Tax Fund - to account for the collection and distribution of deed tax.

Game and Fish Fund - to account for the County sales of game and fish licenses.

Mortgage Registry Tax Fund - to account for the collection of mortgage registry tax and its distribution to the various other funds and governmental units.

Watershed District Fund - to account for collections and payments to Watershed Districts.

County-Wide Levy Fund - to account for the collection and payment of funds to the Mid-Minnesota Development Commission, Rural Development Finance Authority, and the Housing and Redevelopment Authority. Financing is provided by property taxes authorized by the County Board.

State Agency Fund - to account for the collection and distribution of various funds to the state.

Taxes and Penalties Fund - to account for the collection of taxes and penalties and their distribution to the various funds and governmental units.

Towns and Cities Fund - to account for the collections made by the County on behalf of the towns and cities and the subsequent distributions.

Kandiyohi County/City of Willmar EDC - to account for the funds collected from the Economic Development Commission.

Coordinated Enforcement Effort (CEE) VI Task Force Fund - to account for the financial and payroll affairs of the CEE VI Drug Task Force under an agreement between the County and the CEE VI Task Force.

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CURRENT SCHOOL</u>				
<u>Assets</u>				
Cash and investments	\$ 213,461	\$ 10,667,778	\$ 10,636,179	\$ 245,060
<u>Liabilities</u>				
Due to other governments	\$ 213,461	\$ 10,667,778	\$ 10,636,179	\$ 245,060
 <u>DEED TAX</u>				
<u>Assets</u>				
Cash and investments	\$ 37,784	\$ 617,442	\$ 596,937	\$ 58,289
<u>Liabilities</u>				
Due to other governments	\$ 37,784	\$ 617,442	\$ 596,937	\$ 58,289
 <u>GAME AND FISH</u>				
<u>Assets</u>				
Cash and investments	\$ 179	\$ 25,168	\$ 25,215	\$ 132
<u>Liabilities</u>				
Due to other governments	\$ 179	\$ 25,168	\$ 25,215	\$ 132

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>MORTGAGE REGISTRY TAX</u>				
<u>Assets</u>				
Cash and investments	\$ 64,119	\$ 735,135	\$ 720,739	\$ 78,515
<u>Liabilities</u>				
Due to other governments	\$ 64,119	\$ 735,135	\$ 720,739	\$ 78,515
 <u>WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and investments	\$ (33,868)	\$ 263,493	\$ 225,114	\$ 4,511
Due from other governments	37,623	-	37,623	-
Total Assets	\$ 3,755	\$ 263,493	\$ 262,737	\$ 4,511
<u>Liabilities</u>				
Due to other governments	\$ 3,755	\$ 263,493	\$ 262,737	\$ 4,511
 <u>COUNTY-WIDE LEVY</u>				
<u>Assets</u>				
Cash and investments	\$ 14,654	\$ 625,855	\$ 624,543	\$ 15,966
Taxes receivable - delinquent	965	347	965	347
Total Assets	\$ 15,619	\$ 626,202	\$ 625,508	\$ 16,313
<u>Liabilities</u>				
Due to other governments	\$ 15,619	\$ 626,202	\$ 625,508	\$ 16,313

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE AGENCY</u>				
<u>Assets</u>				
Cash and investments	\$ 148,681	\$ 13,018,115	\$ 12,941,872	\$ 224,924
Due from other governments	-	256	-	256
Total Assets	\$ 148,681	\$ 13,018,371	\$ 12,941,872	\$ 225,180
<u>Liabilities</u>				
Due to other governments	\$ 148,681	\$ 13,018,371	\$ 12,941,872	\$ 225,180
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and investments	\$ 167,093	\$ 51,925,256	\$ 51,932,342	\$ 160,007
Accrued interest receivable	2,689	3,065	2,689	3,065
Total Assets	\$ 169,782	\$ 51,928,321	\$ 51,935,031	\$ 163,072
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 17	\$ -	\$ 17
Due to other governments	169,782	51,928,304	51,935,031	163,055
Total Liabilities	\$ 169,782	\$ 51,928,321	\$ 51,935,031	\$ 163,072
 <u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and investments	\$ 176,797	\$ 143,247	\$ 176,797	\$ 143,247
<u>Liabilities</u>				
Due to other governments	\$ 176,797	\$ 143,247	\$ 176,797	\$ 143,247

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>KANDIYOHI COUNTY/CITY OF WILLMAR EDC</u>				
<u>Assets</u>				
Cash and investments	\$ 135,626	\$ -	\$ 135,626	\$ -
Due from other governments	-	4,899	-	4,899
Total Assets	<u>\$ 135,626</u>	<u>\$ 4,899</u>	<u>\$ 135,626</u>	<u>\$ 4,899</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 4,066	\$ -	\$ 4,066
Due to other governments	135,626	833	135,626	833
Total Liabilities	<u>\$ 135,626</u>	<u>\$ 4,899</u>	<u>\$ 135,626</u>	<u>\$ 4,899</u>
 <u>CEE VI TASK FORCE</u>				
<u>Assets</u>				
Cash and investments	\$ 214,697	\$ 685,072	\$ 676,063	\$ 223,706
Due from other governments	60,510	36,929	60,510	36,929
Total Assets	<u>\$ 275,207</u>	<u>\$ 722,001</u>	<u>\$ 736,573</u>	<u>\$ 260,635</u>
<u>Liabilities</u>				
Accounts payable	\$ 2,409	\$ 4,349	\$ 2,409	\$ 4,349
Due to other governments	272,798	717,652	734,164	256,286
Total Liabilities	<u>\$ 275,207</u>	<u>\$ 722,001</u>	<u>\$ 736,573</u>	<u>\$ 260,635</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,139,223	\$ 78,706,561	\$ 78,691,427	\$ 1,154,357
Taxes receivable - delinquent	965	347	965	347
Accrued interest receivable	2,689	3,065	2,689	3,065
Due from other governments	98,133	42,084	98,133	42,084
Total Assets	\$ 1,241,010	\$ 78,752,057	\$ 78,793,214	\$ 1,199,853
<u>Liabilities</u>				
Accounts payable	\$ 2,409	\$ 8,432	\$ 2,409	\$ 8,432
Due to other governments	1,238,601	78,743,625	78,790,805	1,191,421
Total Liabilities	\$ 1,241,010	\$ 78,752,057	\$ 78,793,214	\$ 1,199,853

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OTHER SCHEDULES

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 10

TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS

	2006		2007		2008	
	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)
Tax Capacity						
Real property	\$ 32,502,347		\$ 37,086,911		\$ 41,187,890	
Personal property	817,164		771,637		768,161	
Less: tax increment	(324,070)		(358,550)		(300,241)	
Net Tax Capacity	\$ 32,995,441		\$ 37,499,998		\$ 41,655,810	
Taxes Levied for County Purposes						
General	\$ 10,615,000	29.358	\$ 11,709,850	28.849	\$ 11,753,050	26.118
Road and Bridge	3,200,000	8.851	3,658,000	9.012	3,840,000	8.534
Human Services	5,599,700	15.488	5,870,600	14.464	5,950,600	13.224
Health and Human Services	140,350	0.389	160,600	0.396	214,700	0.478
County Building	1,332,500	3.686	1,086,500	2.677	1,413,500	3.142
County Library*	278,000	1.092	313,600	1.097	332,800	1.044
Building Bonds Sinking	1,508,200	4.168	1,506,000	3.686	1,639,300	3.619
Capital Equipment	816,600	2.259	529,500	1.305	708,000	1.574
Kandiyohi Area Transit	9,000	0.028	9,000	0.025	9,000	0.022
Total Levy for County Purposes	\$ 23,499,350	65.319	\$ 24,843,650	61.511	\$ 25,860,950	57.755
Less Aids Payable by State**	(2,073,713)		(2,043,341)		(2,084,034)	
Net Levy for County Purposes	\$ 21,425,637		\$ 22,800,309		\$ 23,776,916	
Tax Capacity - Light and Power						
Assessed at 43%	\$ 21,760		\$ 23,200		\$ 21,408	
Assessed at 5%	2,637		2,774		2,635	
Total Tax Capacity - Light and Power	\$ 24,397		\$ 25,974		\$ 24,043	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)						
Assessed at 43%	\$ 24,021	110.393	\$ 24,446	105.374	\$ 21,212	99.087
Assessed at 5%	2,911	110.393	2,923	105.374	2,610	99.087
Total Light and Power Tax Levies	\$ 26,932		\$ 27,369		\$ 23,822	

*Levies not applicable to properties within the City of Willmar.

**2008 aids payable by state are estimated.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

***Schedule 10
(Continued)***

TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS

	<u>2006</u>		<u>2007</u>		<u>2008</u>	
	<u>Amount</u>	<u>Net Tax Capacity Rates (%)</u>	<u>Amount</u>	<u>Net Tax Capacity Rates (%)</u>	<u>Amount</u>	<u>Net Tax Capacity Rates (%)</u>
Special Assessments						
Ditch liens and assessments	<u>\$ 77,419</u>		<u>\$ 75,401</u>		<u>\$ 129,208</u>	
Sewer systems liens and assessments	<u>\$ 1,320,734</u>		<u>\$ 1,312,166</u>		<u>\$ 1,282,091</u>	
Sanitary landfill liens and assessments	<u>\$ 864,838</u>		<u>\$ 874,260</u>		<u>\$ 899,739</u>	
Percentage of Collections for All Purposes	98.51%		98.53%			

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 11

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2007**

	<u>Maturities</u>	<u>Rates</u>	<u>Amount</u>
Pooled Deposits and Investments			
Checking accounts			
Bremer Bank of Willmar		0.45%	\$ 299,396
US Bank of Willmar		3.00%	159,597
Total checking accounts			\$ 458,993
Savings accounts			
Atwater State Bank		3.01%	\$ 12,259
North American State Bank		4.15%	508,026
Citizens State Bank - Lake Lillian		0.85%	87,461
United Minnesota Bank		1.00%	28,626
Home State Bank		0.30%	39,720
Lake Region Bank - New London		0.40%	11,270
Prinsburg State Bank		0.91%	35,769
Concorde Bank		0.79%	78,083
United Prairie Bank		0.50%	16,575
Lake Region Bank - Willmar		4.83%	4,941,511
Total savings accounts			\$ 5,759,300
Money market account			
Wells Fargo		4.38%	\$ 8,169,974
Certificates of deposit			
Bank of the West of Worthington	February 21, 2008	4.61%	\$ 2,000,000
Repurchase agreement			
Bremer Bank of Willmar		3.29%	\$ 5,705,298
U.S. government securities			
Morgan Keegan	December 6, 2012	5.00%	\$ 500,315
Morgan Keegan	January 20, 2009	4.10%	699,783
Total U.S. government securities			\$ 1,200,098
MAGIC Fund			
Cadre Financial Services		Various	\$ 2,412,442
Total pooled deposits and investments			\$ 25,706,105

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

***Schedule 11
(Continued)***

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2007**

	<u>Maturities</u>	<u>Rates</u>	<u>Amount</u>
Fund Deposits and Investments			
General Fund			
Certificates of deposit			
Atwater State Bank	January 10, 2008	4.27%	\$ 100,000
Heritage Bank of Willmar	April 30, 2008	0.75%	115,000
Home State Bank - Willmar	July 16, 2009	1.75%	200,000
Bremer Bank	Various	4.80% to 5.20%	<u>36,407</u>
Total certificates of deposit			\$ 451,407
Money market account			
Charles Schwab Institutional			<u>\$ 9,815</u>
U.S. government securities			
Charles Schwab & Co., Inc.	April 11, 2008	5.25%	\$ 1,728,892
Morgan Keegan	Various	3.30% to 6.00%	<u>2,812,062</u>
Total U.S. government securities			\$ 4,540,954
Total General Fund			\$ 5,002,176
Road and Bridge Special Revenue Fund			
Certificates of deposit			
Concorde Bank	March 24, 2008	3.75%	<u>\$ 100,000</u>
U.S. government securities			
Charles Schwab & Co., Inc.	February 28, 2011	5.55%	\$ 501,046
Morgan Keegan	Various	3.35% to 6.00%	<u>310,918</u>
Total U.S. government securities			\$ 811,964
Total Road and Bridge Special Revenue Fund			\$ 911,964
County Building Special Revenue Fund			
U.S. government securities			
Morgan Keegan	June 30, 2009	2.00%	\$ 150,234
Charles Schwab & Co., Inc.	February 28, 2011	5.55%	<u>1,002,092</u>
Total U.S. government securities			\$ 1,152,326

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 11
(Continued)

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2007**

	<u>Maturities</u>	<u>Rates</u>	<u>Amount</u>
Fund Deposits and Investments (Continued)			
Capital Equipment Special Revenue Fund			
U.S. government securities			
Charles Schwab & Co., Inc.	Various	5.00%	<u>\$ 2,036,459</u>
Ditch Special Revenue Fund			
Certificates of deposit			
United Prairie Bank	March 20, 2008	4.06%	<u>\$ 175,000</u>
Eagle Lake Sewer Special Revenue Fund			
Certificates of deposit			
Bremer Bank of Willmar	August 11, 2008	5.20%	\$ 50,000
United Prairie Bank	April 9, 2008	4.75%	<u>125,000</u>
Total Eagle Lake Sewer Special Revenue Fund			<u>\$ 175,000</u>
Sanitary Landfill/Recycling Center Special Revenue Fund			
U.S. government securities			
Charles Schwab & Co., Inc.	Various	5.00% to 6.00%	\$ 7,088,771
Morgan Keegan	Various	3.28% to 5.67%	1,876,443
Prudential Securities	May 22, 2013	4.00%	<u>248,055</u>
Total Sanitary Landfill/Recycling Center Special Revenue Fund			<u>\$ 9,213,269</u>
County Cemetery Investment Trust Fund			
Certificates of deposit			
Bremer Bank of Willmar	March 28, 2008	4.60%	<u>\$ 25,000</u>
Taxes and Penalties Agency Fund			
Certificates of deposit			
Bremer Bank of Willmar	Various	4.25% to 5.20%	<u>\$ 112,400</u>
Total fund deposits and investments			<u>\$ 18,803,594</u>
Total Deposits and Investments			<u>\$ 44,509,699</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2007**

	Assets					
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable		Receivables	Due from Other Funds
			Delinquent	Deferred		
County Ditches						
#7	\$ 1,325	\$ -	\$ -	\$ -	\$ -	\$ -
#7 Rep D	7,651	-	-	-	-	-
#8	(21,026)	-	-	27,408	-	174
#8A	1,301	-	-	-	-	-
#8 Lat A	593	-	-	-	-	-
#8 Lat B	20	-	-	-	-	-
#9	2,506	-	-	-	-	-
#9 Lat 1 Br A	23,055	-	-	-	-	-
#10 Impr C	(878)	-	-	4,140	36	651
#12	518	-	-	-	-	-
#15	(1,555)	-	-	1,856	-	-
#16A	(10,688)	-	-	9,905	-	1,113
#18A	1,197	-	1	-	-	-
#19	(13,543)	-	-	22,018	2	149
#20	1,726	-	-	-	-	-
#23A	959	-	-	-	-	-
#23A, Main & Br 1 Relocate	(23,597)	-	-	-	-	-
#24A	(45,265)	-	-	19,574	4	2,200
#24A Lat G	539	-	-	-	-	-
#24A Lat H	544	-	-	-	-	-
#24A Lat H-1	642	-	-	-	-	-
#24A Lat J	1,420	-	-	-	-	-
#26	885	-	-	-	-	-
#27	(29,669)	-	-	12,438	-	176
#28	87,215	-	-	-	-	-
#28 Impr Br 7	2,513	-	-	-	-	-
#28 Lat A Br 4	7,678	-	-	-	-	-
#28 Impr Br 5	119	-	-	-	-	-
#29	2,628	-	-	-	-	-
#31 Impr	137,160	126,438	-	-	-	-
#31 Lat A of Br 10 of Lat 10	633	-	-	-	-	-
#31 Lat A of Br 2 of Lat 10	12,870	-	-	-	-	-
#34	203	-	6	-	-	-
#37	1,432	-	388	-	-	-
#38	(9,979)	-	-	6,784	-	60
#40	120	-	-	2,184	-	25
#42	155	-	-	-	-	-
#43	45	-	-	45	-	-
#45	191	-	-	-	-	-
#46	(3,128)	-	-	1,916	20	108
#47	1,944	-	-	-	-	-
#48	1,743	-	-	-	-	-
#50	901	-	-	-	-	-
#51	(2,343)	-	-	5,407	-	60
#51 Lat A-1	1,471	-	5	-	-	-
#52	(11,413)	-	-	15,180	-	751

Schedule 12

	Due from Other Governments	Total Assets	Liabilities				Fund Balances - Unreserved Undesignated	Total Liabilities and Fund Balances
			Payables	Due to Other Funds	Deferred Revenue	Total Liabilities		
\$	-	\$ 1,325	\$ -	\$ -	\$ -	\$ -	\$ 1,325	\$ 1,325
	-	7,651	-	-	-	-	7,651	7,651
	899	7,455	351	-	5,473	5,824	1,631	7,455
	-	1,301	-	-	-	-	1,301	1,301
	-	593	-	-	-	-	593	593
	-	20	-	-	-	-	20	20
	-	2,506	-	100	-	100	2,406	2,506
	-	23,055	-	-	-	-	23,055	23,055
	4,100	8,049	4,227	-	1,076	5,303	2,746	8,049
	-	518	-	-	-	-	518	518
	-	301	-	-	919	919	(618)	301
	1,739	2,069	3,405	-	4,519	7,924	(5,855)	2,069
	-	1,198	-	-	1	1	1,197	1,198
	516	9,142	139	4,500	8,391	13,030	(3,888)	9,142
	-	1,726	-	-	-	-	1,726	1,726
	-	959	540	100	-	640	319	959
	-	(23,597)	-	-	-	-	(23,597)	(23,597)
	5,650	(17,837)	1,946	-	8,684	10,630	(28,467)	(17,837)
	-	539	-	-	-	-	539	539
	-	544	-	-	-	-	544	544
	-	642	270	-	-	270	372	642
	-	1,420	-	-	-	-	1,420	1,420
	-	885	-	-	-	-	885	885
	84	(16,971)	-	-	2,117	2,117	(19,088)	(16,971)
	-	87,215	-	-	-	-	87,215	87,215
	-	2,513	-	-	-	-	2,513	2,513
	-	7,678	-	-	-	-	7,678	7,678
	-	119	-	-	-	-	119	119
	-	2,628	-	-	-	-	2,628	2,628
	-	263,598	13,841	150	-	13,991	249,607	263,598
	-	633	216	-	-	216	417	633
	-	12,870	46	-	-	46	12,824	12,870
	-	209	-	-	6	6	203	209
	-	1,820	-	963	388	1,351	469	1,820
	90	(3,045)	-	-	1,226	1,226	(4,271)	(3,045)
	76	2,405	4,020	-	106	4,126	(1,721)	2,405
	-	155	-	-	-	-	155	155
	-	90	-	-	-	-	90	90
	-	191	-	-	-	-	191	191
	10,083	8,999	810	100	655	1,565	7,434	8,999
	-	1,944	2,046	-	-	2,046	(102)	1,944
	-	1,743	-	-	-	-	1,743	1,743
	-	901	-	-	-	-	901	901
	96	3,220	1,911	-	2,177	4,088	(868)	3,220
	-	1,476	-	-	5	5	1,471	1,476
	486	5,004	1,932	-	8,325	10,257	(5,253)	5,004

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2007**

	Assets					Due from Other Funds
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable		Receivables	
			Delinquent	Deferred		
County Ditches (Continued)						
#54	487	-	-	-	-	-
#54 Impr	26,867	-	-	-	-	-
#55	1,595	-	726	-	-	-
#56 Outlet	831	-	-	-	-	-
#58	1,346	-	-	-	4	-
#60	1,661	-	-	-	-	-
#61	743	-	-	-	-	-
#62	2,685	-	-	-	-	-
#63	1,536	-	-	-	-	-
#64	(5,766)	-	-	10,306	-	338
#65	956	-	-	2,487	-	-
State Ditch						
#1 Impr Div 2	49	-	-	-	-	-
Judicial Ditches						
#1 M & K	(65,207)	-	-	72,119	-	1,225
#1 Lat A, M & K	703	-	-	-	-	-
#1 Lat M & K	(34,283)	-	-	91,367	-	-
#1 Lat B, M & K	5,282	-	-	-	-	-
#1 Lat A of Lat B, M & K	4,508	-	-	-	-	-
#1 Br 4 of Lat B, M & K	1,744	-	-	-	-	-
#1 Lat C, M & K	338	-	-	-	-	-
#1 Lat D, M & K	597	-	-	-	-	-
#1 Lat E, M & K	1,093	-	-	-	-	-
#1 Br 2 of Lat F, M & K	5,964	-	22	-	-	-
#1 Lat G, M & K	(8,476)	-	-	4,034	-	-
#2 R & K	(23,899)	-	-	15,688	-	385
#2 Lat 3, R & K	(1,513)	-	-	2,116	-	38
#2 Lat 4, R & K	(4,353)	-	-	4,310	-	553
#2 Lat A of Lat 4, R & K	452	-	-	-	-	-
#2 Lat 5, R & K	(4,917)	-	-	5,143	-	992
#2 Lat 7, R & K	78	-	-	-	-	-
#2 Lat 8, R & K	959	-	-	-	-	-
#2 C & K	418	-	-	-	-	-
#2 St & K	211	-	-	-	-	-
#3 K & C	(3,522)	-	-	-	-	-
#3 Lat B, K & C	926	-	-	-	-	-
#3 Lat A of Lat B, K & C	1,760	-	-	-	-	-
#3 Lat C, C & K	180	-	-	-	-	-
#3 Lat D, C & K	35,411	50,575	-	-	-	-
#3 Impr Br 5 & 6, C & K	2,698	-	-	-	-	-
#3 Impr Br 7 & 8, C & K	753	-	-	-	-	-
#3 Impr Br 9, C & K	1,856	-	-	-	-	-
#3 Impr Br 10, C & K	199	-	-	-	-	-
#3 Br 10 of Lat A, C & K	546	-	-	-	-	-

Schedule 12
(Continued)

Due from Other Governments	Total Assets	Liabilities				Fund Balances - Unreserved Undesignated	Total Liabilities and Fund Balances
		Payables	Due to Other Funds	Deferred Revenue	Total Liabilities		
-	487	-	-	-	-	487	487
-	26,867	-	-	-	-	26,867	26,867
-	2,321	-	-	726	726	1,595	2,321
-	831	-	-	-	-	831	831
-	1,350	-	-	-	-	1,350	1,350
-	1,661	-	-	-	-	1,661	1,661
-	743	158	-	-	158	585	743
-	2,685	-	-	-	-	2,685	2,685
-	1,536	-	-	-	-	1,536	1,536
144	5,022	2,436	1,870	5,130	9,436	(4,414)	5,022
22	3,465	56	1,127	-	1,183	2,282	3,465
-	49	-	-	-	-	49	49
20,178	28,315	-	254	30,353	30,607	(2,292)	28,315
-	703	-	-	-	-	703	703
-	57,084	-	-	91,367	91,367	(34,283)	57,084
-	5,282	-	-	-	-	5,282	5,282
-	4,508	-	-	-	-	4,508	4,508
-	1,744	-	-	-	-	1,744	1,744
-	338	-	-	-	-	338	338
-	597	-	-	-	-	597	597
-	1,093	-	-	-	-	1,093	1,093
-	5,986	-	-	-	-	5,986	5,986
-	(4,442)	-	-	-	-	(4,442)	(4,442)
1,746	(6,080)	5,102	-	10,201	15,303	(21,383)	(6,080)
181	822	-	-	885	885	(63)	822
188	698	-	-	1,271	1,271	(573)	698
-	452	-	-	-	-	452	452
26	1,244	-	-	3,320	3,320	(2,076)	1,244
-	78	-	-	-	-	78	78
-	959	-	-	-	-	959	959
-	418	-	-	-	-	418	418
-	211	-	-	-	-	211	211
-	(3,522)	-	-	-	-	(3,522)	(3,522)
-	926	955	-	-	955	(29)	926
-	1,760	3,479	-	-	3,479	(1,719)	1,760
-	180	1,252	-	-	1,252	(1,072)	180
45	86,031	2,172	-	-	2,172	83,859	86,031
-	2,698	994	-	-	994	1,704	2,698
-	753	-	-	-	-	753	753
-	1,856	-	-	-	-	1,856	1,856
-	199	-	-	-	-	199	199
-	546	-	-	-	-	546	546

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2007**

	Assets					Due from Other Funds
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable		Receivables	
			Delinquent	Deferred		
Judicial Ditches (Continued)						
#3 St & K	328	-	-	978	-	-
#3 Rep A, St & K	2,047	-	-	-	-	-
#7 C, K & R (& Rep F)	(57,004)	-	4	30,438	216	3,649
#7 Lat A, C, K & R	3,425	-	-	-	-	-
#7 Lat B, C, K & R	2,824	-	-	-	-	-
#7 Lat E, C, K & R	956	-	4	-	-	-
#10 R & K	125	-	-	-	-	-
#11 K & M	(70)	-	472	-	-	-
#16 R & K	(39,820)	-	-	21,380	-	1,320
#17 M & K	(5,472)	-	-	4,797	3	541
#17 Rep A, M & K	4,475	-	-	-	-	-
#17 Br 4 of Lat A, M & K	545	-	-	-	-	-
#17 Br 4 of Lat B, M & K	7,192	-	-	-	-	-
#18 Sw, K & C	(298)	-	13	713	13	77
#18 M & K	403	-	-	-	-	-
#18 Lat A, M & K	5,894	-	-	-	-	-
#18 Lat C, M & K	(2,301)	-	-	3,996	-	152
#19 Sw & K	(101)	-	-	222	-	-
#21 R, C & K	435	-	-	-	-	-
#21 Sw, K & C	217	-	58	-	-	-
#29 Rep B, R, M & K	107	-	-	-	-	-
Total	\$ 8,221	\$ 177,013	\$ 1,699	\$ 398,949	\$ 298	\$ 14,737

Schedule 12
(Continued)

Due from Other Governments	Total Assets	Liabilities				Fund Balances - Unreserved Undesignated	Total Liabilities and Fund Balances
		Payables	Due to Other Funds	Deferred Revenue	Total Liabilities		
667	1,973	-	550	222	772	1,201	1,973
-	2,047	-	-	-	-	2,047	2,047
38,653	15,956	1,647	-	11,788	13,435	2,521	15,956
108	3,533	3,610	-	-	3,610	(77)	3,533
-	2,824	-	-	-	-	2,824	2,824
-	960	-	-	4	4	956	960
-	125	-	-	-	-	125	125
17	419	-	-	-	-	419	419
9,034	(8,086)	25,334	-	9,921	35,255	(43,341)	(8,086)
6,079	5,948	92	-	1,409	1,501	4,447	5,948
-	4,475	-	-	-	-	4,475	4,475
-	545	-	-	-	-	545	545
-	7,192	-	-	-	-	7,192	7,192
96	614	461	-	271	732	(118)	614
-	403	-	-	-	-	403	403
-	5,894	120	-	-	120	5,774	5,894
56	1,903	506	-	975	1,481	422	1,903
-	121	-	-	81	81	40	121
-	435	-	-	-	-	435	435
-	275	-	-	58	58	217	275
-	107	311	-	-	311	(204)	107
\$ 101,059	\$ 701,976	\$ 84,385	\$ 9,714	\$ 212,050	\$ 306,149	\$ 395,827	\$ 701,976

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 13

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Total Primary Government	Housing and Redevelopment Authority Component Unit
Shared Revenue		
State		
Highway users tax	\$ 5,589,405	\$ -
County program aid	2,043,340	-
Market value credit	1,834,347	-
PERA rate reimbursement	73,608	-
Disparity reduction aid	20,929	-
Police aid	207,852	-
State financing revenue	139,508	-
Enhanced 911	125,541	-
	\$ 10,034,530	\$ -
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 3,960,703	\$ -
	\$ 3,960,703	\$ -
Payments		
Local		
Payments in lieu of taxes	\$ 337,843	\$ -
Other	1,086	-
	\$ 338,929	\$ -
Grants		
State		
Minnesota Department/Board of		
Administration	\$ 900,000	\$ -
Education	645,231	-
Corrections	326,024	-
Public Safety	16,765	-
Health	497,999	-
Natural Resources	25,556	-
Human Services	1,333,751	-
Veterans Affairs	5,000	-
Water and Soil Resources	5,114	-
Office of Environmental Assistance	98,890	-
	\$ 3,854,330	\$ -

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 13
(Continued)

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Total Primary Government	Housing and Redevelopment Authority Component Unit
Grants (Continued)		
Federal		
Department of		
Agriculture	\$ 283,240	\$ -
Housing and Urban Development	-	1,186,400
Transportation	1,233,425	-
Health and Human Services	2,019,720	-
Homeland Security	51,491	-
Total Federal	\$ 3,587,876	\$ 1,186,400
Total State and Federal Grants	\$ 7,442,206	\$ 1,186,400
Total Intergovernmental Revenue	\$ 21,776,368	\$ 1,186,400

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 14

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Kandiyohi County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Kandiyohi County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Kandiyohi County were disclosed during the audit.
- D. A significant deficiency relating to the audit of the major federal award programs is reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133." The significant deficiency is a material weakness.
- E. The Auditor's Report on Compliance for the major federal award programs for Kandiyohi County expresses an unqualified opinion.
- F. A finding relative to a major federal award program for Kandiyohi County was reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- | | |
|---|--------------|
| Highway Planning and Construction | CFDA #20.205 |
| Capitalization Grants for Clean Water | |
| State Revolving Funds | CFDA #66.458 |
| Temporary Assistance for Needy Families | CFDA #93.558 |
| Social Services Block Grant Title XX | CFDA #93.667 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Kandiyohi County was not determined to be a low-risk auditee.

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-8 Departmental Internal Accounting Control

Due to the limited number of office personnel within several County offices, segregation of accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Kandiyohi County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting control point of view.

Control procedures which the County should consider include management's determination that:

- employees are submitting financial reports currently,
- financial records are maintained currently, and
- financial reports to the County Auditor/Treasurer and other governmental units are being reviewed for reasonableness and that they agree with cash.

We recommend Kandiyohi County's management be aware of the lack of segregation of the accounting functions and implement oversight procedures and monitor those procedures and internal controls to determine that they are effective.

Client's Response:

The County is aware of the lack of segregation of accounting functions in several County offices because of limited office personnel. The County Auditor/Treasurer will continually oversee procedures to ensure that the internal control structure policies and procedures are implemented.

06-1 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls even if management subsequently corrects the misstatement.

During our audit, we identified the following material audit adjustments:

- Contracts payable and related expenditures were increased by \$188,300 in the Capital Projects Fund.
- Additional deferred revenue - unavailable related to special assessments receivable was recognized in the General Fund for \$340,570; in the Debt Service Fund for \$496,422; in the Ditch Special Revenue Fund for \$117,714; in the Green Lake Sewer Special Revenue Fund for \$2,150,246; and in the Eagle Lake Sewer Special Revenue Fund for \$124,906.
- A reduction was made of a note payable in the Regional Treatment Center Special Revenue Fund for \$870,000.
- An amount due from the Capital Projects Fund to the Regional Treatment Center Special Revenue Fund of \$175,000 was recorded.
- A long-term receivable and related special item was recognized for \$275,333 in the County Building Special Revenue Fund.
- An amount due from other governments and related intergovernmental revenue of \$96,848 in the Road and Bridge Special Revenue Fund was recorded.
- Audit adjustments were also necessary to adjust modified accrual financial statements to the accrual basis for the government-wide financial statements.

Proposed audit adjustments were reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

We recommend that the County establish internal controls for determining all necessary entries required to convert the account activity, which is recorded on the cash basis, to the modified accrual basis, for financial statement purposes, in accordance with generally accepted accounting principles (GAAP).

Client's Response:

Kandiyohi County will continue to implement internal controls for making all necessary entries required to convert the account activity, which is recorded on the cash basis, to the modified accrual basis, for financial statement purposes, in accordance with GAAP.

ITEMS ARISING THIS YEAR

07-1 Accounting Policies and Procedures Manual

The County does not have a current and comprehensive accounting policies and procedures manual. All governments should document their accounting policies and procedures. Although other methods are acceptable, this documentation is traditionally in the form of an accounting policies and procedures manual which documents the County's internal control system.

An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. It can also help to prevent deterioration of key elements in the County's internal control system and can help to avoid circumvention of County policies.

We recommend the County establish a comprehensive accounting policies and procedures manual. The manual should be prepared by appropriate levels of management and be approved by the County Board to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support for controls.

Client's Response:

Kandiyohi County's Auditor/Treasurer's department in conjunction with management from various County departments is in the process of establishing a comprehensive accounting policies and procedures manual.

07-2 Journal Entries

Journal entries are made on the general ledger system by the County Auditor/Treasurer, the Assistant County Auditor, and the Human Services Fiscal Supervisor. The journal entries made by these employees are not reviewed or approved by anyone else.

The ability to make journal entries on the general ledger system is a powerful function. It allows those employees with access to the journal entry function to make changes to general ledger accounts.

To prevent abuse of this function, we recommend a procedure be established to require review and approval of journal entries by someone other than the person making the journal entries. This approval could be documented by signature on a journal entry form or a printed copy of the journal entry made. There should be supporting documentation attached to the journal entry or sufficient explanation on the journal entry to explain why the journal entry is being made and who is making the journal entry. Journal entries should be filed in a manner which allows for their review should questions arise. A report should be generated that lists all journal entries made to the general ledger system, and this report should be reviewed periodically by the person charged with review and approval of journal entries. Review of this report would be to ensure that no journal entries have been made which have not been submitted for review and approval.

Client's Response:

Kandiyohi County will establish procedures to have journal entries reviewed and approved by more than one person.

07-3 Jail Inmate Account Bank Reconciliation

The Kandiyohi County jail has been unable to successfully identify the total cash balance as stated on TEAM, its inmate account tracking system. TEAM is accounting software purchased from TW Vending's TurnKey Corrections. Since the total amount of cash cannot be identified, jail personnel have been unable to reconcile the amount in the checking account to the bank statement.

Without bank reconciliations, the County has no assurance that the book balance is accurately stated. Bank reconciliations would provide evidence that all funds received and disbursed have been correctly recorded and processed through the bank account.

We recommend that County jail personnel contact the vendor to obtain the support and training necessary to accurately identify the TEAM cash balance. The jail checking account should then be reconciled to the bank statement on a monthly basis.

Client's Response:

Kandiyohi County jail personnel will contact TW Vending's TurnKey Corrections for software support and training to accurately identify the TEAM total cash balance.

07-4 Annual Adopted Budget and Budget Policy

The County Board adopts a summarized budget at the fund level. As a result, the detailed estimated revenue source by fund and the budgeted expenditure by fund, function, and departments, are not always clearly documented. Some funds do not have an adopted budget. In addition, the Board has not developed a budget policy for management's administration of the County budget.

We noted in our review that the Board-approved revenue and expenditure budgets did not agree with the recorded budget in the County's general ledger for the General Fund and the Road and Bridge Special Revenue Fund.

We recommend that the County Board adopt and record in its minutes fund budgets by major revenue source and expenditures by function and department for each of the operational funds. After adoption, someone independent of the budget process should enter the original budget and budget amendments to the general ledger. We also recommend that the County Board develop and adopt budget policy and procedures to include the following elements:

- which funds require budgets,
- the legal level of budgetary control,
- when budgets can be modified by management and when budget modifications require Board approval,
- the budgetary basis on which the budget is adopted, and
- procedures for monitoring the budget.

Client's Response:

Kandiyohi County's administration will continue to work on budget policy and procedures, spelling out which funds require budgets, when budget modifications require Board approval, and procedures for monitoring the budget.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL

ITEM ARISING THIS YEAR

07-5 Identification of Federal Awards - Capitalization Grants for Clean Water State Revolving Funds Program - CFDA #66.458

The U.S. Environmental Protection Agency makes grants to states under its Capitalization Grants for Clean Water State Revolving Funds Program - CFDA #66.458. These grants provide a long-term source of funding for construction of wastewater treatment facilities and implementation of other water quality management activities. Such grants are deposited in a state's revolving loan fund and are used to provide loans and other types of financial assistance to eligible public water systems. The states are the direct recipients of the federal grants, which are then passed through to other entities in the form of loans.

Under an agreement with the Minnesota Public Facilities Authority (the PFA), Kandiyohi County and the Green Lake Sanitary Sewer and Water District were loaned funds from the PFA's Water Pollution Control Revolving Fund for the purpose of funding eligible project costs of a wastewater treatment project. The PFA disbursed the loaned funds to the County on a cost-reimbursement basis, and the County recorded the amounts received as loans issued in the Capital Projects Fund. For the year ended December 31, 2006, the County expended \$2,802,305 for eligible project expenditures.

Shortly after its receipt and examination of the County's 2006 audited financial statements, the PFA contacted the County to point out that the wastewater project expenditures were not identified as a federal award and included on the County's 2006 Schedule of Expenditures of Federal Awards. Consequently, these funds were not subject to audit for compliance with the compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*. Unfortunately, the County did not take immediate note that such project expenditures incurred in 2007 should also be identified as federal award expenditures. The project

expenditures were finally identified as federal award expenditures when the audit of the County's 2007 financial statements was essentially complete. For the year ended December 31, 2007, the County expended \$959,571 for eligible program expenditures.

OMB Circular A-133 Subpart C § .300 indicates auditee responsibilities, which include identifying all federal awards received and expended and the federal programs under which they were received and preparing appropriate financial statements, including the Schedule of Expenditures of Federal Awards. The County did not meet this responsibility in regard to the federal awards program for CFDA #66.458.

To mitigate the fact that the County's 2006 project expenditures had not been subject to audit for 2006 with the compliance requirements described in OMB Circular A-133 prior to concluding the County's 2007 audit, we audited project expenditures incurred during both years 2006 and 2007.

We recommend that the County develop policies and procedures addressing its responsibility to properly and, in a timely manner, identify all federal awards received and expended and the federal programs under which they were received. Furthermore, the County must prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards.

Corrective Action Plan:

Contact Person Responsible for Corrective Action:

Assistant County Auditor/Treasurer Mark Thompson will be responsible for implementing policies and procedures to identify all federal awards received and expended along with the federal programs under which they were received.

Corrective Action Planned:

Beginning in 2009, Mark Thompson will be notified whenever the County Board approves acceptance of a federal award/grant. Notification will come from Auditor staff when the Board meeting minutes are being proofed for publication. At that time the awarded department will be contacted and the department head instructed to complete a Schedule of Expenditures of Federal Awards. Information recorded would be the Federal Grantor/Pass Through Agency, Program Title, Federal CFDA Number, Expenditure Amount, Date of Expenditure and any other applicable identifying data. Also, at year end a federal award/grant received list will be sent to the applicable department for verification.

Anticipated Completion Date:

Beginning in 2009.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Cash Overdrafts

At December 31, 2007, the Regional Treatment Center Special Revenue Fund had a cash overdraft of \$556,483. The Green Lake Sewer Capital Projects Fund, which is included in the Capital Projects Fund for reporting purposes, had a cash overdraft of \$76,305 at December 31, 2007. Also, the Self-Insurance Fund, which is included in the General Fund for reporting purposes, had a cash overdraft of \$16,609 at December 31, 2007.

Minn. Stat. §§ 385.31 and 385.32 provide that, if cash balances in the funds are insufficient, warrants are to be registered or funds borrowed from another fund with sufficient cash.

We recommend the County not make disbursements that cause a cash overdraft in a fund. We further recommend that, if appropriate, the County avail itself of one of the options provided by Minnesota statutes to avoid cash overdrafts.

Client's Response:

The Kandiyohi County Board of Commissioners will review the status of the Regional Treatment Center Special Revenue Fund and if necessary an inter-fund transfer will be made in December 2008. A Bond issue in June 2008 of \$6,100,000 General Obligation Bonds, Series 2008A was receipted in the Green Lake Sewer Capital Projects Fund. Employee and employer benefits will be adjusted in 2008 to cover premium shortages in 2007 which caused a cash overdraft in the Self-Insurance Fund.

96-3 Individual Ditch System Cash Deficits

On December 31, 2007, 28 of the 109 individual ditch systems had deficit cash balances totaling \$430,086. Minn. Stat. § 385.31 permits the payment of expenditures provided there is money in that fund for that purpose. It also provides that warrants are to be registered if a specific fund has insufficient funds to pay for expenditures incurred against it. Minn. Stat. § 103E.655, subd. 2, allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures against it. Any such loans must be repaid with interest. Allowing any ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from funds of the County and, as such, is in noncompliance with Minnesota law.

We recommend the County eliminate these deficits in individual ditch systems by borrowing from an eligible fund with a surplus cash balance.

Client's Response:

In 2008, one-year ditch repair liens were levied.

ITEMS ARISING THIS YEAR

07-6 Insufficient Collateral to Secure Deposits

At December 31, 2007, deposits with the Home State Bank exceeded the amount of federal deposit insurance and collateral pledged by \$11,816. Minn. Stat. § 118A.03, subd. 3, set forth the requirement that, “[t]he total amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution’s banking day.” Even though collateral was pledged at December 31, 2007, the collateral pledged by Home State Bank was insufficient to comply with the statute.

We recommend that the County Auditor/Treasurer monitor deposits and the market values of pledged collateral in designated depositories to ensure that County funds are fully protected at all times as required by Minn. Stat. § 118A.03.

Client's Response:

The County Auditor/Treasurer will monitor pledged collateral of all financial institutions in which the County has deposited funds to ensure that these funds are fully protected at all times.

07-7

Vehicle Expense Reimbursement

The Public Works Director receives a monthly vehicle allowance of \$800 to cover the cost of the use of his personal vehicle on official County business. Our review of travel expenses showed that, in addition, he received a 48.5 cents per mile reimbursement for out-of-town travel.

Minn. Stat. § 471.665 authorizes public entities to compensate or reimburse their employees for use of personal vehicles on official business. It allows governing bodies to set a mileage allowance or to pay a "monthly or periodic allowance" in lieu of the mileage allowance. Since one allowance is "in lieu of" the other, public entities can pay either, but not both.

We recommend the County Board review its policy for the reimbursement of expenses for personal vehicle use and make appropriate revisions to comply with Minnesota statutes.

Client's Response:

The County Board will comply with Minnesota statutes regarding reimbursement for the employees' use of personal vehicles on official business.

07-8

Prompt Payment of Invoices

Minn. Stat. § 471.425 requires the County to make payment on vendor invoices according to the terms of the contract or within 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later. Three of 16 vouchers tested during our audit had invoices not paid within the 35-day time period required by the statute.

We recommend the County make payments on vendor invoices in accordance with Minn. Stat. § 471.425.

Client's Response:

Kandiyohi County's policy on payment to vendors is to pay within the 35-day time period required by statute.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-11 Ditch Special Revenue Fund - Equity Balance Deficits

As of December 31, 2007, 27 of the 109 individual ditch systems had deficit unreserved, undesignated fund balances totaling \$213,336. Minn. Stat. § 103E.735, subd. 1, provides that a repair fund may be established for any ditch system, not to exceed 20 percent of the assessed benefits of the ditch system, or \$40,000, whichever is larger.

We recommend the County eliminate these deficits in individual ditch systems by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus cash balance to provide for the repair and maintenance costs of a ditch system.

Client's Response:

In 2008, one-year ditch repair liens were levied.

00-2 Capital Asset Accounting System

Governmental Accounting Standards Board (GASB) Statement 34 requires governments to include capital assets, including infrastructure assets, on the statement of net assets and to report depreciation expenses for those assets on the statement of activities. In addition, capital outlay expenditures in a governmental fund's statement of revenues and expenditures are eliminated in the statement of activities.

The capital asset accounting system should be interfaced with the general ledger so that the capital asset inventory can be updated automatically on an ongoing basis. The general ledger should contain features that prompt the user to provide the additional information when expenditures are recorded to capital outlay accounts. These features will assist the County in complying with the requirements of GASB Statement 34.

The County's current capital assets system is not interfaced with its general ledger; therefore, capital assets purchased are not recorded in the capital asset system when the expenditures are recorded in the general ledger. Generally, purchases of capital assets are recorded manually on the capital asset system after year-end. At that time, County personnel analyze all capital outlay and maintenance expenditure accounts for additions and obtain corroborating information from departments to determine total assets purchased.

We recommend that the County Board take steps to have the capital asset system interfaced with the general ledger.

Client's Response:

Kandiyohi County continues working towards having the capital asset accounting system interfaced with the general ledger.

ITEM ARISING THIS YEAR

07-9

Credit Card Policy

The County does not have a comprehensive credit card policy. Minn. Stat. § 375.171 authorizes and restricts the use of credit cards by counties. County credit cards should be used only by those officers and employees of the county otherwise authorized to make county purchases. Use of the credit card is restricted to purchases for the county; therefore, no personal use is permitted. The statute provides that if officers and employees make purchases for the county that are not approved by the county board, they become personally liable for the amount of the purchase.

Minn. Stat. § 375.171 further requires that a purchase by credit card must be consistent with other state law. For example, Minn. Stat. § 375.17, subd. 2, requires the publishing of an itemized account of amounts paid. The bills received from a credit card company may lack sufficient detail; therefore, the county must also have the invoices and receipts needed to support the items charged in the bill from the credit card company.

The County Board must pay off credit card charges on a monthly basis in order to comply with Minn. Stat. ch. 475 involving the creation of debt.

We recommend the County Board develop a comprehensive credit card policy that is consistent with statutes and that provides other safeguards for the County. A comprehensive policy should:

- identify the officers and employees who are authorized to make purchases on behalf of the County and are eligible to use the card,
- identify the types of purchases that are to be made with the credit card,
- set up a review process for all purchases made with the credit card,
- prohibit the use of a County credit card for personal purposes, and
- require supporting documentation.

Client's Response:

Kandiyohi County's policy is to pay off all credit card charges on a monthly basis and to attach vendor invoices to the credit card statement. Kandiyohi County's Administrator is developing a comprehensive credit card policy for board review and approval.

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage

pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statement, accounting for OPEB is now similar to the accounting used by governments for pension plans.

In 2008, the legislature enacted a new law, Minn. Stat. § 471.6175, intended to help local governments address their OPEB liability in at least three important ways:

- it allows governments to create both irrevocable and revocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both irrevocable and revocable OPEB trusts; and
- it also permits governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

Some of the issues that the County Board will need to address in order to comply with GASB Statement 45 are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to comply with the new legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;
- if an OPEB trust will be established, the County will have to decide whether to establish an irrevocable or a revocable trust, and report that trust appropriately in the financial statements; and

Schedule 14
(Continued)

- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

GASB Statement 45 would be applicable to Kandiyohi County for the year ended December 31, 2009.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Commissioners
Kandiyohi County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 15, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Kandiyohi County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2007, as described in our report on Kandiyohi County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kandiyohi County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-8, 06-1, and 07-1 through 07-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 06-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kandiyohi County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Kandiyohi County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 96-1, 96-3, and 07-6 through 07-8.

Also included in the Schedule of Findings and Questioned Costs are management practices comments and an other item for consideration. We believe these recommendations and information to be of benefit to Kandiyohi County, and they are reported for that purpose.

Kandiyohi County's written responses to the significant deficiencies, the material weakness, legal compliance findings, and management practices comments identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Kandiyohi County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

January 15, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Kandiyohi County

Compliance

We have audited the compliance of Kandiyohi County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Kandiyohi County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Kandiyohi County's financial statements include the operations of the Kandiyohi County Housing and Redevelopment Authority (HRA), a component unit, which expended \$1,112,511 in federal awards during the year ended June 30, 2007, that are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the HRA because other auditors were engaged to perform a separate single audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kandiyohi County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Kandiyohi County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Kandiyohi County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in Kandiyohi County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency and material weakness.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-5 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Kandiyohi County's

internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-5 to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 15, 2009. We did not audit the financial statements of the Kandiyohi County HRA discretely presented component unit for the year ended June 30, 2007. Those statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kandiyohi County's corrective action plan to the federal award finding identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plan and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Kandiyohi County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

January 15, 2009

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 15

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Direct		
Conservation Reserve Program	10.069	\$ 15,720
Passed Through Minnesota Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	247,605
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for Food Stamp Program	10.561	19,915
Total U.S. Department of Agriculture		\$ 283,240
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	\$ 1,159,298
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	38,092
Minimum Penalties for Repeat Offenders for DWI	20.608	36,035
Total U.S. Department of Transportation		\$ 1,233,425
U.S. Environmental Protection Agency		
Passed Through Minnesota Department of Employment and Economic Development		
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 959,571
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Immunization Grants	93.268	\$ 1,800
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	239,342
Maternal and Child Health Services Block Grant to the States	93.994	53,605
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	8,839
Temporary Assistance for Needy Families (TANF)	93.558	647,536
Child Care and Development Block Grant	93.575	435,725
Foster Care Title IV-E	93.658	278,293
Social Services Block Grant Title XX	93.667	332,643
Chafee Foster Care Independence Program	93.674	13,500
Block Grants for Community Mental Health Services	93.958	8,437
Total U.S. Department of Health and Human Services		\$ 2,019,720

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Schedule 15
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 18,050
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	22,064
Homeland Security Grant Program	97.067	11,377
Total U.S. Department of Homeland Security		\$ 51,491
Total Federal Awards		\$ 4,547,447

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Kandiyohi County. The County's reporting entity is defined in Note 1 to the basic financial statements. The schedule includes \$959,971 of expenditures related to the Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458) (Clean Water Capitalization Loan) which was recorded in the County's Capital Projects Fund as loan proceeds rather than as revenue. The schedule does not include \$1,112,511 in federal awards expended by the Kandiyohi County HRA component unit, which had a separate single audit performed by other auditors.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. During 2007, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.